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House of Representatives

The House met at 9 a.m.

MORNING HOUR DEBATES

The SPEAKER. Pursuant to the order of the House of January 21, 1997, the Chair will now recognize Members from lists submitted by the majority and minority leaders for morning hour debates. The Chair will alternate recognition between the parties, with each party limited to not to exceed 30 minutes, and each Member except the majority and minority leader limited to not to exceed 5 minutes.

The Chair recognizes the gentleman from Michigan [Mr. BONIOR] for 5 minutes.

UNFAIR LABOR PRACTICES CHARGE UPHELD BY FEDERAL COURT

Mr. BONIOR. Mr. Speaker, I want to show a headline in the Detroit Sunday Journal. It says, ''Guilty, Judge Rules Paper Calls Strike. Ten Unfair Labor Practices Charge Upheld.''

For almost 2 years now, over 2,000 families in Detroit have been on strike or have been locked out by the two largest newspaper chains in the country, the Detroit News and the Detroit Free Press, represented by Gannett and Knight-Ridder, 2,500 families, not able to support their families, feed their families, live a normal life. This strike has torn apart our community.

But it is the community that came together over this period of time culminating in the verdict that was handed down by this Federal judge that said that these two large national corporations, Knight-Ridder and Gannett, violated, violated and were guilty of breaking the law and unfair labor practices.

What was the response to that? Well, the response, Mr. Speaker, was that last weekend Action Motown put together a teach-in at Wayne State University that was packed, overflowing crowds. The next morning we went out and we protested at the homes of the CEO's who lived in Grosse Pointe. We protested at the police station in Sterling Heights, MI, where those police officers engaged in brutality against the workers who were striking at the plant.

Then, Mr. Speaker, after these actions, over 100,000 people, we expected 50,000, but over 100,000 came out and marched in the streets of Detroit culminating in a rally in downtown Detroit where speakers from all over and workers from all over the country came. They came from Hawaii; farm workers came from California; steelworkers came from Pennsylvania; teachers came from New York, standing together in solidarity with their brothers and sisters who are trying to give their children the hope and the dignity of being afforded the opportunity to be represented in this society.

We are losing our economic democracy, if we indeed have ever had it in this country. Little by little, benefits for people are being chipped away. They are being taken away in terms of health benefits. Mr. Speaker, 3,500 kids a day in America lose their health insurance because these types of corporations, the transnationals, the multinationals, the big corporations, are dropping health insurance. They are losing their pension benefits. Wages for 80 percent of our people in this country have been frozen for about the last 20 years. The top 20 percent are doing well, but the rest are lagging behind.

So, Mr. Speaker, we said in this march and in this rally that we are coming together. It is happening all over the country. It is an untold story out there that people are organizing, whether it is in California with the strawberry workers or the poultry workers in North Carolina. Mr. Speaker, whether it is textile workers in the South or manufacturing workers or steelworkers in West Virginia or Ohio, or those at Caterpillar in Decatur and in western Illinois, people are coming together to recognize what is happening in this economy. Those in the top are doing very, very well, but the other 80 percent of America is struggling.

So, I want to commend those who put on Action Motown, those who came together to organize on behalf of their brothers and sisters. They made a difference. They made a big difference. The Free Press' and the News' circulation has dropped by more than 50 percent since the strike began. Since the strike began, it has dropped more than 50 percent. They have lost over a half a billion dollars.

When people act in unison, they have power. What we have to do is empower the people, the workers. They have a voice and they should be heard and they were heard this past weekend.

So, I want to say to the Tom Bray's and the Joe Stroud's and the Jaske's and the Vega's and the Giles's and all the top executives at Knight-Ridder and Gannett: Obey the law, obey the law; you have been found guilty. Put those people back to work so they can take care of their families so we can bind the wounds in our community.

Mr. Speaker, this is not me speaking; these were community leaders that were there. There were religious leaders there. There were labor leaders there. There were people who want to bind the wounds in our community. Obey the law. They were proven guilty. They should obey the law and put these people back to work.

TRIBUTE TO IDAHO NATIONAL GUARDSMEN KILLED OR INJURED IN FLOOD RELIEF EFFORTS

The SPEAKER pro tempore (Mr. COLLINS). Under the Speaker's announced

policy of January 21, 1997, the gentleman from Idaho [Mr. CRAPO] is recognized during morning hour debates for 3 minutes.

Mr. CRAPO. Mr. Speaker, in recent weeks, Idahoans have banded together to save homes and neighborhoods and communities from encroaching flood waters. We face what is literally the flood of the century and maybe the flood of the last 200 or 300 years.

But, Mr. Speaker, I am saddened to report that last week during the assistance efforts, two Idaho Air National Guardsmen were killed and one seriously injured when the helicopter they were in crashed. Maj. Don Baxter and 1st Lt. Will Neal were killed when the helicopter they were in went down. CWO Shelby Wuthrich survived the crash and was pulled from the wreckage by a local citizen, Sherry Lang.

Major Baxter had just taken command of the Idaho National Guard operations to assist in the flooded areas. His brother tells me that Don died doing what he loved most, flying and serving other people.

Will Neal also was an exemplary guardsman and was enthusiastic about assisting others in trouble. I was able to visit with Shelby in the hospital this last weekend, and the doctors are still determining the extent of his injuries and rehabilitative efforts; but he has a tremendous will and spirit, one that will help him to come to resolution with this tragedy.

I also want to commend all the others who responded to the crash site. Their quick response is a strong testament to the community's spirit.

The thoughts and prayers of all Idahoans are with the families of these three men. They were performing a great service, working for the good of the community and helping others in trouble when this tragedy occurred. I know that all the Members of the U.S. House of Representatives will join me in sending their prayers and in keeping their thoughts and prayers focused on these men and sending our condolences to the Baxter, Neal, and Wuthrich families. Truly, this is the kind of rugged individualism, the kind of integrity and character that Idahoans and Americans exemplify when facing disaster threats.

AMERICANS FAVOR TAX RELIEF FOR MIDDLE CLASS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from California [Mr. MILLER] is recognized during morning hour debates for 3 minutes.

Mr. MILLER of California. Mr. Speaker, later this week, this Congress will make a choice about the future of America. As we debate the tax bill, we will have to make a choice between the Republican plan that assumes that the rich do not have enough money and that working families have too much, or we can choose the Democratic plan that believes what we ought to do with the tax cuts is try to help working families educate their children, take care of their children, provide for child care, and reinvest in America. Those are the two visions: The Republican plan that will give people who earn more than $250,000 an average benefit of $27,000 and will cost people that are earning $17,000, $18,000, and $20,000 real money.

That is the difference in a vision of America. To take people who now have done very well in the stock market and decide that, when they had no expectations of capital gains, we should provide them a reduction on the profits that they make, while we should not provide tax relief to low-income working Americans.

That is the choice and a vision of America. We have got to decide whether or not we are going to use the resources that we have saved as a result of the balanced budget efforts that we have made over the last 5 years, whether or not those should be shared with working families in this country, or whether or not they ought to be lavished on the rich who simply do not need it. It is a matter of how we use those resources and how we promote families.

We clearly know in this Congress what the American people want. They have said it over and over again in the polls that they want us to use the resources of the country to improve the educational opportunities for their children, to reduce crime, to protect the Medicare benefits for the elderly, and to balance the Federal budget. But that is not the choice that the Republicans are taking this week.

In fact, what they are doing is racing to pay back those who have supported their campaigns by lavishing reductions in capital gains tax, estate tax and getting rid of the corporate alternative minimum tax which says that for those large corporations that have huge write-offs, even they must pay something for the privilege of being in America. Then we will go back to the days when corporations pay no taxes no matter how much money they make. That is not equity. That is not fairness. That is the not the choice of the American people.

Mr. Speaker, we need to provide more equity, we need to provide more fairness. The No. 1 thing that the Americans demand of their Tax Code is fairness so that we know that everybody is contributing their fair share to making this the greatest country in the world. But that is not what the Republican tax bill does. The Republican tax bill heads off in another direction. It decides that those who are the wealthiest, those who are the richest should get the most, and those who are working hard, young families to raise children, should get the least. Somehow that just is not fair.

TAX CUTS SHOULD GO TO MIDDLE CLASS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentlewoman from Michigan [Ms. STABENOW] is recognized during morning hour debates for 3 minutes.

Ms. STABENOW. Mr. Speaker, I rise also to strongly support the middle-class working families of my district in Michigan getting a tax cut at the end of this week. When all is said and done and we have debated fully the question of who should receive tax relief this week, my vote will be with the middle-class working families in my district.

Mr. Speaker, I am very pleased as a new Member from Michigan to have been a part of this historic balanced budget agreement, and in that agreement we carved out a net $85 billion to be given in tax relief. The question now before us is where that goes. While we came together in a bipartisan way on the issue of balancing the budget, we now see great philosophical differences as to where to put tax relief. This is where the big split in terms of vision between the parties comes.

The Republicans voted a bill out of committee that targets the relief, the majority of the relief, to those receiving more than $250,000 a year with the outdated notion that, if you give to the wealthy, it will trickle down to all of us. That happened in the 1980's and did not work.

The policies of the 1990's under President Clinton have been to focus dollars directly into the pockets of middle-class workers and those who are working hard to get into the middle class, and I truly believe that is how we provide economic stimulus in the country and that is how we make sure that those who need tax relief receive it.

Mr. Speaker, the people in my district would like some tax relief help in sending their children to college. They want to make sure once they are there, they are not penalized; that they can protect the equity in their home and, if they sell it, they will not be taxed. They are concerned about child care for their children, that they receive some help for child care; that if they have a small business that they have worked all their life for, that the capital gains relief will be targeted to small businesses; and, if they pass away, that the estate tax relief will be targeted to small businesses, family-owned businesses and family-owned farms.

Mr. Speaker, I want very much to take that tax relief and put it directly in the pockets of people who are working hard to care for their families, working hard for a good quality of life and people who have worked hard all of their lives to contribute to create jobs in the community and to contribute to a business or a family-owned farm. That is the way we will keep this economy in America going. If we do not have a strong middle class, we will not have a strong economy.

The people in my district are tired of seeing the majority of tax breaks go to those at the top. People working hard every day deserve tax relief, and I am going to be fighting all this week to help make sure that they are the ones that receive it.

DEFICIT REDUCTION

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from Michigan [Mr. STUPAK] is recognized during morning hour debates for 3 minutes.

Mr. STUPAK. Mr. Speaker, when I first got here back in 1993, it was August of 1993, the Democratic President and the Democratic House put forth a deficit reduction plan. At that time we did not receive any votes from our friends on the other side of the aisle. We received no Republican votes.

Mr. Speaker, that deficit reduction plan that we passed in 1993 has worked. The deficit of this country was 290-some billion dollars. We are now down to $67 billion. We are on the verge of finally balancing this budget. Many of us feel, since we are so close to balancing this budget, that there should be no tax breaks until we actually balance the budget. Unfortunately, because of agreements made, we are going to have a balanced balance agreement, at least we have a blueprint, and now we can see the problems developing in that blueprint. Now we have two tax bills. One would give huge breaks to the wealthiest 5 percent of this country while working families struggle to make ends meet.

Mr. Speaker, underneath this 5-year balanced budget plan we have one bill for entitlement reform and one bill for tax breaks. But if we are going to give tax breaks, they must be limited, they must be targeted, and they must benefit families. Unfortunately, the GOP tax plan benefits the wealthiest 5 percent of this country. By that I mean those people who make more than $250,000 a year.

On Monday, Mr. Speaker, the New York Times warned that the GOP plan would, and I quote, ''Shower tax cuts on the Nation's wealthiest families.'' But as conservative political commentator Kevin Phillips, who worked in the Reagan White House, warned last week, he said that the Republicans are determined, quote, ''to slash the capital gains tax, the estate tax, the corporate alternative minimum tax, and some other provisions important to those people who write campaign checks.'' He said that on the Morning Edition of National Public Radio on June 19.

Last Sunday, this past Sunday, President Clinton urged Republicans instead to work with Democrats and pass a tax bill that, quote, ''meets the real needs of middle-class families providing help for education, for child rearing, and for buying and selling a home. That is the kind of targeted tax relief we should have.''

Unfortunately, Mr. Speaker, the Republican tax bill has and will have a devastating impact on working families. This week we are probably going to have this debate even more on the House floor. This week the Center for Budget and Policy Priorities finds that the combined GOP tax bill and budget bill gives a $27,000 a year annual windfall to the top 1 percent of this country. The top 1 percent gets a $27,000 windfall, and the bottom 20 percent of American families will lose, will lose, Mr. Speaker, $63 under the Republican tax plan.

TAX FAIRNESS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from Massachusetts [Mr. OLVER] is recognized during morning hour debates for 3 minutes.

Mr. OLVER. Mr. Speaker, in the next few days we are going to learn something about tax fairness here in America. We are going to learn something about the heart and soul of the two major political parties, my party, the Democratic Party, and the other party, the Republican Party. We are going to learn who each of those parties defends and who each of those parties serves and who each of those parties is willing to fight for.

Mr. Speaker, almost 2 months ago, the President and the budget leadership from the two major parties reached agreement on a balanced budget by the year 2002, and they agreed on a tax cut, to boot, in that process. Now there is a lot of disagreement as to exactly who is supposed to get that tax cut, but the amount of the tax cut is agreed upon by both parties over a 5-year period and a 10-year period.

Let me put that at family level. There are roughly 100 million families in America, and the agreement calls for roughly $100 billion of tax cut over 5 years. That is roughly $1,000 per family.

Now, the Democratic Party and the Republican Party have different plans for how that tax cut is supposed to be given to the American people, and I want to compare the Republican plan with the Democratic plan by treating 20 families, just 20 families across the income scales, from the lowest income level to the highest income level, where under the agreed plan there is roughly $2,000 to be distributed to 20 families.

Mr. Speaker, in the Republican plan, the highest income single family among those 20 families, out of the $20,000 that is to be distributed, would get about $8,000 out of that. And if we add the next three families to it, so we have the four highest income families out of the 20 spread across the whole spectrum of American life, they would get almost two-thirds of the tax reduction. Four families out of 20, 20 percent of the families, would get two-thirds of all of the tax reduction.

In the Democratic plan those same four families would get $6,000 among those four families, or about 30 percent of the tax reduction. At the other end of the scale, the eight families at the lower end of the income brackets, which represent 40 percent of all Americans, they would get zero out of the Republican tax reduction plan. In the Democratic tax reduction plan, they would get almost 25 percent of the tax reduction.

TAX BREAKS FOR THE WEALTHY

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from New Jersey [Mr. PALLONE] is recognized during morning hour debates for 3 minutes.

Mr. PALLONE. Mr. Speaker, sometimes a cartoon says it all, and over the weekend a cartoon appeared in the Home News and Tribune and the Asbury Park Press in New Jersey and its message was right on target. It shows two characters from the TV show ''The Simpsons'' both reading the newspaper with the headline, ''GOP Tax Plan''; but Mr. Burns, as a representative of the rich, says, ''Excellent,'' while Homer Simpson, as the symbol for the middle class, can only respond by saying ''Duh.''

This really sums up the way the American people will react to the tax bill being pushed by our Republican colleagues. If taxpayers happen to be wealthy, if they are somebody who does not have to worry too much about making ends meet or paying for their kids's education, then this plan is for them. If, on the other hand, they are part of the vast majority of the American people in the middle class or the lower end of the income scale and they could use a little help, well, under the GOP plan they are just out of luck.

Another generalistic analysis appeared in yesterday's New York Times under the headline ''Study Shows Tax Proposal Would Benefit the Wealthy,'' with the subhead, ''Wider gap is seen between rich and poor.'' The Times reports that the 5 million wealthiest families in our country would gain thousands of dollars, while the 40 million families with the lowest incomes would actually lose money, with the effect of widening the already growing gap between the richest and the poorest families as a result of the Republican tax plan.

The Times article cites a study that was conducted by the Center on Budget and Policy Priorities of the tax plan approved by the Republicans last month in the House Committee on Ways and Means. And although the Committee on Ways and Means' Republican staff disputes the Center's study, the Republican staff calculations conveniently cover only the first 5 years before the big tax breaks for the wealthy start to kick in well into the next century.

The rapid growth of these provisions favoring the wealthy, phased in later

to hide their true extent, indicates that the revenue cost for this Republican tax scheme will explode in the outyears threatening not only the balanced budget that the Republicans claim to support, but also threatening vulnerable programs such as Medicare and Medicaid.

Mr. Speaker, I have to say that far more outrageous than these tax breaks for the wealthy is what the Republican tax plan does to the least affluent working families, those struggling just to get in or stay in the middle class. The Republican bill denies a $500 child tax credit to more than 15 million working families because it does not let them count the credit against their payroll taxes. Those are the taxes that are deducted from a worker's paycheck.

Some of our Republican colleagues have claimed that working families who qualify for the earned income tax credit are welfare recipients and, Mr. Speaker, this is an outrage. The people who qualify for the earned income tax credit are working people, as the words ''earned income'' attest.

No less a conservative than Ronald Reagan himself praised the EITC as a great incentive for helping people make the transition from welfare to work. And I have to say, Mr. Speaker, this week we are trying to illustrate, as Democrats, in human terms the implications of the Republican tax scheme.

I have in New Jersey a woman named Debra Hammarstrom, a resident of Toms River, New Jersey. She is the divorced mother of two children. I am going to continue this later, Mr. Speaker, because I am very opposed to this tax plan.

HOW RELIABLE IS THE CONSUMER PRICE INDEX?

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentleman from Florida [Mr. STEARNS] is recognized during morning hour debates for 5 minutes.

Mr. STEARNS. Mr. Speaker, I rise today to talk about something that has received a great deal of attention today, and that is the consumer price index, or CPI. Basically, what I am doing today is calling for a hearing here in Congress so that we may better understand it.

The CPI is known to most Americans as the most notable measure of inflation. A number of Federal Government programs are regularly adjusted to account for changes in the CPI, including the Social Security, veterans' benefits, Federal retirements, and the income tax rate schedule. The CPI is also employed in the private sector as a price or lease escalator.

Unfortunately, the CPI, which has so many important consequences for all Americans, is also greatly misunderstood. Most Americans do not know what the CPI stands for, much less how it is calculated and what its consequences are.

As a matter of brief instruction, the CPI is a Bureau of Labor Statistics measure of inflation. Established by the BLS in 1913, the CPI is based on a number of sample surveys. The surveys estimate the purchasing power and patterns of typical households, the shopping patterns, the prices on goods and services purchased by these households. In short, it is a Labor Department check on 71,000 different items at 22,000 different retail outlets.

Because of its enormous base and its political neutrality, the CPI has always been considered reliable. As a result, the CPI permeates every aspect of our daily lives and is embedded in nearly every essential Federal budgetary matter. It is estimated that changes in the CPI affect the incomes of over 70 million Americans.

Mr. Speaker, given this far-reaching effect, consensus over the accuracy of the CPI results in inevitable turmoil. All of a sudden Americans are either richer or poorer, benefits are either overstated or understated, income taxes are maladjusted, the poverty line is incorrect, and on and on and on.

Such a scenario is not only confusing but troubling. Unfortunately, such is the current climate. Last year the celebrated Boskin Advisory Commission issued a Senate-ordered report that estimated the CPI overestimates inflation by 1.1 percent per year. Instantly, Americans are wealthier, taxes are too low, the economy has been growing faster than we thought, and the budgetary world is just a little bit rosier.

Or is it, Mr. Speaker?

Certainly, the CPI is not perfect. How can the commission measure inflation without an error? The answer is simple. They cannot. It is generally understood that the CPI is not perfect, that it does, in fact, overstate inflation to some degree. Nevertheless, it is foolish to assume that the error is fixed at 1.1 percent. Probably it is much lower some years; much higher in other years.

The CPI is a complex measure of the real rate of inflation. As such, it is not an accurate cost-of-living measure. Put simply, the CPI is not subjective, while the cost or benefit of living is.

Economists cannot put a price or a cost on quality-of-life issues. For example, it is obvious that medical care is more expensive than it was 30 years ago, but it is also better. Diseases are better understood and easier to diagnose. Surgery is less dangerous and we simply live longer and healthier lives. So while the costs may have increased, so did the benefits or goods.

In simple terms many of the goods, although the same in theory, are truly quite different; a comparison of apples to oranges.

This is just one of a number of apparent blind spots on the CPI, blind spots that are recognized by everyone including the Boskin Commission. So while the Boskin report certainly recognizes deficiencies of the CPI, it also notes the folly in attempting to put an exact figure in the change in the cost and quality of living. Those who point to the report as evidence of a need to adjust the CPI are quick to point to the CPI's admitted deficiencies, but are slow to point out that the discrepancy is inherently subjective and impossible to calculate.

Lawrence Katz, a Harvard University economist and the former top economist at the Labor Department, warns against quick adjustments in either direction. He warns that it is ''logically inconceivable'' that the bias has been a consistent 1.1 percent for an extended period of time. In other words, inflation and the standard of living are going up but not at the same rate and not even at the same pace.

To say the least, we should be very careful about what we are doing. It would be far better for our country if we were to return the debate surrounding CPI revision to the economists and to the universities where it belongs. Congress should instead address the real problems that face our Nation by balancing the budget and paying off the national debt.

Nevertheless, Mr. Speaker, I urge my colleagues to consider and to study the CPI in great depth and, Mr. Speaker, I call for a hearing here in Congress so that the American people can better understand the experts.

WHO BENEFITS FROM THESE TAX CUTS?

The SPEAKER pro tempore. Under the Speaker's announced policy of January 21, 1997, the gentlewoman from Connecticut [Ms. DELAURO] is recognized during morning hour debates for 5 minutes.

Ms. DELAURO. Mr. Speaker, this is an important week in the House of Representatives. There is going to be a discussion and a debate and a vote on a tax cut. Democrats and Republicans are supporting tax cuts. I will repeat that. Democrats and Republicans are supporting tax cuts. The issue and the discussion and the debate will be about, from these tax cuts, who benefits? Who are the people in this country who are going to be the beneficiaries of this tax relief or these tax cuts?

In fact, Mr. Speaker, there is a difference between the Republican tax cut proposal and the Democratic tax cut proposal. The Republican tax proposal hurts working, middle-class families. That is the truth, plain and simple. While my colleague on the other side of the aisle will stand in the well of this House and say otherwise, it is not, in fact, the truth.

Here are the facts about the Republican tax proposal. Let me just mention recent, within the last couple of days, newspaper articles that talk about these tax proposals. Quote: Before Congress votes on anything, however, it should get its facts right. The Republicans present bogus, false, bogus, wrong tables suggesting that their tax package is fair. The tables

stop before the cuts that favor the wealthy on capital gains, inheritance taxes, and retirement accounts take hold. The tables suggest that the middle-class reaps most of the benefits, but independent analysts say that about 50 percent of the cuts will go to the richest 5 percent of taxpayers.

Further newspaper account: The changes in Federal tax and benefit policies now working their way through Congress would eventually be worth thousands and thousands of dollars a year to the 5 million wealthiest families in America, while the 40 million families with the lowest incomes would actually lose money, a new study shows. The effect would be to widen the gap between the richest and the poorest families, a division that has been growing for the past 20 years.

Mr. Speaker, working and middle-class families are going to be given the short end of the stick from the Republican tax cut proposal. Two-wage-earner families who now have a child care tax credit, these folks are going to be penalized. These are two people in the work force who take advantage of a child care tax credit because they have to send their children for child care. They are going to be penalized by the Republican tax cut proposal.

The Republican bill hurts working families by denying minimum wage to those who are struggling to make the transition from welfare to work. Instead of being rewarded for work, people are going to be treated as second class citizens and not be paid the minimum wage. The Republican bill hurts students by providing $15 billion less for the education initiatives, for the HOPE scholarships, that were promised in the budget agreement. Middle-class working families are going to be hurt.

Mr. Speaker, who is benefiting from these tax cuts? Big business and the wealthy under the Republican tax proposal. It helps big business by scaling back something called the alternative minimum tax by $22 billion. This was a tax that was supposed to ensure that the largest corporations in this country pay at least some tax. But now the Republicans want to scale it back and phase it out completely for some businesses. That means that some businesses would have a zero tax obligation.

Further, over half of the benefits, as I have said, go to the top 5 percent of America. These are the facts. Again, Mr. Speaker, do not take my word. Republican pundit Kevin Phillips, a conservative political commentator, has said, ''Republicans are determined to slash the capital gains tax, the estate tax, the corporate alternative minimum tax and some other provisions important to the people who write the campaign checks.'' Mr. Speaker, it clearly identifies who they want to help.

The Democratic package is focused on middle-class families. It provides the majority of its benefits to families who are making less than $100,000 a year. It also includes $37 billion for tax credits to help students to pay for college. It provides relief to small businesses, homeowners, and farmers in the form of targeted capital gains and estate tax cuts. Finally, the bill does not allow for the explosion of the deficit in later years.

Mr. Speaker, in this budget debate, it is clear whose side the Republicans are on: big business and the wealthy. In fact, it is the Democrats who can say and stand with pride and talk about how we are trying to provide tax relief for those people, working middle-class American families, who every single day are getting up and going to work and paying taxes and therefore need to have tax relief so that they can afford to raise their kids, educate them, pay for their health care, and help to pay for their retirement security.

RECESS

The SPEAKER pro tempore. There being no further requests for morning hour debates, pursuant to clause 12, rule I, the House will stand in recess until 10 a.m.

Accordingly (at 9 o'clock and 37 minutes a.m.) the House stood in recess until 10 a.m.

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AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore [Mr. RADANOVICH] at 10 a.m.

PRAYER

The Chaplain, Rev. James David Ford, D.D., offered the following prayer:

Help us, O God, to experience anew the gift of Your blessing so that each hour becomes an hour of grace and each day becomes a day when our spirits are refreshed. Enable us, O gracious God, to put aside the burdens and difficulties and errors that have held our spirits captive and free us to be good custodians of the resources of our land and be faithful guardians of the worth of every person. With gratefulness and with thanksgiving, we offer these words of prayer. Amen.

THE JOURNAL

The SPEAKER pro tempore. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

Mr. HEFLEY. Mr. Speaker, pursuant to clause 1, rule I, I demand a vote on agreeing to the Chair's approval of the Journal.

The SPEAKER pro tempore. The question is on the Chair's approval of the Journal.

The question was taken; and the Speaker pro tempore. announced that the ayes appeared to have it.

Mr. HEFLEY. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Pursuant to clause 5 of rule I, further proceedings on this question are postponed.

The point of no quorum is considered withdrawn.

PLEDGE OF ALLEGIANCE

The SPEAKER pro tempore. Will the gentleman from Ohio [Mr. TRAFICANT] come forward and lead the House in the Pledge of Allegiance.

Mr. TRAFICANT led the Pledge of Allegiance as follows:

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

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore. The Chair will entertain ten 1-minutes from each side of the aisle.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 1515

Mr. JACKSON of Illinois. Mr. Speaker, I ask unanimous consent to remove my name as a cosponsor of H.R. 1515, the Expansion of Portability and Health Insurance Coverage Act of 1997.

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

There was no objection.

CHINA MFN

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

Mr. GIBBONS. Mr. Speaker, I rise this morning to urge my colleagues to join me in support of House Joint Resolution 79, to disapprove the extension of most-favored-nation status to China.

The Chinese have enjoyed most-favored-nation status for more than 17 years, yet they continue to turn a blind eye to unspeakable human rights violations; they continue to proliferate weapons of mass destruction to countries such as Pakistan and Iran and other countries which support terrorism. They continue to blatantly violate our existing trade agreements. Still, there are those who would argue that the way to solve these problems is to extend MFN status and to maintain the status quo.

Mr. Speaker, we have tried leading by example and the Chinese Government has made it abundantly clear that they are not willing to change. Mr. Speaker, Americans should not be forced to accept the cavalier conduct of the People's Republic of China. I rise to urge my colleagues to vote yes on House Joint Resolution 79.

ALS RESEARCH

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

Mr. CAPPS. Mr. Speaker, yesterday, along with my colleague, the gentleman from New York [Mr. GILMAN], I introduced a bill to help persons suffering with ALS, or as it is more commonly known, Lou Gehrig's disease.

ALS is a progressive disease that currently afflicts 30,000 Americans each year. Our bipartisan bill will make Medicare more accessible to them, covering drugs to treat ALS symptoms. The bill will also double Federal funding for research.

The terrible nature of ALS was brought home to me recently through a very close friend of mine, Tom Rogers of Santa Barbara, CA, who is courageously fighting this disease. Tom was an inspiration to me well before this ever happened, but he is an able and compelling legislator whose heroism during this time has been an inspiration to our entire community.

It is to my good friend Tom Rogers and others suffering with ALS across the country that the gentleman from New York [Mr. GILMAN] and I dedicate this effort. Mr. Speaker, I ask my colleagues to support this critically important legislation.

IN SUPPORT OF THE BUDGET RECONCILIATION PACKAGE

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

Mr. BLILEY. Mr. Speaker, I rise today to speak in favor of both the balanced budget and tax cuts. In other words, I am here to speak in favor of the reconciliation package which we will be considering later this week.

Before Republicans took control of Congress, it was thought impossible to both balance the budget and cut taxes. However, this week we will begin to consider the excellent tax bill of the gentleman from Texas, Chairman Archer, which accomplishes both objectives. This bill provides for a $400-per-child tax credit next year which will increase to $500 per child in 1999.

My colleagues remember this $500-per-child tax credit, do they not? It is the same tax cut that President Clinton campaigned on in 1992 just before he passed, without one Republican vote, the largest tax increase in American history. It is also the same tax cut which Republicans campaigned on in the Contract With America in 1994. However, unlike the President, we made good on our promises. We made good last year, when the President vetoed the first balanced budget in more than 25 years and we are making good on this promise this week when the House votes on the spending reconciliation bill.

TAX CUTS SHOULD TARGET WORKING FAMILIES

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

Mr. MCGOVERN. Mr. Speaker, this week Congress will be voting on two very different tax proposals, a Republican bill and a Democratic bill. As we debate the substance of these bills, we must answer a very simple question: Who benefits?

The Republican tax bill directs nearly 60 percent of its benefits to the top 5 percent of all taxpayers, those with an average income of $250,000. At the same time, the GOP bill eliminates the minimum tax that corporations are required to pay, denies the per-child tax credit to 15 million working families, and skimps on tax relief for college students. The New York Times has noted that the Republican bill ''barely eases the strain on middle-class families, while showering the rich with benefits.''

I support the Democratic alternative tax cut. The Democratic tax cut targets nearly three-fourths of its benefits to middle-income working families, those with incomes less than $58,000 per year. Most important, it provides the full $1,500 education tax credit that President Clinton has requested.

Mr. Speaker, I urge my Republican colleagues to abandon their massive windfall for the wealthy, and to target tax cuts to the middle-income working families who deserve a break.

FIGURES PUBLISHED BY JOINT COMMITTEE ON TAXATION

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

Mr. HUTCHINSON. Mr. Speaker, every time there is a tax cut proposal, Republicans stand up and explain that the tax cuts would mainly go to the middle class, while the liberals argue exactly the opposite, that the tax cuts go mainly to the rich. Who is right?

I will explain the arguments and let the American people decide. According to Republican figures and according to the figures published by the nonpartisan Joint Committee on Taxation, 76 percent of the tax cuts in the Republican tax cut proposal go to people earning less than $75,000. I will repeat that. Seventy-six percent of the tax cuts go to people earning less than $75,000 a year.

Now, it is important to look at the assumptions used in this calculation. If the household earns $75,000 a year, that should be scored as a household earning $75,000. But according to liberal thinking, and scoring using tricks and bogus numbers, a household only earning $45,000 a year is scored as earning $75,600 per year. That is imputed earnings that cooks the numbers. Now, you decide who is right.

IRS MICROMANAGING AMERICA'S UNDERWEAR

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

Mr. TRAFICANT. Mr. Speaker, an IRS manager in Florida has imposed a new rule: No cotton clothing below the waist. One IRS agent said, ''It is so hot down here, I am roasting my buns off.'' Unbelievable, the IRS is now micromanaging America's underwear. Think about it. Liens on leotards, the seizures of BVD's, foreclosures on pantyhose, on and on and on.

There is one good thing, Mr. Speaker: Now the IRS is finally getting a dose of their own medicine. How does it feel? How do they like losing their shorts, like the rest of us? Maybe now the IRS will realize that having your assets seized is not all it is cracked up to be, Congress.

In closing, I recommend the following therapeutic advice to the IRS: Take two aspirins and two trays of ice cubes down your jockey shorts and see what it is really like. You will have a better sleep and you will feel better in the morning.

LIBERAL DEMOCRATS, MEET SEINFELD

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

Mr. HEFLEY. Mr. Speaker, can my colleagues imagine a conversation between George Kastanza and Jerry Seinfeld about tax cuts? The level of absurdity would compare to what I am hearing on the House floor today about trying to give a tax cut to those who do not pay any taxes.

Now, everyone familiar with Seinfeld knows that George can have a rather warped view of reality at times and Jerry likes nothing better than to point out his distorted views. Can you just imagine out-of-work George, before he got hired by the Yankees, saying how he feels cheated because he is not getting a tax cut? Then Jerry would ask, ''How could that be?'' He would ask, ''How much taxes do you currently pay?'' And George would say, ''Zero.'' And Jerry would say, ''In other words, you pay no taxes but you want a tax cut.'' And George would say, ''Exactly.'' And that is when Jerry would say, ''Oh, boy.''

And there we have it: Liberal Democrats, meet Jerry Seinfeld.

REPUBLICAN TAX PLAN BENEFITS WEALTHY

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

Mr. MILLER of California. Mr. Speaker, I think the Republicans have finally discovered what their tax cut plan does and they are going through

contortions this morning to try to explain it otherwise.

As the New York Times said yesterday, the study shows that the proposal would benefit the wealthy. Five million of America's wealthiest families would get most of the benefit, and 40 million working families would lose money at the end of the year or get little or no benefit.

These are families who wake up and go to work every morning and try to provide for their family and pay taxes. But under the Republican plan, they would not be entitled to share in the tax cut, they would not be entitled to share in the benefits of the struggle to balance the budget in this country.

Instead, what the Republican plan would do and what every study shows, it would take most of the money and give it to families who are earning over $250,000 a year, who would get $27,000 in benefits. In fact, they would get more benefits than the salary of the 40 million families at the lower end.

TAXPAYERS OF AMERICA WANT TAX RELIEF

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

Mr. JONES. Mr. Speaker, most Americans do not feel that they are getting good value for their tax dollar. If people felt that the Government used their tax dollar wisely, to benefit those that truly need the help, they would not resent paying their share of the taxes.

But when the Government takes more and more of our money each year and all we get in return are more failed programs, more Government waste, and more money that goes straight into the pockets of special interests, that is when the taxpayer feels cheated.

The liberals have forgotten that the average working family spends more on taxes than the same average working family spends on clothing, housing, and food combined. The taxpayers want to be sure that their hard-earned tax dollars are being spent wisely and that they are helping their fellow citizens, who truly need the help.

Mr. Speaker, the taxpayers of America deserve tax relief. It is time to give the taxpayers tax relief.

□ 1015

FICA TAXPAYERS SHOULD BE INCLUDED IN TAX RELIEF

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

Mr. HOYER. Mr. Speaker, I rise to talk about Jerry Seinfeld and George Kastanza and those people who do not pay taxes. The Republicans believe if you do not pay income taxes, you do not pay taxes. I ask 50 percent of the working Americans, hard-working Americans who only pay FICA, 7 percent off the top gross, ''Do you pay taxes?''

Mr. Speaker, I have three daughters, two of whom are in that category. They pay taxes. That is what the President is talking about. That is what Democrats are talking about. Yes, they ought to be included in tax relief, because those hard-working Americans are earning just enough to stay above water, and they need help; not the folks who are making $75,000, $150,000, $275,000 and $500,000. But in addition to that, Mr. Speaker, watch out. Watch out. Because what this tax bill does is it starts to really hit in the seventh year in terms of undermining our ability to get the deficit under control. In the second 10 years, it explodes in terms of tax benefits for the wealthiest in America and the deficit will be paid by the poorest working Americans in America.

AMERICA NEEDS TAX RELIEF TO REMAIN LAND OF OPPORTUNITY

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

Mr. TIAHRT. Mr. Speaker, few issues are more closely linked to the idea of freedom than the issue of taxation. If America is to remain the land of opportunity, it can only be so if the people are free, free from a government that stands in the way of Americans pursuing their dreams. My family came to Kansas as immigrants in 1893. They arrived virtually penniless. But they knew that through hard work, the sky was the limit. They followed the Kansas motto, ''Ad astra per aspera,'' to the stars through difficulty. Like others, they came to America to escape limits on their freedoms, whether religious, economic, or political, and they came to pursue their dreams.

But when a government takes more and more of the fruits of our labor, it becomes more and more difficult to pursue our dreams. The Government's power to tax Americans, to take away from our dreams, has grown too great. It is time to cut back on the Government's power. It is time to bring back the idea that America is the land of opportunity.

TAX CUTS FOR ALL AMERICANS

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

Mr. GEJDENSON. Mr. Speaker, the debate here is rather simple. The question is, as the elected representatives of the people of this country, is it our responsibility to make it easier for those who are walking into the showrooms where they sell Mercedes or people who are trying to buy a Ford Escort and send their kids to school?

If we listen to our friends in the majority party, the Republicans, they believe that we were sent here to cut taxes for the top 1 percent by tens of thousands of dollars. The estimates are in news reports that the top 1 percent will get a $27,000 tax cut while the bottom 20 percent will actually lose money on the proposal that came out of the Committee on Ways and Means.

Mr. Speaker, this country is the most productive, wealthiest country in the world because we have provided opportunity at all levels of our economy, not just continuously shifting the burden to the poorest working people in America. Tax cuts and making it easier for middle-class and working people are what this Congress ought to be about.

REJECT MFN FOR CHINA

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

Ms. ROS-LEHTINEN. Mr. Speaker, I urge my colleagues to reject most-favored-nation trade status for China. An increasing volume of evidence signals that this policy of engagement has failed to create democratic changes in China, nor has it helped our own national interest.

While we blindly extend MFN to China, that Communist regime continues its aggressive foreign policy. China challenges all measures of civilized international behavior. It has sold chemical weapons and missiles to terrorist nations. Domestically, the Communist regime that rules China continues to treat its citizens with ruthless brutality. Any type of religious events are brutally brought down by the regime. Catholic priests have been murdered; women are forced to have abortions.

Even President Clinton admits that the human rights situation has not improved despite assurances that engagement will improve the lives of the Chinese.

While China reaps the benefits from trade with the United States, we have a $40 billion trade deficit with Communist China with no evidence that it will decrease in the near future. Both Democrat and Republican administrations continue to stubbornly praise a one-way engagement by the United States. The United States can do much better.

COMPETING TAX CUT PROPOSALS

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

Ms. DELAURO. Mr. Speaker, the Democratic tax cut program says to families who work and who pay taxes, ''Yes, you are entitled to a tax cut, to a child tax cut.'' That is what we will provide for you. The Republican tax proposal says to the richest corporations of this country, ''We will lower your tax obligation and in fact many of you will have a zero tax obligation.''

That is what the Republican tax proposal says.

Do not take my word for it. Listen to conservative political commentator Kevin Phillips:

''Republicans are determined to slash the capital gains tax, the estate tax, the corporate alternative minimum tax, and some other provisions important to the people who write the campaign checks.''

Mr. Speaker, those are not my words but a conservative Republican political pundit who says those. In addition to that, tonight my Republican colleagues have scheduled a million-dollar fundraising dinner on the eve of the vote for their tax cut proposal. It makes perfect sense. Rich contributors will be able to thank the Republicans for crafting a program that helps them.

REPUBLICAN TAX PROPOSAL

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

Mr. MICA. Mr. Speaker, we hear countless speeches today about taxes. We hear that the debate over taxes is about fairness, it is about special interests, about the struggles of the middle class, about the American dream, about compassion and about justice. Yes, this debate is about all those things. But from my way of looking at things, this debate is principally about freedom. It is not a difficult concept. It is not an idea that requires an advanced degree or lengthy training. It is simply this. If you let people keep more of their own money, they will have more freedom to live their lives as they see fit. Letting people keep more of what they earn will allow Americans to save, to build a better future for themselves and their families, and to realize the American dream. That is what the Republicans have proposed. No more, no less.

PASS TAX RELIEF BILL FOR TAXPAYERS

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

Mr. WELDON of Florida. Mr. Speaker, I have heard of people with a poor sense of direction, but this is ridiculous. Apparently there are some people in Washington who cannot tell the difference between money that comes out of your pocket and to Washington, and money that comes from Washington and into your pocket.

Taxpayers send money to Washington. Washington sends money to people on welfare. In the first case, the direction of the money is out of your pocket. In the second case, the direction is into your pocket. A tax cut is when less money comes out of your pocket and goes to Washington. If no money is coming out of your pocket, you are not sending money to Washington, DC.

I almost feel I am in the middle of an idiot test. Taxpayers are never confused about the direction their tax money is going. Let us stop this nonsense about giving a tax cut to people who do not pay income tax. Let us pass the tax relief bill for American taxpayers.

SUPPORT A BILL TO PROTECT KIDS AGAINST TOBACCO USE

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

Mr. BISHOP. Mr. Speaker, today we will introduce a bill to protect our kids against tobacco use. It is called the Tobacco Use by Minors Deterrence Act and it will stop access by children to tobacco. It is a model law tying health funds for States to their efforts to keep tobacco away from our kids. It outlaws the sale to or possession by kids of tobacco products. It requires parental notification of violations by kids. It provides civil fines and loss of driver's license for kids who are caught. It provides loss of license to sell by retail outlets for repeated infractions. It requires training of employees, posting of notices, lock-out devices for vending machines. In short, it provides for a shared responsibility by kids, families, law enforcement, and retailers to protect the health, safety, and welfare of our kids against tobacco use while protecting the right of informed adults to make a choice.

Mr. Speaker, I urge my colleagues to consider supporting this. It is a win-win situation. It protects our kids against tobacco but at the same time it protects a legal product with adult choice.

TIME TO CELEBRATE FIRST TAX CUT IN 16 YEARS

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

Mr. SMITH of Michigan. Mr. Speaker, 4 years ago when I first came to this Chamber, the debate was whether or not to increase taxes on Americans in this country by $250 billion over that 5-year period? Tomorrow I think we all should celebrate, Republicans and Democrats, because Congress is passing the first tax cut in 16 years. We talk about whether it is for the rich or the poor, but it seems to me that some of our focus should be on what is going to be the kind of tax incentives that result in better and more jobs that pay more, that allow the individual to have a larger paycheck and increase their standard of living.

Here is my opinion. This country became great because we had a system where those that worked hard and tried and made an effort and saved and invested ended up better off than those that did not. Now we have got people suggesting we should have a tax system to level the playing field, to punish those that saved and invested and to reward those that did not. We should celebrate our tax cut tomorrow. That gives tax cuts to working American families.

INTRODUCTION OF BILL ENCOURAGING TECHNOLOGY IN THE CLASSROOM

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

Mr. VENTO. Mr. Speaker, today I rise to recognize the fact that along with the gentlewoman from Maryland [Mrs. MORELLA], I am joining in cosponsoring a bill dealing with technology, technology in the classroom for the 21st century.

I am pleased to join in this bill. I think it is very important, not just to have the computers and the hardware there. Of course, I think so many classrooms across the country do not even have a telephone in them these days when we talk about computers. The fact is that having the hardware and having this good hardware in the classroom is important, but we also need to teach teachers to use that particular technology, teach both those that are in college today and those that are in the classroom.

I noticed one of the most important experiences I had as a young educator fresh out of college after doing well enough in college was the fact that I was awarded National Science Foundation scholarships. That enabled me to teach in many areas and to improve my ability to teach at that time in the 1960's. Those experiences were very valuable to me, and I think this bill that we are introducing, the Teacher Technology Act, will be valuable to students in the 21st century and teachers.

REPORT ON H.R. 2016, MILITARY CONSTRUCTION APPROPRIATIONS ACT, 1998

Mr. PACKARD, from the Committee on Appropriations, submitted a privileged report (Rept. No. 105–150) on the bill (H.R. 2016) making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 1998, and for other purposes, which was referred to the Union Calendar and ordered to be printed.

The SPEAKER pro tempore (Mr. RADANOVICH). All points of order are reserved on the bill.

RIEGLE-NEAL CLARIFICATION ACT OF 1997

Mrs. ROUKEMA. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 1306) to amend the Federal Deposit Insurance Act to clarify the applicability of host

State laws to any branch in such State of an out-of-State bank, with Senate amendments thereto, and concur in the Senate amendments.

The Clerk read the title of the bill.

The Clerk read the Senate amendments, as follows:

Senate amendments:

Page 2, lines 2 and 3, strike out ''Clarification'' and insert ''Amendments''.

Page 2, line 5, before ''Subsection'' insert:

(a) ACTIVITIES OF BRANCHES OF OUT-OF-STATE BANKS.—

Page 3, strike out lines 3 through 7 and insert:

''(3) SAVINGS PROVISION.—No provision of this subsection shall be construed as affecting the applicability of—

''(A) any State law of any home State under subsection (b), (c), or (d) of section 44; or

''(B) Federal law to State banks and State bank branches in the home State or the host State.

Page 3, after line 10 insert:

(b) LAW APPLICABLE TO INTERSTATE BRANCHING OPERATIONS.—Section 5155(f)(1) of the Revised Statutes (12 U.S.C. 36(f)(1)) is amended by adding at the end the following:

''(C) REVIEW AND REPORT ON ACTIONS BY COMPTROLLER.—The Comptroller of the Currency shall conduct an annual review of the actions it has taken with regard to the applicability of State law to national banks (or their branches) during the preceding year, and shall include in its annual report required under section 333 of the Revised Statutes (12 U.S.C. 14) the results of the review and the reasons for each such action. The first such review and report after the date of enactment of this subparagraph shall encompass all such actions taken on or after January 1, 1992.''.

Page 3, after line 10 insert:

SEC. 3. RIGHT OF STATE TO OPT OUT.

Nothing in this Act alters the right of States under section 525 of Public Law 96–221.

Amend the title so as to read: ''An Act to amend Federal law to clarify the applicability of host State laws to any branch in such State of an out-of-State bank, and for other purposes.''.

Mrs. ROUKEMA (during the reading). Mr. Speaker, I ask unanimous consent that the Senate amendments be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New Jersey?

There was no objection.

The SPEAKER pro tempore. Is there objection to the original request of the gentlewoman from New Jersey?

Mr. VENTO. Mr. Speaker, reserving the right to object, I would take this opportunity to acknowledge changes that were made in this time-sensitive legislation by the other body.

I yield to the gentlewoman from New Jersey [Mrs. ROUKEMA], the subcommittee chairman, for an explanation.

□ 1030

Mrs. ROUKEMA. Mr. Speaker, on May 21, 1997, the House considered H.R. 1306, the Riegle-Neal Clarification Act of 1997. It was considered under suspension of the rules. The bill passed the House unanimously and without controversy. This bill had strong bipartisan support and clarifies the ambiguities of the Riegle-Neal interstate bill and preserves the dual banking system by allowing an out-of-State branch of a State bank to offer the same products allowed in its home State as long as the host State banks or national bank branches in the State may exercise those same powers.

In addition, the bill provides that the host State law will apply to those out-of-State branches to the extent that it also applies to national banks.

This bill does not authorize, and I stress this, does not authorize new powers for State banks. It preserves the right of a State to decide how banks it charters and supervises are operated and what activities those banks can conduct.

On June 12, 1997, the Senate passed H.R. 1306 with the following amendments: First, retitles the bill as the Riegle-Neal Amendment Act of 1997; second, ensures that a Federal law that applies to a State chartered bank also applies to branches of that bank and other States; third, requires the Comptroller of the Currency to include in its annual report to Congress a review and report of actions taken with regard to the applicability of State law to branches of national banks, including a review of all such actions taken since January 1, 1992; and fourth, and finally, it preserves a State's right to opt out of the Depository Institutions Regulatory and Monetary Control Act of 1980. That act authorized State chartered banks to charge interest rates comparable to those available to federally chartered banks.

H.R. 1306's intent was to provide parity between national and State chartered banks in an interstate environment as well as to ensure the viability of the dual banking system is unaffected by the Senate's changes and those changes are acceptable, it is my understanding, to both the majority and the minority members of the Committee on Banking and Financial Services.

It is essential that this legislation be enacted into law as soon as possible. On June 1, interstate branching became effective in 48 of the 50 States. In the interstate environment that now exists, State banks will be at a distinct disadvantage to national banks if we fail to take this action today. Failure to remedy this disadvantage will certainly have a negative and counterproductive effect on our dual banking system.

Mr. VENTO. Further reserving the right to object, Mr. Speaker, the House passed H.R. 1306 on suspension calendar on June 1. The deadline for State action to limit interstate branching within the States was June 1, and although we are a bit tardy, this bill is no less important to maintain the viability of State bank charters today, than it was in May.

As has been explained by the subcommittee chairman, the title was changed, the application of Federal law to out-of-State State banks is further clarified. A State's right to opt out of the Depository Institutions Deregulation and Monetary Control Act was preserved, and, importantly, as this measure does not impact the Comptroller of the Currency's administration of national banking law resulting in the preemption of State laws when such preemption is warranted for national banks, thus opening up preemption capabilities for out-of-State State banks, the Senate amendments propose that an annual report be required of the OCC to show when and where preemption of State law took place in a previous year.

Mr. Speaker, I have no objection to this, and I urge support for the bill.

Mr. Speaker, reserving the right to object, I would like to take this opportunity to acknowledge that changes were made to this time-sensitive legislation by the other body, and would yield to the subcommittee chairwoman, Mrs. ROUKEMA from New Jersey, for an explanation.

Continuing my reservation, the House passed H.R. 1306 on the suspension calendar in an attempt to enact law prior to June 1, 1997, the deadline for State action to limit interstate branching with the States. Although we are a bit tardy, this bill is no less important to maintain the viability for the State bank charter today, than it was in May.

As has been explained, the title was changed; the application of Federal law to out-of-State State banks was further clarified; a State's right to opt out of the DIDA [the Depository Institutions' Deregulation and Monetary Control Act] was preserved; and, importantly, as this measure will not impact the Comptroller of the Currency's administration of national bank law resulting in the preemption of State laws when such preemption is warranted for national banks—thus opening up preemption capabilities for out-of-State State banks—the Senate amendments propose that an annual report will be required of the OCC to show when and where preemption of State law took place in the previous year.

Mr. Speaker, I will not object to moving this bill which will help preserve a healthy dual banking system. I withdraw my reservation to object and ask my colleagues for their support on this measure, H.R. 1306 as amended.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore (Mr. RADANOVICH). Is there objection to the original request of the gentlewoman from New Jersey?

There was no objection.

A motion to reconsider was laid on the table.

AUTHORIZING EXTENSION OF AUTHORITY TO USE THE ROTUNDA FOR CEREMONY COMMEMORATING THE PLACEMENT OF THE PORTRAIT MONUMENT

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that the authorization contained in House Concurrent Resolution 216, which was passed in the 104th Congress, relating to the use of the rotunda for a ceremony to commemorate the placement of the Portrait Monument in the Capitol rotunda, be extended into this, the 105th

Congress, subject to concurrence by the Senate.

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

Mr. HOYER. Reserving the right to object, Mr. Speaker, and I will not object, but if there is any further explanation necessary, I will yield to the gentleman from California.

Mr. THOMAS. Mr. Speaker, since the Portrait Monument was actually placed in the rotunda in the 105th Congress we had created an opportunity for a ceremony in the 104th. Given the rules since the 104th expired, there is no current ability to hold a ceremony. What we are asking for is to bring that ceremony authorized in Concurrent Resolution 216 into the 105th, based upon concurrence by the Senate.

Mr. HOYER. Mr. Speaker, I withdraw my reservation of objection.

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

There was no objection.

CORRECTIONS CALENDAR

The SPEAKER pro tempore. This is the day for the call of the Corrections Calendar.

The Clerk will call the bill on the Corrections Calendar.

FEDERAL BENEFICIARY CLARIFICATION ACT

The Clerk called the bill (H.R. 1316) to amend chapter 87 of title 5, United States Code, with respect to the order of precedence to be applied in the payment of life insurance benefits.

The Clerk read the bill, as follows:

H.R. 1316

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

SECTION 1. DOMESTIC RELATIONS ORDERS.

Section 8705 of title 5, United States Code, is amended—

(1) in subsection (a) by striking ''(a) The'' and inserting ''(a) Except as provided in subsection (e), the''; and

(2) by adding at the end the following:

''(e)(1) Any amount which would otherwise be paid to a person determined under the order of precedence named by subsection (a) shall be paid (in whole or in part) by the Office to another person if and to the extent expressly provided for in the terms of any court decree of divorce, annulment, or legal separation, or the terms of any court order or court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation.

''(2) For purposes of this subsection, a decree, order, or agreement referred to in paragraph (1) shall not be effective unless it is received, before the date of the covered employee's death, by the employing agency or, if the employee has separated from service, by the Office.

''(3) A designation under this subsection with respect to any person may not be changed except—

''(A) with the written consent of such person, if received as described in paragraph (2); or

''(B) by modification of the decree, order, or agreement, as the case may be, if received as described in paragraph (2).

''(4) The Office shall prescribe any regulations necessary to carry out this subsection, including regulations for the application of this subsection in the event that 2 or more decrees, orders, or agreements, are received with respect to the same amount.''.

The SPEAKER pro tempore. Pursuant to the rule, the bill is considered read for amendment.

COMMITTEE AMENDMENT IN THE NATURE OF A SUBSTITUTE

The SPEAKER pro tempore. The Clerk will report the amendment recommended by the Committee on Government Reform and Oversight.

The Clerk read as follows:

Committee amendment in the nature of a substitute: strike out all after the enacting clause and insert:

SECTION 1. DOMESTIC RELATIONS ORDERS.

Section 8705 of title 5, United States Code, is amended——

(1) in subsection (a) by striking ''(a) The'' and inserting ''(a) Except as provided in subsection (e), the''; and

(2) by adding at the end the following:

''(e)(1) Any amount which would otherwise be paid to a person determined under the order of precedence named by subsection (a) shall be paid (in whole or in part) by the Office to another person if and to the extent expressly provided for in the terms of any court decree of divorce, annulment, or legal separation, or the terms of any court order or court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation.

''(2) For purposes of this subsection, a decree, order, or agreement referred to in paragraph (1) shall not be effective unless it is received, before the date of the covered employee's death, by the employing agency or, if the employee has separated from service, by the Office.

''(3) A designation under this subsection with respect to any person may not be changed except——

''(A) with the written consent of such person, if received as described in paragraph (2); or

''(B) by modification of the decree, order, or agreement, as the case may be, if received as described in paragraph (2).

''(4) The Office shall prescribe any regulations necessary to carry out this subsection, including regulations for the application of this subsection in the event that 2 or more decrees, orders, or agreements, are received with respect to the same amount.''.

SEC. 2. DIRECTED ASSIGNMENT.

Section 8706(e) of title 5, United States Code, is amended——

(1) by striking ''(e)'' and inserting ''(e)(1)''; and

(2) by adding at the end the following:

''(2) A court decree of divorce, annulment, or legal separation, or the terms of a court-approved property settlement agreement incident to any court decree of divorce, annulment, or legal separation, many direct that an insured employee or former employee make an irrevocable assignment of the employee's or former employee's incidents of ownership in insurance under this chapter (if there is no previous assignment) to the person specified in the court order or court-approved property settlement agreement.''.

Mr. MICA (during the reading). Mr. Speaker, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

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

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Florida [Mr. MICA] and the gentleman from Maryland [Mr. CUMMINGS] each will control 30 minutes.

The Chair recognizes the gentleman from Florida [Mr. MICA].

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

Mr. Speaker, today and at this time is a time we have designated for technical corrections. This is a procedure that was instituted by the Republican leadership when we assumed majority control of the Congress, and it is an effort to try to expedite legislation technical in nature but necessary for the conduct of business both for the Congress and in the operation of our Federal Government, and that is the purpose of our proceedings here this morning.

Today we take up a bill in rapid order. It has moved through our Subcommittee on Civil Service and through the full Committee on Government Reform and Oversight to the floor today in rapid time and was introduced by the distinguished gentleman from Georgia [Mr. COLLINS]. And let me say, Mr. Speaker, that this bill, H.R. 1316, addresses an inequity in the Federal Government Employees Group Life Insurance program.

Under current law, domestic relations orders such as divorce decrees or property settlement agreements do not affect the payment of life insurance proceeds. Instead, distribution of the proceeds is controlled by statute. When the policyholder dies, the proceeds are paid to the beneficiary designated by the policyholder, if there is one, or to other individuals specified by statute.

H.R. 1316, which again is introduced by the gentleman from Georgia [Mr. COLLINS], amends the law to require that the Office of Personnel Management should pay the proceeds in accordance with certain domestic relations orders or court-approved property settlements. This is similar to the law's treatment of retirement annuities, which the Office of Personnel Management must also allocate in accordance with divorce decrees.

The bill also allows courts to direct an employee to assign the policy to a specific individual identified in a domestic relations order or court-approved property settlement agreement. Thus, employees will not be able to frustrate these orders by terminating the policy.

Mr. Speaker, the technical corrections made in this legislation, H.R. 1316, provide a greater protection for former spouses of Federal employees and children of previous marriages.

This bill has a broad bipartisan support, and I want to take just a moment to commend the gentleman from Maryland [Mr. CUMMINGS], the distinguished ranking member of the Subcommittee on Civil Service, for his work and leadership in expediting this legislation. I also want to thank other members of

the committee, including the gentlewoman from Maryland [Mrs. MORELLA], the gentleman from New Jersey [Mr. PAPPAS], our vice chairman, and others who are not on the committee, the gentleman from Virginia [Mr. WOLF], the gentleman from Virginia [Mr. DAVIS], and others who have supported expediting of this legislation to benefit our Federal employees.

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

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

Mr. Speaker, I support H.R. 1316, which does nothing more than make a technical correction in the Federal Employees Group Life Insurance Program. I want to thank the gentleman from Georgia [Mr. COLLINS] and the gentleman from Florida [Mr. MICA], our distinguished chairman, for their leadership in bringing this very important measure to the House floor today.

As the gentleman from Florida [Mr. MICA] indicated, this bill simply ensures that a domestic relations order issued by a court is considered a binding designation of a beneficiary by an employee's agency or the Office of Personnel Management. Under current law, domestic relations orders such as divorce decrees or property settlement agreements do not affect the payment of life insurance proceeds. Instead, when the policyholder dies, the proceeds are paid to the beneficiary designated by the policyholder, if any, or to other individuals as specified by statute.

Because an employee could still frustrate the court order by terminating the policy, the bill was amended in committee to allow courts to direct the employee to assign the policy to a specific individual.

I also want to take time, Mr. Speaker, to recognize those people in our committee on our side. Of course, the gentleman from Florida [Mr. MICA] has already recognized the members on the Republican side, but the gentleman from Tennessee [Mr. FORD] and the gentlewoman from the District of Columbia [Ms. NORTON] were also very instrumental in bringing this resolution to the House floor as swiftly as we have.

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

Mr. MICA. Mr. Speaker, I yield 3 minutes to the gentleman from Georgia [Mr. COLLINS], the distinguished author of this legislation.

Mr. COLLINS. Mr. Speaker, I thank the gentleman from Florida for yielding me this time.

Mr. Speaker, H.R. 1316 will amend the Federal Employee Group Life Insurance Act and ensure that there is a level playing field between State laws that govern private insurance and Federal statute that provides guidelines for life insurance policies held by Federal employees.

This legislation will clarify that a domestic relations order, issued by a court, is considered a designation of beneficiary in the event that no designation of beneficiary has been filed.

Currently, if a Federal employee dies without properly naming a beneficiary for their life insurance policy, the law provides a strict prioritized list of individuals that are eligible to receive the benefits of that policy. Unlike most State laws, the Federal Code does not provide for consideration of an existing court decree that may link that policy to a beneficiary as a part of a settlement agreement. There are real instances where this inequity in Federal law is causing confusion for Federal employees who are beneficiaries. This legislation will correct this inconsistency and ensure that a court decree is given appropriate consideration.

The Department of Health and Human Services, the Child Support Division and the Office of Personnel Management have reviewed the legislation and do not oppose this change. I have appeared before the Corrections Advisory Group chaired by the gentleman from Michigan [Mr. CAMP] and have their support, and during the 104th Congress this is actually part of the Omnibus Civil Service Reform Act as reported by the committee, and additionally the legislation was favorably reported by the Subcommittee on Civil Service, Committee on Government Reform and Oversight.

My thanks to the gentleman from Florida [Mr. MICA], the gentleman from Indiana [Mr. BURTON], and the gentleman from Maryland [Mr. CUMMINGS] and the committee group, committee members, for their support and work on this bill at the subcommittee and committee levels.

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I appreciate the opportunity to bring this bill, H.R. 1316, before the House for consideration and urge my colleagues to support this important legislation.

Mr. Speaker, I yield back the balance of my time.

Mr. CUMMINGS. Mr. Speaker, I yield 3 minutes to the gentleman from Maryland [Mr. HOYER], dean of the Maryland delegation, who has worked over the years on these issues and played a major, major role in this House.

Mr. HOYER. Mr. Speaker, I thank the gentleman from Maryland [Mr. CUMMINGS], the distinguished ranking member, for yielding.

Mr. Speaker, I rise in strong support of this legislation and congratulate the gentleman from Georgia for bringing this forward. I regret that I did not focus on it earlier, for I would, and have discussed with the committee, an additional what I believe to be also a technical correction.

This deals with life insurance; it does not, however, impact the annuity payment of a survivor that would also be part of a domestic relations divorce or domestic agreement resolution. As a result, I want to thank the gentleman from Florida [Mr. MICA], chairman of the committee, and the staff, as well as the gentleman from Maryland [Mr. CUMMINGS], both of whom I have talked to about this problem.

It was too late in the cycle and we would have slowed this bill down, but we did not want to do that, because this is effecting an excellent solution to an existing problem. But I want to thank the chairman for agreeing to address this issue in future legislation. It is my understanding that there will be some legislation coming along, either in July or shortly thereafter, and I believe this is an important step forward, but I believe the spouse, in a resolution of a case dealing with the annuity as opposed to life insurance, finds themselves in exactly the same situation as it relates to their ability, pursuant to court order, and/or pursuant to agreement, particularly when that court order incorporates an agreement of the parties. It seems perverse that we do not have the same kind of positive dealing in that instance.

So I congratulate the gentleman from Georgia. I thank the chairman and the ranking member for their agreement to address that issue as soon as possible.

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

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

I would like to comment that I have committed to the gentleman from Maryland [Mr. HOYER] who indeed is a leader in civil service issues, to address the problem he has enumerated on the floor today. We look forward to working with him as we move new legislation through the Congress.

Mr. Speaker, I yield 5 minutes to the distinguished gentleman from Michigan [Mr. CAMP].

Mr. CAMP. Mr. Speaker, as chairman of the Corrections Advisory Group, I am pleased to again appear before the House under the Corrections Calendar to correct an unintended consequence of current law.

Passage of this bill will once again place the scissors of efficiency on the hunt for redtape.

My distinguished colleague from Georgia, Mr. COLLINS, a fellow member of the Committee on Ways and Means, introduced H.R. 1316 on April 14, 1997, to correct what we all agree was an unintentional byproduct of Federal law affecting Federal employees.

There is a law of physics that says for every action there is an equal and opposite reaction. Unfortunately, there is no law that says these reactions must be beneficial.

Currently when a Federal beneficiary dies, the Federal life insurance benefits are granted to the individual named as beneficiary. If, however, no beneficiary has been named, there may be uncertainty and turmoil that can result. So in these trying times, families are often faced with difficult decisions on benefits and are made to face court challenges from others who seek to take advantage of the Federal employee's inaction in naming a beneficiary.

Unfortunately, under current law, State domestic relations orders such as

divorce decrees or property settlements do not affect the life insurance payments of Federal employees if no beneficiary has been named. So the net effect of current law can punish children and family members because of the benefactor's failure to designate a new beneficiary.

H.R. 1316 could require the Office of Personnel Management to pay the Federal employee's insurance proceeds in accordance with State domestic relations orders. This would make sure that, in the event that no beneficiary had been named, the life insurance benefits are granted to family members and children as based on State court orders. This small change will ensure that family and children are cared for.

I want to thank the chairman and ranking member of the subcommittee and I want to thank my colleague, the gentleman from Georgia [Mr. COLLINS]. This is the second bill reported by the corrections committee to be considered on the House floor. The first, the nurse aide training bill, was introduced, passed by the House and Senate and signed into law in 2 months.

It is the unique quality of the corrections committee that brings these bills to the floor in a streamlined way.

The committee works in a bipartisan manner. We work with the committee chairs who handle these issues and we are able to forge a consensus among Members and bring needed improvements and changes to the House floor. This legislation before us today enjoys strong bipartisan support, and again I commend my colleagues for introducing this improvement to our Nation's laws.

Mr. Speaker, I urge my colleagues to adopt this bill.

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

I want to address a few issues that the gentleman from Florida [Mr. MICA] spoke on. First of all, I want to thank the chairman for the bipartisan way in which he has worked with myself and the gentleman from Maryland [Mr. HOYER]. I think it is extremely important, the issues that he has brought up. And in that spirit of bipartisanship which we have shared since I have been the ranking member, I just want to thank the gentleman again for his cooperation, because I know it is a major issue for the gentleman from Maryland [Mr. HOYER] and many other people throughout the Nation.

Mr. Speaker, this noncontroversial legislation passed the House last year as part of the omnibus civil service bill. That comprehensive legislation was not enacted. Therefore, it is appropriate that we bring forward this bipartisan bill, and I urge my colleagues on both sides of the aisle to vote favorably.

Mr. Speaker, I yield back the balance of my time.

Mr. MICA. Mr. Speaker, I yield myself the balance of my time.

Just in closing, I would like to also thank again our ranking member, the gentleman from Maryland [Mr. CUMMINGS], for the bipartisan manner in which this legislation has been handled. I am pleased that we could participate in this Corrections Day in this manner and make a correction to legislation in a bipartisan fashion. It shows, first, that the Congress does work; and, second, that the government system does function when we see a problem that can be corrected, when we are all rowing in the same direction.

So I am pleased again for the leadership provided by the gentleman from Georgia [Mr. COLLINS] in introducing this legislation and the bipartisan support we have had in passing this legislation today, bringing it before the House.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore (Mr. RADANOVICH). Pursuant to the rule, the previous question is ordered on the amendment recommended by the Committee on Government Reform and Oversight and on the bill.

The question is on the committee amendment in the nature of a substitute.

The committee amendment in the nature of a substitute was agreed to.

The SPEAKER pro tempore. The question is on the engrossment and third reading of the bill.

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

The SPEAKER pro tempore. The question is on the passage of the bill.

The question was taken; and (three-fifths having voted in favor thereof) the bill was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. MICA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on H.R. 1316, the bill just passed.

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

There was no objection.

DISAPPROVAL OF MOST-FAVORED-NATION TREATMENT FOR CHINA

Mr. CRANE. Mr. Speaker, pursuant to the order of yesterday, I call up the joint resolution (H.J. Res. 79) disapproving the extension of nondiscriminatory treatment—most-favored-nation treatment—to the products of the People's Republic of China, and ask for its immediate consideration in the House.

The Clerk read the title of the joint resolution.

The text of House Joint Resolution 79 is as follows:

H.J. RES. 79

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Congress does not approve the extension of the authority contained in section 402(c) of the Trade Act of 1974 recommended by the President to the Congress on May 29, 1997, with respect to the People's Republic of China.

The SPEAKER pro tempore [Mr. LAHOOD]. Pursuant to the order of the House of Monday, June 23, 1997, the gentleman from Illinois [Mr. CRANE], and a Member in support of the joint resolution each will control 1 hour and 45 minutes.

The Chair recognizes the gentleman from Illinois [Mr. CRANE].

GENERAL LEAVE

Mr. CRANE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous matter on House Joint Resolution 79.

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

There was no objection.

Mr. CRANE. Mr. Speaker, I ask unanimous consent to yield one-half of my time to the gentleman from California [Mr. MATSUI] in opposition to the resolution, and I further ask that he be permitted to yield blocks of time.

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

There was no objection.

The SPEAKER pro tempore. Is the gentleman from California [Mr. STARK] in favor of the resolution?

Mr. STARK. I am, Mr. Speaker.

I ask unanimous consent that I be yielded half of the time and that I be permitted to control that time.

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

There was no objection.

Mr. STARK. Mr. Speaker, I ask unanimous consent to yield half of my time to the distinguished gentleman from Kentucky [Mr. BUNNING], and that he in turn be permitted to control that time.

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

There was no objection.

Mr. BUNNING. Mr. Speaker, I ask unanimous consent to yield 15 minutes to the gentleman from New York [Mr. SOLOMON], chairman of the Committee on Rules and that he be permitted to control that time.

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

There was no objection.

The SPEAKER pro tempore. The Chair recognizes the gentleman from Illinois [Mr. CRANE].

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

Mr. Speaker, I rise in opposition to House Joint Resolution 79 because revoking China's MFN trade status would have the effect of severing trade relations between our two countries. My firm belief is that the free exchange of commerce and ideas offers the best hope we have to project the

light of freedom into Communist China.

In deciding whether to continue MFN trade treatment for China, we must keep two objectives firmly in mind: First, improving the well-being of the Chinese people; and, Second, protecting the U.S. national interests with respect to a country that possesses one-fifth of the world's population and exploding economic growth.

This year we have the added responsibility of ensuring that United States policy does not undermine the transition of Hong Kong from British to Chinese sovereignty. All would agree some of the world's most flagrant abuses of human rights and violations of religious and political freedom occur in China.

My message today is simple. Change is not coming quickly to this huge nation, but historic advancements are being made. For 20 years after the Communists seized power in 1949, China was largely isolated. This was the era of the Great Leap Forward, when 35 million died of starvation and the Cultural Revolution, which saw hundreds of thousands of Chinese killed in political purges and forced internal exile.

Since the economic opening of China by Deng Xiaoping in 1980, living conditions in China have improved vastly. To give some perspective, in 1980, 260 million of China's 1.2 billion people lived in absolute poverty.

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In 1993 that figure was reduced by about 40 or over 40 percent to $160 million. Chinese citizens can now seek out their own jobs, move around the country, and discuss political matters, as long as they do not directly challenge the Government.

Focusing on freedom of worship for a moment, the virulently antireligious policies of the 1960's and 1970's have given way to a society that is open in large measure to the Christian message. Concerned that a few United States Christian organizations are actively advocating the revocation of MFN, a huge coalition of Christian missionaries and evangelical groups with years of experience actually serving in China have sent a powerful message to Congress. Their view is that by severing trade relations in China, it would result in a backlash against the Christian ministry in China, seriously harming their ability to reach the Chinese people.

Many would say today that preserving most-favored-nation status puts profit ahead of principle. This viewpoint contradicts what can be observed in the relationship between economic development and the expansion of democracy. Taiwan, South Korea, Singapore, and Hong Kong, to name a few Asian tigers, experienced economic success and rising living standards after opening their economies to international trade. In these countries, the elimination of severe poverty and the emergence of a middle class came well ahead of democratic political reform.

President Lee Teng-Hui of Taiwan has said:

> Vigorous economic development leads to independent thinking. People hope to be able to fully satisfy their free will and see their rights fully protected. And then demand ensues for political reform . . . the model of our quiet revolution will eventually take hold on the Chinese mainland.

Clearly China is a special case, but expanding United States commercial relations with China makes Chinese citizens less dependent on the central government for their livelihoods and in a better position to strive for freedom. As wealth is distributed throughout Chinese society, so is political power, away from the central government. Americans doing business in China have contributed to prosperity and at the same time they are continually able to transfer the values and ideals of freedom and democracy through direct contacts.

While preserving MFN trade status for China offers hope for improving the welfare of the Chinese people, it is also squarely in the United States national interest. With a fifth of the world's population, China's emergence as a global power early in the next century is a development of immense historical significance. Sharing borders with more countries, 14 to be exact, than any other country in the world, a peaceful China will be key to preserving stability in the Asia-Pacific region.

In order to protect national security interests into the next century, the United States must develop a policy that encourages China to be a friend and a valued trading partner, rather than an adversary isolated by comprehensive economic sanctions. Confronting China by revoking MFN would be interpreted by the Chinese leadership as an act of aggression. This would further strengthen the hand of those in China who oppose further reform, prompting behavior we seek to avoid.

If House Joint Resolution 79 were enacted into law, relations with the Government of China would deteriorate to the point that virtually all United States influence for the good would be lost. United States businesses which need a presence in China to support a successful Asian strategy would withdraw. Mirror trade sanctions would threaten the paychecks of 180,000 U.S. workers whose jobs are directly dependent on exports to China. Our foreign competitors in Japan and Europe would move briskly into the void created by this bill.

The alternative strategy which I support is to maintain trade relations and preserve a basis upon which to negotiate improvements in our relationship with China. Ambassador Barshefsky's successful resolution of the section 301 case against China for failing to protect United States intellectual property rights illustrates the value of preserving normal trade relations. Armed with the authority to raise tariffs in a selective, calibrated manner, Ambassador Barshefsky threatened $2 billion in targeted trade sanctions directly tied to specific, well substantiated violations. The result was an agreement by the Chinese Government to shut down 32 pirate plants and a commitment to undertake expanded enforcement drives in regions where violations of United States intellectual property rights are known to be the highest.

Finally, the unanimous view of leaders in Hong Kong, from Governor Chris Patten to the respected activist and chairman of the Hong Kong Democratic Party, Martin Lee, is that any reversal in China's MFN status would strike a devastating blow to the territory.

In 1996, over 56 percent of China's exports to the United States and 49 percent of United States exports to China passed through Hong Kong. Denying MFN to China would threaten 70,000 jobs in Hong Kong. At this extraordinarily delicate time, the people of Hong Kong deserve our steady and strong support for renewing China's MFN status.

Mr. Speaker, we should continue to participate in the dramatic and historic change that is taking place in China, so we can help shape it in our favor and in a way that supports our allies in Hong Kong and Taiwan in their struggle to preserve freedom. The Reverend Billy Graham, whose son Ned labors as a missionary in China, wrote last week:

> I am in favor of doing all we can to strengthen our relationship with China and its people. China is rapidly becoming one of the dominant economic and political powers of the world, and I believe it is better to keep China as a friend than to treat it as an adversary.

I urge my colleagues to vote ''no'' on House Joint Resolution 79.

Mr. Speaker, I reserve the balance of my time

Mr. STARK. Mr. Speaker, it is my privilege to yield 9 minutes to the gentlewoman from California [Ms. PELOSI], who has been a leader on the issue of trying to bring human rights and reasonable policy to China.

Ms. PELOSI. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I will start by saying that we all agree that the United States-China relationship is an important one, and that we want a brilliant future with the Chinese people, diplomatically, culturally, economically, politically, and in every way. However, the administration's policy of so-called constructive engagement is neither constructive nor true engagement.

President Clinton has said promoting Democratic freedom, stopping the proliferation of weapons of mass destruction, and promoting U.S. exports are pillars of our foreign policy. In each of these important areas, the administration's policy of so-called constructive engagement has not succeeded. In fact, there has been a marked deterioration, not improvement, under the administration's policy.

Certainly, we must have engagement. But I contend that our engagement

must be sustainable engagement, engagement that enables us to sustain our values, sustain our economic growth, and sustain international security.

In my remarks this morning, Mr. Speaker, I want to debunk three myths about MFN and trade and human rights.

The first myth is that United States-China trade is a job-winner for the United States. This is an out-and-out hoax. This year President Clinton stated trade with China supports 170,000 United States jobs. That is the exact same number he cited last year. In 1995, it was 150,000 jobs, in 1994, it was 150,000 jobs, in 1993, it was 150,000 jobs. This is an economy with 127,850,000 people. This represents one-eighth of 1 percent of jobs in America and it is not growing, while our trade deficit continues to grow.

United States jobs are being lost through the Chinese Government's practices of requiring technology and production transfer. The Chinese Government is carefully and calculatingly building its own economic future by acquiring United States technological expertise. It allows into China only the goods it wants, and then through mandatory certification of the technology by Chinese research and design institutes, the technology is disseminated to Chinese domestic ventures. Not only does this practice not benefit U.S. workers who are left behind as the companies lose their own market share, but we are surrendering our own technology in the meantime.

As a condition of doing business in China, United States companies are often required to agree to export 70 to 80 percent of their production there. This, too, translates into a loss of U.S. jobs.

In the realm of intellectual property piracy, as Members know, despite the agreement the piracy is rampant, to the cost of $2.6 billion in 1996 alone. And that is not even figured into the huge trade deficit, which is projected to be $53 billion this year.

Others say that the jobs that are created in the United States are in the production here that goes to China for assembly. Not so. Do not take my word, but the word of Ken Lodge, the manager of Hewlett-Packard's Beijing subsidiary, when he says, ''Over time, the use of North American suppliers will be turned off.''

Experts tell us our intellectual property is our competitive advantage. We see what the Chinese are doing to our intellectual property. It is estimated that 97 percent of the entertainment software available in China is counterfeit. It is interesting that since 1996, Chinese capacity to produce pirated products has increased dramatically. In conclusion, the United States-China trade relationship is a job loser for the American worker.

Second, China is halting its proliferation of weapons of mass destruction, myth No. 2. The truth is that China continues to proliferate dangerous weapons of mass destruction technology to Iran, Libya, Iraq, Syria, and other dangerous countries, destabilizing regions of strategic importance to the United States. The transfer of this technology is a threat to United States troops based in the Persian Gulf, and a threat to the security of Israel. We spend billions of dollars to promote the Middle East peace, and that peace is jeopardized by this export policy on the part of China, which we are choosing to ignore.

In the case of Iran, 15,000 service men and women are within range of the C–802 missiles recently transferred by China to Iran. The C–802 batteries will give Iran a weapon of greater range, reliability, accuracy, and mobility than anything in their current inventory. This missile technology is in addition to biological and chemical warfare technologies recently transferred to Iran from China.

Mr. Speaker, I want to call to my colleagues' attention this quote, this cover piece from a report from the Office of Naval Intelligence, March 1997. It states:

> Discoveries after the gulf war clearly indicate that Iraq maintained an aggressive weapons of mass destruction procurement program. A similar situation exists in Iran, with a steady flow of materials and technologies from China to Iran. This exchange is one of the most active weapons of mass destruction programs in the Third World and is taking place in a region of great strategic interest to the United States.

In terms of Pakistan, the administration continues to turn a blind eye on China's proliferation of missiles to Pakistan. For 5 years the CIA has been carefully tracking the flow of China's M–11 missile components to Pakistan. The agency, the CIA, concluded that not only is China selling missiles, but it is also helping Pakistan build a factory to manufacture them. For the CIA, uncovering the plant represented a ''first-class piece of spying,'' says a senior agency official, but because it does not want to disrupt the so-called improving relationship, the Clinton administration does not want to deal with this secret.

The CIA also turned up evidence that Beijing was reneging again on its promise not to spread these missiles into Pakistan. The agency maintains a vast network of informants in Asia who report on the movement of these weapons into the region. Last summer the CIA concluded that China had delivered to Pakistan not just missile parts, but also more than 30 ready-to-launch M–11's that are stored in cannisters at Sargodha Air Force base west of Lahore.

There is more on this I will submit for the RECORD, but other agencies of the intelligence community have all agreed on a Statement of Fact: A top secret document that has recently been in the press that concludes that China is helping to build this missile technology.

The third myth to debunk, Mr. Speaker, is that trade is improving human rights in China. Pro-MFN advocates continue to advance this notion of trickle-down liberty, even though the facts are to the contrary. Since Tiananmen Square, the State Department's own country reports have been dismal on this subject, and its own report in 1996, which was released this spring of 1997, contains an excellent description of the current state of human rights in China, but it is a sad one.

Mr. Speaker, I would draw Members' attention particularly to the statements in that report that—

> The (Chinese) government continued widespread and well-documented human rights abuses, in violation of internationally accepted norms, stemming from the authorities' intolerance of dissent * * *.

Overall in 1996, the authorities stepped up efforts to cut off expressions of protest or criticism. All public dissent against the party and government has been effectively silenced * * * even those released from prison were kept under tight surveillance and often prevented from taking employment or resuming a normal life.

Mr. Speaker, there is a report on religious persecution which the administration is sitting on until after this vote, which documents the violations of religions of the Buddhists, Catholics, Christians, Muslims, and the people of Tibet.

On MFN, the debate today is necessary because the administration has refused to use the tools at its disposal, and because the Chinese ship one-third of their exports to the United States, while allowing only 2 percent of our products into China. We have leverage. The Chinese regime cannot take their business elsewhere. One-third of all of their exports cannot find another market.

A vote for MFN today is a vote of confidence in a failing policy. Opposing MFN says that you believe that the status quo is not acceptable. Instead, we must have a policy of sustainable engagement with China, engagement which makes the trade fairer, the world safer, and the people freer. I urge my colleagues to oppose MFN by voting ''yes'' on House Joint Resolution 79.

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Mr. STARK. Mr. Speaker, will the gentlewoman yield?

Ms. PELOSI. I yield to the gentleman from California.

Mr. STARK. Mr. Speaker, I just want to see if there is not one other myth. There has been a myth that we have a different policy for Cuba than we do for China. But I do not think that is true, because I think the President continues to deny medicine and food to the children in Cuba at the same time that the President countenances children who are selected for starvation in China. So I see a very consistent policy in our administration toward both Cuba and China, and that is to ignore the plight of children in both of those countries.

Mr. Speaker, would the gentlewoman agree?

Ms. PELOSI. Mr. Speaker, I would agree. I want to emphasize that we are not advocating an embargo on China but threat of increased tariffs.

Mr. MATSUI. Mr. Speaker, I yield 3 minutes to the gentlewoman from Connecticut [Mrs. KENNELLY], who has been a leader on welfare reform, tax policy, trade policy, and health care.

Mrs. KENNELLY of Connecticut. Mr. Speaker, I rise in opposition to House Joint Resesolution 79 and speak in favor of our normal trading relationship with the People's Republic of China. Today's debate will have a complexity that goes far beyond what is in front of us, trade and emigration. On both sides, economic, political, strategic, and humanitarian differences abound, and yet we have allowed this one issue, most-favored-nation status, to be a referendum on U.S.-China relationship.

It has become the lens through which most Americans look and view the entire United States-China policy. Mr. Speaker, this is indeed unfortunate, because not only is China the largest emerging market in the world, it is also a potent political and military force. China's new leadership will shape, whether we like it or not, for better or worse, what happens in the Pacific rim, from Indonesia to Korea, from Australia to Japan, the course of events will be influenced daily by China.

So we must influence what happens in China. We will undermine our ability to shape not only our future but China's future if we withdraw from this situation. Without our influence, how will democratic values come to be accepted in China? Without our example, how will dissent come to be tolerated? Without our presence, how will religious liberties come to exist, without our active engage? How will human rights come to be respected? To the extent the United States has been a positive influence on China, it is because we have been there. We have been on the ground. We have been there to demonstrate to people who have been isolated from the world that there is another way.

And just as surely, Mr. Speaker, if we isolate China, so the Chinese people will lose, because they have benefited from a more open market, from exposure to cultural and ideological differences, from experience with Western business with better working conditions. There is no debate here today whether we must continue to highlight human rights abuses or point out that China will never be the world leader that it so craves to be if it continues to persecute its own people. Of course we must debate this. The debate though is how best to do it.

My answer is, we do it best by engaging with the Chinese, not from withdrawing from them. Change is occurring in China. Mr. Speaker, I was there earlier this year. I saw a nation, a nation that is vibrant, a nation that is colorful, a nation that is on the move. I saw people who were demanding, millions and millions of people demanding to be part of the marketplace.

Mr. Speaker, China is emerging. China is going to be a power. We have a duty here in this body to make sure we are an influence on China. We cannot withdraw from this debate. We cannot withdraw from China. Mr. Speaker, we might not like what is going on in all ways and aspects, but, Mr. Speaker, we have a duty to influence China.

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

(Mr. BUNNING asked and was given permission to revise and extend his remarks and to include extraneous material.)

Mr. BUNNING. Mr. Speaker, I rise in support of House Joint Resolution 79, the resolution of disapproval. We should definitely deny most-favored-nation trading status to China. The debate today is not just about China and the Chinese Government and its failure to live up to accepted standards of civilized nations. This debate is also about our own country, about what we are willing to stand up for. This debate is about principles, human rights, human decency. This debate today is about whether or not we as a Nation put trade before people and profits above principles. Where do we start a debate like this? Since the President initiated the recommendation to renew most-favored-nation trade status for China, let us start with his own State Department's findings.

In the country report on human rights for 1996, the State Department said, and I quote, the Chinese Government continued to commit widespread and well-documented human rights abuses in violation of internationally accepted norms, stemming from the authority's intolerance of dissent, fear of unrest and the absence or inadequacies of laws protecting the basic freedoms, unquote. It starts out pretty bad and things go downhill from there.

The supporters of MFN for China insist that we must stay engaged with China. We must be patient and engage China through continued trade. They will also be bringing up Hong Kong and the Chinese takeover on July 1 as a reason to stay engaged. From where I sit, China is a little too engaged already. It is engaged in transferring dangerous technology, enabling rogue nations to develop weapons of mass destruction.

The Chinese Government is engaged in providing Iran's advanced missile and chemical weapons technology, providing Iraq and Libya materials to produce nuclear weapons. It is engaged in providing missile related components to Syria and providing Pakistan's advanced missile and nuclear weapons technology. It is engaged in selling over $1.2 billion in arms to the military rulers of Burma. How much engagement do we need? But it does not stop here. There is much more.

The Chinese Government is engaged in a massive expansion of its own military machine, taking up where the Soviet Union left off, using the profits from trade with us to pay for it. The Chinese Government is engaged in brutal suppression of human rights at home. Evangelical Protestants and Catholics who choose to worship independently of state-sanctioned churches are harassed and in prison. The Chinese Government continues its brutal repression of the religion, people and culture of Tibet; slave labor, prison camps, forced abortions. If the government of China were any more engaged, the people of China simply would not be able to take it.

Nobody really disputes any of this. The big question is, what do we do about it? No one believes that simply denying most-favored-nation status is going to solve everything. Let us be honest about it. Denying MFN might not solve anything. But I do know that, if we believe in human rights, if we believe in human decency, we must respond somehow. We cannot allow such abysmal treatment and such callous disregard for human rights to go unnoticed or unanswered.

Denying MFN might not be a great answer, but it is the only one we have at hand today. We have to send a very strong message, even if it is a weak one; we have to stand for something, even if it is imperfect. And MFN is the only game in town.

This debate is not really that hard for the American people. In a poll taken by the Wall Street Journal and NBC news on June 10, it was discovered that 67 percent of American adults believe that the United States should demand improvement in Chinese human rights policy before granting an extension of MFN trading status to China. If Members choose today to oppose this resolution, if they choose today to vote for renewal of MFN, they have to first ignore the pain of the Chinese people and then they have to ignore the opinion of the American people.

Please do not put profits over principle, vote for the resolution of disapproval.

Mr. Speaker, I include for the RECORD the following:

U.S. IS FINANCING CHINA'S WAR PLAN

(By Timothy W. Maier)

Recent intelligence reports obtained by Insight indicate China's People's Liberation Army is picking up where the Soviets left off, moving to create a military leviathan designed for fighting in the South China Sea and built to destroy U.S. ships and aircraft. The Red Chinese are using the U.S. bond market to finance their military expansion.

China is making a statement in the Pacific that threatens several of America's most important allies and could force a showdown with the United States. The Red Chinese plan, say U.S. intelligence sources, is to expand its military hegemony to dominate trade in the South China Sea. It's called ''power projection,'' and Pentagon officials, China experts and senior intelligence specialists privately are saying that it could erupt in bloodshed on the water.

These experts say the United States is facing a multibillion-dollar military threat.

And, to complicate matters, it is being subsidized by the U.S. bond market, senior national-security officials tell Insight. It is money from American pension funds, insurance companies and securities that may never be paid back.

China's plan is militarily to dominate the first tier of islands to the west of Japan and the Philippines and then project its force to the next ''island tier,'' leaving America's most important allies in the Pacific surrounded by the Chinese military and, short of nuclear war, defenseless.

Foreign diplomats tell Insight the move toward the second tier started two years ago when China's People's Liberation Army, or PLA, set up command posts on uninhabited islands near the Philippines. ''They are drawing their line, basically saying this area is Chinese territory,'' a Philippine diplomat who is monitoring Chinese military movements warns.

An ancillary motive behind China's plan to expand its military hegemony by more than 1,000 miles to the southern part of the South China Sea, say regional experts, revolves around the Spratly Islands, believed to be rich in oil and natural gas. Countries already claiming part of the Spratlys include Taiwan, the Philippines, Malaysia and Vietnam. In addition, China has shown interest in Guam and a set of islands north of the Spratlys, which Japan claims. A further target, says the Philippine diplomat, is control of the Kalayaan Island group, dominating the supply routes to the Philippines and important logistically to resupply other islands.

''They are setting the building blocks to eventually make that power projection,'' says the diplomat, who asked not to be named. ''These are the building blocks for controlling the sea lines on which all the countries in the region such as Taiwan and Japan rely for economic vitality. The Chinese want to constrict trade to break Taiwan and Japan be being able to cut off the oil supply. While they may not be a direct threat to the U.S., they are more than enough of a threat to smaller weaker countries including ourselves and Japan. . . . The U.S. has done nothing because there is no blood on the water—yet.''

A Japan Embassy official, who spoke for the record but asked not to be named, says Japan has no intention of surrendering claims to its islands in the region. ''It is clear the islands [Beijing wants] belong to us,'' the official says, adding that if China moves in this way Japan expects the U.S. to intervene. ''We have been watching China's military very closely,'' says the official.

Arthur Waldron, a China strategy expert at the U.S. Naval War College in Newport, RI, says China has wanted to reclaim the South China Sea since 1950, but placed that mission on the back burner because it was trying to defend itself from a possible Soviet invasion. Most of China's troops were deployed along the Soviet border or near Tibet and Vietnam, countries that were armed by Moscow. But now that the Russian threat has been greatly reduced, Beijing strategically has revised its military strategy and reorganized the PLA aggressively to pursue its maritime expansion mission, as was evident last year when Red Chinese missiles were fired over Taiwan as a means of intimidating both Taipei and Washington.

''I think it's absolutely delusionary to think they can achieve that goal by military force, but for us not to take China's military seriously is extremely dangerous,'' Waldron warns. ''That is exactly what the Chinese want us to do. This is such a very dangerous situation that [protection of the South China Sea] should be negotiated and settled by all the parties concerned.''

In April, the House Intelligence Committee released a Department of Defense report called ''Selected Military Capabilities of the People's Republic of China'' which highlights similar concerns. The report claims China has focused on developing nuclear-weapons systems and advanced intelligence, surveillance and reconnaissance capabilities to ''develop a capability to fight short-duration, high-intensity wars in the region'' and defeat the U.S. Navy.

The report concludes that China will have the capacity ''to produce as many as 1,000 new [ballistic] missiles within the next decade'' and is developing land-attack cruise missiles as a high priority for strategic warfare.

A naval-intelligence report released in February warned of Beijing's emphasis on obtaining a sophisticated blue-water navy technology to achieve four objectives: First, safeguard what the PRC calls China's territorial integrity and national unity—this includes China's claim over Taiwan; second, conduct a possible blockade of Taiwan; third, defeat seaborne invasions; and fourth, create intercontinental nuclear retaliatory forces. Meanwhile, two Red Chinese fleets patrol the area—one within 20 nautical miles of the coast targeting the first tier of islands, and another patrolling the outer reaches of the East China Sea in the area of the Taiwan Strait, the February report says.

In a country with nuclear attack submarines, this could mean trouble. Also, China possesses accurate and stealthy ballistic and cruise missiles with multiple warheads—some of which are aimed at Los Angeles and either Alaska or Hawaii, according to U.S. intelligence officials. China's force-projection plans also include building modern aircraft carriers.

The architect behind this buildup, say Western intelligence sources, is the Soviet-educated Chinese navy commander, Gen. Liu Huaqing, 79, a hardliner whose family is reported to be heavily involved in international power-projection through trade with the West in the manner of V.I. Lenin's New Economic Plan. To China's neighbors Liu is the ''power broker who calls the tunes,'' which fits with the widespread opinion among security experts that the PLA is the power behind the Chinese government.

Former Time journalists Ross Munro and Richard Bernstein claim in their recently published book, ''The Coming Conflict With China'', that Beijing's primary objective is to become ''the paramount power in Asia'' by tapping U.S. technology and using Russian military experts. The authors contend China has proceeded in its plan with the help of about 10,000 Russian scientists and technicians—some of them in China and others communicating through the Internet. Though some of this is official, the Russian government is known to be sharing some very sophisticated weapons technology to assist the PLA, not all of it is. ''The Russian military-industrial complex, staffed by some of the world's best (suddenly underemployed and underpaid) minds in military technology, is so corrupt and so desperate for cash that everything seems to be for sale,'' Munro and Bernstein write. ''In 1995, for example, there were reports that Chinese agents, paying bribes to staff members of a Russian base near Vladisvostok, obtained truckloads of plans and technical documents for Russia's two most advanced attack helicopters.'' The Chinese since have obtained intact nuclear weapons from Russia, according to intelligence reports.

Adm. Joseph W. Prueher, chief of the U.S. Pacific Command, testified before a House National Security Committee in March that China is not yet a threat because its military is about 15 years behind that of the United States. In light of the blow that the U.S. military might have delivered even 15 years ago, say defense experts, that hardly is comforting. And, Waldron says, this can be a dangerous presumption because history indicates it didn't stop Japan in 1941 or Saddam Hussein during the Persian Gulf War. In 1994, a war game at the Naval War College conceptualized a sea battle between the U.S. Navy and the PLA navy off of China's shores in the year 2010. The battle hypothesized that China continued to acquire military technology at a rapid pace. The game, which Pentagon officials have refused to talk about, ended with a PLA victory, according to reports in Navy Times.

''The U.S. Navy is very angry at the Clinton administration for not taking a more robust approach,'' Waldron says. ''We should pay a lot more attention. It's a great mistake to think a country with a military only comparable to ours will not attack. I worry very much about what China will do.''

China analysts and national-security officials say the operating officer at the heart of Beijing's master plan to seize hegemony over Taiwan, Japan, Okinawa, Iwo Jima, Saipan, Guam and the Philippines is Wang Jun—Clinton's Feb. 6, 1996, coffee-klatsch guest who has taken advantage of corporate greed by persuading American investors to pour billions of dollars into joint-venture projects that allow Wang to tap into the U.S. bond market, borrowing millions from American mutual funds, pension funds and insurance companies to support the war chest.

Wang chairs both PolyTechnologies, or Poly, the arms-trading company of the PLA, and China International Trust and Investment Corp., or CITIC, a $23 billion financial conglomerate that Wang says is run by China's government, or State Council. His dual control of CITIC and Poly (the PLA company caught last year allegedly smuggling 2,000 AK–47 assault rifles to U.S. street gangs) makes it difficult for American firms to know whose hand they are shaking. ''He's a master of muddying the waters,'' says James Mulvenon, a China researcher at California-based Rand Corp. ''American companies are playing a shell game.''

Not surprisingly, CITIC officially has controlled Poly. The relationship dates back to 1984 when the PLA created Poly for arms trading and structured it under the ownership of CITIC in part to conceal Poly's link to the PLA, according to Western analysts. Wang is the son of Red China's late vice president and Long March veteran Wang Zhen. The president of Poly is Maj. Gen. He Ping, son-in-law of the late Deng Xiaoping. A former defense expert for the Chinese Embassy in Washington, He Ping is director of PLA arms procurement and chairs CITIC-Shanghai. A second major subsidiary of CITIC is CITIC-Pacific in Hong Kong, chaired by Rong Yung, son of China's vice president, Rong Yiren, who founded CITIC. In short, this is a high-level operation of the Beijing government directly connected to the men in charge.

With the help of CITIC-Beijing, He Ping engineered the billion-dollar sale of Chinese arms that included missiles to Saudi Arabia and short-range cruise missiles to Iran during the mid-1980s. That deal was assisted by the government-controlled China Northern Industrial Corp., or Norinco, which now is under investigation in the West for selling chemical-weapons materials to Iran for weapons of mass destruction, according to April testimony before a Senate Governmental subpanel. China's sale of nuclear and chemical weapons to the Middle East all are part of a strategic plan to spread out deployment of the U.S. Navy so the PLA can concentrate on the South China Sea, according to intelligence and diplomatic officials.

But take Wang's word for it, he is far removed from Poly, according to a rare and exclusive interview he gave to the Washington Post. The Post did not question Wang's assertion that he only spend 5 percent of his time with Poly. But Mulvenon, who is researching the PLA empire, laughs at that estimate. ''It is more likely 15 to 20 percent,'' he says. And some defense-intelligence sources tell Insight CITIC is so closely linked to the PLA that professional observers have little doubt that the PLA is calling the shots.

Wang's ability to mask Poly by show-casing CITIC has paid off handsomely for his other enterprises on behalf of Beijing's war plans. In particular, the U.S. bond market already has been an attractive target for CITIC to the tune of $800 million in borrowing. That, of course, begs the question: Why is the high-level Beijing operative Wang Jun allowed to borrow huge sums from Americans when President Clinton says it is ''clearly inappropriate'' even to meet with this PLA arms dealer? The White House assures that questionable visitors such as Wang no longer will have access to the president because FBI and National Security Council background checks now will expose them in advance. Yet, there is no national-security screening of foreign borrowers in U.S. securities markets from which huge sums are being allowed to float into China's war chest.

Sound incredible? A new booked called Dragonstrike: The Millennium War, by British Broadcasting Corp. and Financial Times journalists Humphrey Hawksley and Simon Holberton, presents a scenario on how the Red Chinese military might manipulate the international financial market to raise capital. It's what Roger Robinson, former senior director of International Economic Affairs at the National Security Council, warns already is happening. Robinson, described by President Reagan as ''the architect of a security-minded and cohesive U.S. East-West economic policy,'' claims that these enormous sums may never be paid back.

''This is cash on the barrel,'' Robinson says. ''This totally undisciplined cash with no questions asked concerning the purpose for the loans. This could be used to fund supplier credits, strategic modernization, missiles to rogue states like Iran and to finance espionage, technology theft and other activities harmful to U.S. securities interests.''

Some of the bond money ''undeniably'' is supporting PLA enterprises, says Orville Schell, a China expert who is dean of the journalism school at the University of California at Berkeley. Schell says that's because ''there is no division between government and business'' in the PRC, making it nearly impossible to distinguish PLA companies from government-controlled companies. ''It means China is going to be exporting and docking at facilities in Long Beach [Calif.]'' at the former U.S. Navy base there, notes Schell in reference to what some regard as a military concession to go along with its acquisition of control of ports at both ends of the Panama Canal. ''It means China is going to be buying U.S. companies. It is going to be doing all of the things that everyone else does. Whether it is a security risk depends on your assessment of China,'' says Schell. ''But one thing for sure. China is the most unsettled country in Asia.''

Thomas J. Bickford, a PLA expert and political-science professor at the University Wisconsin at Oshkosh says accessing the U.S. bond market is just one way the PLA can rise the money to purchase the most modern military equipment. ''But it's not in just the bond market, it's also in consumer sales,'' with 10,000 to 20,000 companies, he says (see ''PLA Espionage Means Business,'' March 24). Many of those PLA enterprises are losing money and in essence promoting corruption in the ranks, says Bickford, as some PLA business operatives personally are pocketing profits to purchase luxury cars or resorts, while others are fully engaged in smuggling operations. ''The corruption is so high it goes all the way up to the generals,'' Bickford says. ''That gives you an idea how much rot exists.''

Where large profits from PLA companies do occur, much goes toward purchasing food and housing for some 3.2 million Red troops, says Bickford. This suggests the bond market may play a bigger role for the PLA than most people expect because that money could be going to support a defense budget the U.S. government claims to be as high as $26.1 billion a year. And Munro and Bernstein claim it really is about $87 billion a year when profits from PLA businesses are calculated in the total.

Deeply concerned about all of this, Robinson advocates creating a nondisruptive national-security screening process to help the Securities and Exchange Commission identify and exclude PRC fund-raising operations disguised as business ventures. The process would be similar to security checks now conducted at the White House, or the seven-day waiting period for a background review required to purchase a handgun. He says it would weed out dangerous foreign business partners such as PLA gunrunning companies and the Russian Mafia.

''Russia thinks the water is fine,'' Robinson says. ''They are going to have as many as 10 to 12 bond offerings in the next 18 months—and some of those might involve organized crime. So there is every reason to be concerned because there might be bad actors among the Russian bond offering. We don't want terrorists, drug dealers, an organized criminal syndicate, gun smugglers or national military establishments borrowing on the U.S. securities markets with impunity.''

Bickford says Robinson's solution would ''catch the obvious'' PLA players, but it won't stop all the diverting of money to the military because many of the PLA enterprises have joint ventures with Chinese government-controlled companies—making it nearly impossible to track the bad seed. ''The PLA businesses are very good about hiding themselves,'' Bickford warns.

But Robinson says the National Security Council knows who the bad actors are and could effectively knock out the threat. ''We need to get national security back in the picture,'' Robinson insists. ''We are not trying to discourage investing in the market, but this is too fertile a territory for potential abuse. We just need to get additional protection for the American investment community via U.S. intelligence in a secure, nondisruptive manner.''

Robinson has uncovered $6.75 billion in Chinese government-controlled bonds floated on the U.S. and international securities markets between September 1989 and December 1996. China also has placed $17.2 billion in bonds with Japan. About 65 percent of the U.S. money, or $4.4 billion, was issued to the PRC, the Bank of China and Wang's CITIC. The PRC raised $2.7 billion on six bond issues from October 1993 to July 1996. The Bank of China raised $850 million on four bond issues from October 1992 to March 1994. CITIC raised $800 million on five bond issues from March 1993 to October 1994.

Robinson says all three areas could be suspect: The PRC because that money could go anywhere, Wang because of his direct link to the PLA and the Bank of China—a company that has flooded the Washington radio market with an advertising and public-relations campaign—because it now has been directly linked into the Clinton fund-raising scandal.

What is the link? For one, the Wall Street Journal recently reported that the Bank of China transferred hundreds of thousands of dollars in $50,000 and $100,000 increments to Clinton friend Charlie Trie in 1995–96. Trie and Harold Green, another Clinton friend who assisted Wang with getting security clearance, dumped similar amounts of cash into the Democratic National Committee and Clinton's legal defense fund shortly after Wang was permitted access to the president.

John N. Stafford, chief judge of the Department of Interior in the Reagan administration who publishes a highly respected national investment newsletter, says the relative ease with which China can tap into the U.S. bond market by using intermediaries such as the Bank of China is based largely on American greed. Stafford says businessmen are following the lead of Henry Kissinger and Alexander Haig who are players in U.S.-China trade (see ''Lion Dancing With Wolves,'' April 21).

Stafford says, ''We are providing funding for our own self-destruction, especially when money is being used to facilitate efforts to build up China's military and provide weapons of mass destruction to known terrorist countries and sworn enemies of the U.S.'' A onetime supporter of Robert Kennedy and Scoop Jackson, Stafford turned his support to the Republican Party because he says under President Carter the Democrats gutted national security and had a dismal economic record. He compares China's activity in the bond market to Soviet operations during the Cold War, when he says the USSR diverted billions of dollars of borrowed Western funds to support military activities contrary to U.S. interests.

''This is a replay of Russia in the mid-seventies,'' he says. ''This is business vs. national security. It is a case where money is more important than human rights. Lenin was right when he said the capitalists will sell us the rope with which we will hang them. That's what is happening here.''

[From the Wall Street Journal June 10, 1997]

CHINA CLASH

Question: Should we maintain good trade relations with China despite disagreements over human rights, or demand that China improve its human rights policies if it wants to continue to enjoy its current trade status with the United States?

Percentages of groups saying the U.S. should first demand improvement in human rights policies.

All adults, 67 percent.
Men, 63 percent.
Women, 70 percent.
Age 35–49, 64 percent.
Age 65+, 72 percent.
Under $20,000 income, 76 percent.
Over $50,000 income, 63 percent.
Democrats, 73 percent.
Republicans, 61 percent.

U.S.-CHINA TRADE: THE STATUS QUO

1996 trade deficit: $40 billion.
1997 trade deficit: $53 billion.

TARIFFS

Average U.S. MFN tariff on Chinese goods: 2 percent.

Average Chinese MFN tariff on U.S. goods: 35 percent.

EXPORTS

Percent of U.S. Exports allowed into China: 1.7 percent.

Percent of Chinese Exports to the U.S.: 33 percent.

JOBS

Chinese jobs supported by U.S. trade: 10,000,000.

U.S. jobs supported by Chinese trade: 170,000.

TRADE GROWTH

Exports to China have grown: 3 times.

Imports from China have grown: 13 times.

CHINA'S PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

The Chinese government is engaged in transferring dangerous technology enabling rogue nations to develop weapons of mass destruction, including: providing to Iran advanced missile and chemical weapons technology; providing to Iraq and Libya materials to produce nuclear weapons; providing missile-related components to Syria; providing to Pakistan advanced missile and nuclear weapons technology; and selling over $1.2 billion in arms to the military rulers of Burma.

THE CHINESE GOVERNMENT'S VIOLATIONS OF HUMAN RIGHTS

The State Department's ''Country Reports on Human Rights for 1996'', states that ''The (Chinese) Government continued to commit widespread and well-documented human rights abuses, in violation of internationally accepted norms, stemming from the authorities' intolerance of dissent, fear of unrest, and the absence of inadequacy of laws protecting basic freedoms.''

The report also notes that: ''Overall in 1996, the authorities stepped up efforts to cut off expressions of protest or criticism. All public dissent against the party and government was effectively silenced by intimidation, exile, the imposition of prison terms, administrative detention, or house arrest. No dissidents were known to be active at year's end. Even those released from prison were kept under tight surveillance and often prevented from taking employment or otherwise resuming a normal life.'' (emphasis added).

Since the State Department report was released in February, additional information has been provided to Congress about the Chinese government's repression of basic freedoms and human rights, including: The persecution of evangelical Protestants and Roman Catholics in China who choose to worship independently of the government sanctioned (and controlled) church; forcibly closing and sometimes destroying ''house churches,'' and harassing and imprisoning religious leaders; the threat to currently-existing democratic freedoms in Hong Kong. The takeover of Hong Kong by China is scheduled for July 1, 1997. Already, the Chinese government has moved to disband Hong Kong's democratically elected legislature and to repeal its bill of rights; the brutal repression of the religion, people and culture of Tibet; and the regulation of the free flow of information, including restricting access to and use of the Internet and restricting basic economic and business data.

OPEN LETTER ON CHINA'S PERSECUTION OF CHRISTIANS

DEAR MEMBERS OF CONGRESS: Recently, letters have circulated on Capitol Hill from some groups and leaders involved in missions in China. These letters urge Members not to vote to revoke China's Most-Favored-Nation (MFN) trade status. They cite potential dangers to the missions if the U.S. responds to Beijing's terrible record on human rights, national security and workers' rights.

There are points of agreement between us and those missions organizations. We can agree, for example, to put no individual at risk of retaliation. We should take great care in dealing with a regime that has demonstrated its willingness to settle disagreements with tanks and with bullets in the back of the head. We can also agree that those Christians directly involved in work in China are not necessarily the ones to lead the fight against MFN. They may be too close to the situation for prudence or safety to permit open opposition to the regime.

But the letters make other arguments. They suggest that a forceful response by the United States government to what everyone acknowledges is an appalling Chinese government record would be counter-productive. We cannot accept those arguments. As deeply as we respect Christian missionaries in China and throughout the world, we must disagree with a policy which allows China's rulers to manipulate the United States of America simply by threatening reprisals against these innocent, godly people. It is a form of hostage-taking.

For the U.S. to surrender to such threats would be to assure that Beijing will use threats whenever Americans cry out against the cruelty and injustice of the communist Chinese regime. Should we all keep silent about China's massive campaign of forced abortions and compulsory sterilizations? Should we avoid criticizing China's use of slave labor in the Laogai? Should we turn aside from China's latest violations of chemical weapons agreements, including shipment to Iran of poison gas? Is the United States truly the leader of the Free World? Or are we merely the ''moneybag democracy'' the Chinese rulers contemptuously call us?

There is a real danger that the arguments made by some U.S.-based missions may be seized upon by those whose only interest in China is profits. Some multi-national corporations have allowed the brutal Chinese birth control policies to be run in their factories. Some have also accommodated Chinese repression by banning religion in the workplace. And some have exploited prison laborers.

We wholeheartedly support missions throughout the world, and especially in China. We think it's necessary, however, to take a clear-eyed view of the conduct of the Chinese government. While missionaries seek no conflict with the government, the reality is that China's rulers do not view Christians so benignly.

Paul Marshall, in his well-received book ''Their Blood Cries Out,'' describes the attitude of China's elites. ''In 1992, Chinese state-run press noted that 'the church played an important role in the change' in Eastern Europe and warned, 'if China does not want such a scene to be repeated in its land, it must strangle the baby while it is still in the manger.'''

We are proud to note the consistent and principled stance of the U.S. Catholic Conference in opposing MFN for China. Catholics are brutally repressed in China, as are Evangelicals, Muslims and Buddhists. But the USCC has never allowed Beijing's threats to deter it from its duty to speak up for the oppressed. Nor should we.

We know that we are not on ''the front line'' in confronting Chinese repression. Because we have a freedom to speak out that is not granted to those on the Mainland, we must use our God-given freedom to speak out for those who cannot speak for themselves. When it is argued that the situation will be worsened if America takes action, we must ask candidly, how can it be worse for the Chinese dissidents? Our own State Department reports that all dissidents have been either expelled, jailed or killed.

We rejoice in the fact that American missionaries hold U.S. passports. We pray that a strong United States will help to safeguard our fellow Americans' lives while they do the Lord's work in China. But Chinese Christians are not so protected. For Pastor Wong, leader of 40 Evangelical churches, MFN has brought no benefits. He has been arrested four times for spreading the Gospel. The last time he was jailed, his fingers were broken with pliers. While Vice President Gore was preparing to visit Beijing in March, Chinese secret police invaded the apartment of Roman Catholic Bishop Fan Zhongliang in Shanghai, seizing Bibles and other religious articles. The move against the nation's highest Catholic prelate was clearly intended to intimidate millions of faithful Chinese Catholics. MFN has only made the Chinese police more efficient in denying basic human rights to Bishop Fan and his flock.

President Clinton's 1994 ''delinking'' of trade and human rights concerns has actually increased repression in China. Now, even if missionaries plant churches, the Chinese secret police can disrupt them. This view is affirmed by New York Times editor A.M. Rosenthal. He has written:

''Knowing Washington would not endanger trade with China, even though it is mountainously in China's favor, Beijing increased political oppression in China and Tibet—and its sales of missiles, nuclear material and chemical weaponry.''

Rosenthal refers to the president as Beijing's ''prisoner.'' Let us assure, by our steadfastness, that the rest of us do not wear such chains.

From the beginning of this debate, we have recognize that the argument over MFN is not just about what kind of country China is, it is also a dispute about what kind of country America is. We believe Americans have a moral obligation to stand up for human rights, for the rule of law and for the rights of workers. We know, from long and tragic experience in this blood-stained century, that a regime which brutalizes its own people is virtually certain to threaten its neighbors.

Sincerely yours,

Gary L. Bauer, President, Family Research Council; Ralph E. Reed, Executive Director, Christian Coalition; Rev. Richard John Neuhaus, President, Institute for Religious and Public Life; Keith A. Fournier, Esq., President, Catholic Alliance; D. James Kennedy, President, Coral Ridge Ministries; Joseph M. C. Kung, President, Cardinal Kung Foundation; James C. Dobson, Ph.D., President, Focus on the Family; Phyllis Schlafly, President, Eagle Forum.

Chuck Colson, President, Prison Fellowship Ministries; Gov. Robert P. Casey, Chairman, Campaign for the American Family; Steve Suits, South Carolina Family Policy Council; William Donohue, President, Catholic League for Civil and Religious Rights; Richard D. Land, President, Christian Life Commission; Steven W. Mosher, President, Population Research Institute; Gerard Bradley, Professor, Notre Dame Law School; John DiIulio, Professor, Princeton University.

Robert P. George, Professor, Princeton University; John Davies, President, Free the Fathers; Kent Ostrander, Director, The Family Foundation (KY); Matt Daniels, Executive Director, Massachusetts Family Institute; Rev. Donald E. Wildmon, President, American Family Association; Deal W. Hudson, Publisher & Editor, Crisis Magazine; Bernard Dobranski, Dean, Columbus Law School; Rev. Steven Snyder, President, International Christian Concern.

Ann Buwalda, Director, Jubilee Campaign; P. George Tryfiates, Executive Director, The Family Foundation (VA); Randy Hicks, Executive Director, Georgia Family Council; Marvin L.

Munyou, President, Family Research Institute (WI); William T. Devlin, Executive Director, Philadelphia Family Policy Council; William Held, Executive Director, Oklahoma Family Council; William A. Smith, President, Indiana Family Institute; Thomas McMillen, Executive Director, Rocky Mountain Family Council.

Michael Heath, Executive Director, Christian Civic League of Maine; David M. Payne, Executive Director, Kansas Family Research Institute; Gary Palmer, President, Alabama Family Alliance; Jerry Cox, President, Arkansas Family Council; Dennis Mansfield, Executive Director, Idaho Family Forum; Michael Howden, Executive Director, Oregon Center for Family Policy; William Horn, President, Iowa Family Policy Center; Joseph E. Clark, Executive Director, Illinois Family Institute; John H. Paulton, Executive Director, South Dakota Family Policy Council; Mike Harris, President, Michigan Family Forum; Mike Harris, President, Michigan Family Forum.

INDEPENDENT FEDERATION OF CHINESE STUDENTS AND SCHOLARS,
Washington, DC, April 25, 1997.

U.S. Congress,
Washington, DC.

DEAR MEMBERS OF CONGRESS: The Independent Federation of Chinese Students and Scholars (IFCSS), the sole national umbrella organization of Chinese students and scholars in the U.S., is taking this opportunity to express its opinion on the extension of most-favored-nation (MFN) status to China. The IFCSS reiterates its support for the U.S. and other western countries in conducting trade with China. We believe economic exchange and commerce will mutually benefit people in all countries conducting such trade; however, China is governed by an authoritarian and repressive regime, lacking in fundamental respect for the basic rights and freedoms which U.S. citizens so highly value.

The IFCSS, therefore, urges the U.S. to adopt a more responsible trade policy. The rights and freedoms cherished in this nation should be linked to trade in order to make U.S. trade policy more responsible and accountable.

We believe human rights is a fundamental issue, inseparable from the construction of a modern and humane society in our country. The Chinese government must learn to respect the rights of its 1.2 billion citizens as they strive for economic prosperity in the 21st century.

That the Chinese government has increased its control of Chinese society, both politically and ideologically, is well documented. For instance, the government has cracked down severely on dissidents, curtailing their activities and depriving them of their right to earn a living, as reported in U.S. State Department Report '96. The result is that no single active political dissident's voice remains in China: leading dissidents Liu Gang and Wang Xi-zhe were forced to flee the country after consistent torture, harassment, and nationwide pursuit by the police; Liu Xiaobo, Li Hai, Guo Haifeng and a dozen other dissidents have been imprisoned once again for their peaceful expression of opinions and criticisms; Nobel Peace Prize nominee and the most prominent dissident Wei Jingsheng is still in jail, with deteriorating health. We were outraged to see student leader Wang Dan, who gained prominence in the prodemocracy movement of 1989, held in illegal detention for 16 months, finally charged with conspiracy to overthrow the government and sentenced to 14 years in prison. This was done without solid evidence or a fair trial, by a legal system at the beck and call of the Communist Party, and in defiance of the international community's concerns.

While ordinary Chinese citizens are encouraged to become rich, they cannot express political views dissenting from the government. Freedom of the press, expression, association and assembly remain extremely forbidden. Like all authoritarian regimes, the government of China keeps its citizens under tight control in these aspects in order to maintain its governance.

Unfortunately, the weakening of pressure from foreign governments in the past several years, as evinced by President Clinton's decision in 1994 to delink human rights from MFN, has encouraged the Chinese government to increase political repression. President Clinton has admitted the failure of this policy but the U.S. government continues to pursue it. Further proof of this lack of concern over human rights abuses in China can be seen by the collapse of the coordinated efforts by democratic allies to condemn the Chinese government at the 1997 U.N. Human Rights Commission. We strongly denounce China's blatant retaliation threats against those western countries supportive of the resolution. We also urge the U.S. government to reconsider its weak and passive policy toward China, which gravely undermines its commitment and obligation, as the most powerful nation in the world, to work to advance human rights and democracy globally.

The IFCSS stresses its belief that the conditional MFN was an effective policy in the past. Unfortunately, we've all seen how aggressively the business community attacked this policy for their own commercial interests and, worst of all, how successfully they were able to influence both the Congress and the Administration. Despite assurances to the contrary, however, the unparalleled economic growth in our country has not in any way resulted in a more humane society, more respect for basic rights or less repression. Sadly, the opposite has occurred. China's leaders have learned a lesson from the collapse of the Soviet Union and the Eastern-Europe bloc and the result is a mutant form of communism, but communism nonetheless. China is now a nation that encourages economic prosperity through foreign investment, the use of advanced technology and capitalist management styles. On the other hand, the Communist party continues to exert political and ideological control through its one-party monopoly. This clearly demonstrates that economic prosperity does not bring about ''automatic'' democracy, as predicted by so many.

Whether or not this hybrid eventually succeed remains uncertain. What is certain is the continuing political repression, depriving Chinese citizens of basic rights and denying the international community's effort on behalf of human rights and freedom in China. With increasing wealth, the Chinese government is becoming less, rather than more, accountable. International pressure has played a critical role in pushing China to be more open, but western nations are also morally obliged to keep applying this pressure, particularly at a time when the system in China has become more intolerant and repressive. It is shameful to see western business interests being held hostage by the Chinese government in order to evade international condemnation for its repressive policies.

We hereby urge the members of Congress to give this issue the serious consideration it deserves. The IFCSS particularly appreciates the U.S. government's consistent claim that human rights issue is one of the cornerstones of its foreign policy. We respectfully appeal to the members of Congress to make improvements in human rights a condition of extending MFN status to our country.

Sincerely,

XING ZHENG,
President.

STATEMENT OF JOHN CARR, SECRETARY, DEPARTMENT OF SOCIAL DEVELOPMENT AND WORLD PEACE, U.S. CATHOLIC CONFERENCE

CATHOLIC BISHOPS OPPOSE RENEWING MFN

The U.S. Catholic Bishops lead a community of faith, not a political or economic interest group. The Bishops' Conference opposes renewal of MFN for China because it is the only available means to send a clear signal to the Chinese government that the United States will not ignore pervasive violations of religious liberty, human dignity and workers rights.

The Bishops are not newcomers to this important cause and we welcome those who join with us from diverse political, religious and ideological communities. We come together, despite our differences, to insist that U.S.-China policy must more clearly reflect fundamental moral principles. From across the political spectrum, we are affirming that there are ties of common humanity that are deeper and stronger than those of trade. We are joining in solidarity with those who are persecuted for their faith or their political courage; we are affirming the rights of workers to labor freely; we are standing profiteering from slave labor, and we are defending married couples from the inhumanity of coercive abortion policies.

In urging the Congress not to renew MFN for China, the U.S. Catholic Conference recalls that religious liberty is a foundation of our freedom, and that hard experience has shown that a free society cannot exist without freedom of conscience. Freedom for markets without freedom of worship is not really freedom at all. Despite the claims and hopes of the Administration and others, religious persecution in China is serious and apparently growing. As a result of recent laws, regulations and practice, many believers in China—underground Catholics, Tibetan Buddhists, Protestant House Churches and others—are denied their right to practice their faith without government interference, harassment or persecution.

Our Church seeks a constructive and positive relationship with China and its people. We support reconciliation and dialogue between the U.S. and China and among the Chinese, but these vital tasks must reflect fundamental respect for human life, dignity and rights. The U.S. must reorder its priorities in China policy insisting that protecting the rights of believers, workers and dissidents is as important as combating piracy of CD's and videos. Let us send a message so clear that those who wish to do business in China will spend less effort lobbying the U.S. Congress to protect their economic interests and more effort to help China understand that U.S. concern for human rights will not go away.

Current policies have failed; it is time to send a clear message. MFN may not be the perfect vehicle but it is our best chance to insist we will no longer ignore religious persecution, violation of worker and human rights, and coercive abortion policies.

INTERNATIONAL CAMPAIGN FOR TIBET,
Washington, DC, May 21, 1997.

Hon. NANCY PELOSI,
House of Representatives,
Washington, DC.

DEAR CONGRESSWOMAN PELOSI: I wish to submit, for the May 21 press conference on most-favored-nation (MFN) trade status for China, a brief description of the difficult situation in Tibet and, in particular, China's

repression of religious freedom which has worsened in recent years.

In 1994, President Clinton abandoned the use of trade privileges as a mechanism to move China into compliance with internationally-recognized human rights norms. It is now evident that China consequently accelerated its course of repression in Tibet from a negative direction to an extreme degree. In the place of linkage, the Clinton administration has chosen to pursue a policy of ''engagement'' with China while, ironically, China has taken up the policy of linkage and blatantly doles out significant economic favors to all who are willing to halt criticism of its human rights record. At this year's U.N. Human Rights Commission meeting in Geneva, important U.S. allies in previous efforts to condemn China's human rights record, withdrew their support for lucrative trade contracts with China. Three years after the U.S. delinkage of trade and human rights, President Clinton himself has judged the U.S. engagement policy a failure as China has completely silenced its dissidents and has given up all pretense of tolerance for the distinct cultural, linguistic and religious traditions of the Tibetan people.

We do not know how many political prisoners there are in Tibet today, although some 700 have been at least partially documented. One young Tibetan, Ngawang Choephel, was sentenced in December 1996 to 18 years for videotaping traditional Tibetan music. This extremely harsh sentence was handed down in spite of personal appeals to the Chinese leadership by U.S. Government officials, including Members of the U.S. Congress. It even appears that Ngawang Choephel's status as a Fulbright scholar was used against him by the Chinese authorities who, on this basis, added collusion with the West to his list of so-called espionage charges.

There are reports from Tibet that popular and successful Tibetan language programs at middle schools and universities have been discontinued. While these programs were few in number, they removed the enormous and unfair obstacle of Chinese language proficiency for some Tibetans. Indeed, those children in Tibet who are schooled in their mother tongue in the primary grades are blocked from continuing education by obligatory tests administered in Chinese only. This Chinese language-only policy exacerbates the increasingly high drop-out rate for Tibetan children whose schools have taken the brunt of government cut-backs and must operate without resources, including heat. Money for blankets has come to mean no money for food in most Tibetan schools.

It is, however, the lack of religious freedom that is the most revealing of China's malicious intentions in Tibet. The State Department, in its ''Country Report on Human Rights Practices for 1996'' mistakenly qualifies China's actions in Tibet by stating that ''the Government does not tolerate religious manifestations that advocate Tibetan independence.'' The trust is that China has determined to eradicate completely Tibetan Buddhism as an enduring threat to the Chinese communist state. This was China's original motivation for going into Tibet, temporarily laid aside by the threat of international scrutiny, and taken up with renewed verve at the time of delinkage in 1994. The abduction of the child Panchen Lama is yet the most recent symbol of a conscious choice by Li Peng and Jiang Zemin articulated over the last three years, to crush Tibetan Buddhism.

Last month, His Holiness the Dalai Lama visited Washington where he was received in the Congress, the State Department and the White House. At each stop, he was given assurances of support for his proposed negotiations with China on the future of Tibet. Thus far, China has resisted calls for negotiations, and the United States has demonstrated a lack of resolve in pushing China to make concessions in the area of human rights. I would urge the U.S. Government in 1997 to take the kind of stand against China's policy in Tibet that would be experienced in Beijing with the same intensity as was the President's MFN delinkage in 1994. If it is the case that U.S. dollars fuel China's power and its powerful, then U.S. leverage must be of the economic kind to be appreciated.

While the world's sole superpower pursues a China policy that takes the position that the engagement of Western and Chinese businesses will bring about gradual changes in China's human rights policies, it is providing a fig leaf for every Western nation to do business with China regardless of its human rights practices. I urge the United States to go beyond its diplomatic rhetoric, assert its world leadership and elicit significant and positive changes in China's Tibet policy.

Sincerely,

LODI G. GYARI,
President.

[From the Freedom House News, June 3, 1997]

CHINA'S PERSECUTION OF UNDERGROUND CHRISTIAN CHURCHES CONTINUES TO INTENSIFY AS AUTHORITIES SEEK THEIR ERADICATION FINDS HUMAN RIGHTS MISSION

NEW TREND NOTED TO ARREST HOUSE CHURCH LEADERS; TORTURE REPORTED; ANNUAL UNDERGROUND CATHOLIC PROCESSION SUPPRESSED

WASHINGTON, D.C.—Today (June 3, 1997) Freedom House released the findings of its mission to China during the last two weeks of May that investigated state persecution against underground Christian churches. The investigation revealed that China is continuing and intensifying its campaign against the Christian underground.

''Some Provinces are more repressive than others, but repression has intensified in all the Provinces from where we received reports,'' reported Dr. Marshall who conducted the fact-finding in China for the Puebla Program on Religious Freedom of Freedom House. In addition to closing unregistered churches (Christian gatherings that occur without government sanction), authorities are now aggressively seeking out and arresting members and leaders of the Christian underground. Eighty-five house-church Christians were arrested in May in Henan Province alone. New incidents of torture by beatings, binding in agonizing positions, tormenting by cattle prods and electric drills and other brutal treatment by Public Security Bureau police against Christians were reported to the Freedom House representatives.

Ninety percent of the underground Protestant church members interviewed by Dr. Marshall said the repression is the worst since the early 1980's. Repression against the underground churches began to rise in 1994 after Beijing issued decrees 144 and 145 mandating the registration of religious groups, with a marked increase from the summer of 1996.

Puebla Program Director Nina Shea observed, ''The ferocity of China's crackdown against the underground Christian community can be explained by the fact that these churches constitute the only civic grouping that has survived outside of government control in China proper. Even in the underground in China there are no independent human rights groups, labor unions or samizdat presses. These underground churches by their very existence defy the state and cannot be tolerated by the aging communists in power.''

The Freedom House team met with 15 underground church members, 12 of whom are pastors or in other leadership positions and are viewed as highly credible. It received reports from over half of China's Provinces and regions (Henan, Hubei, Sichuan, Heilongjiang, Xisang, Shanxi, Guangdong, Anhui, Hunan, Shandong, Liaoning, Hebei, Inner Mongolia, Jilin, Guizhou, Beijing and Shanghai.)

House church leaders interviewed by Freedom House representatives reported the following:

The standard sentence for illegal church activities is now three years of ''re-education through labor'' in a labor camp. This is applied on the third offense for ordinary church members, often to leaders on the first offense, and is usually applied to preachers who are out of their home area.

In Henan Number One Labor Camp (laojiao) approximately 50 out of the 126 inmates are imprisoned for underground church activities. A ratio of about forty percent holds for Henan generally, evidencing that Henan Province is where house-church evangelicals are experiencing some of the harshest repression.

In Louyang, approximately 300 underground Protestants have been detained since July 1996.

On September 24, 1996 in Tenghe, Henan, a Public Security Bureau raid arrested Elder Feng, Brother Zheng, Brother Xin, Sister Li and Sister Luo. Several of these who were in leadership positions were beaten and tortured during interrogation to force them to reveal more names of those involved in the house-church organizations. Sister Luo had her arms tied tightly behind her back in an excruciating position, and was beaten unconscious, leaving her in a coma for several hours. One of the other detainees was beaten almost to death over a period of nine days. They were also abused with electric cattle prods, often in a bound position. Since Elder Feng is 72-years-old and not able to perform hard labor, he is being detained indefinitely. The other four have been sentenced to three years of ''reeducation through labor'' in Luoyang, Henan.

Other forms of torture widely used by police against Christians entail forcing underground Christians to kneel while police stomp on their heels. One detained underground church member in Shanxi was beaten with an instrument that pulled out flesh. He was also bound and tormented with an electric drill. In December 1996, in Langfang, Hebei, several underground Christians were caught at the train station carrying imported Bibles. They suffered crippling beatings at the hands of the Public Security Bureau police and they remain unable to walk without assistance.

In Zhoukou, Henan, 65 underground Christians were arrested on May 14, 1997. An accompanying raid resulted in the arrest of 20 other Christians. Since all 85 underground evangelicals had been previously arrested at least two other times, their fellow congregants anticipate that their sentences will be three years of ''reeducation through labor.''

The annual pilgrimage to the Marian Shrine at Dong Lu in Hebei Province by underground Catholics was prevented by government authorities from occurring this year. In 1995, according to the Far Eastern Economic Review, the procession attracted some 10,000 Catholics loyal to the Holy Father. The event was crushed in 1996 and the priest in charge of the Shrine, Rev. Xingang Cui, remains in prison after his arrest in Spring 1996. The Shrine itself has been desecrated. A foreign journalist who attempted to visit the area was immediately stopped and detained for nearly a day before being expelled from the area.

The underground Catholic bishop of Shanghai, Bishop Joseph Fan Zhongliang, whose home was raided before Easter is under virtual house arrest with heavy police surveillance. He is effectively prevented from meeting with foreigners. [As has previously been reported, four other underground Catholic bishops are detained, imprisoned or their whereabouts are unknown at this time.]

All the church representatives (both registered and unregistered, Catholic and Protestant) gave reports of a three- to fourfold increase of members since 1990, and a greater than ten-fold increase since 1980. Freedom House estimates that China's Christian population numbers about 60 million. In many areas, the boundaries between registered and underground churches are blurred, as members and even leaders move back and forth between both. Dr. Marshall observes: ''Ironically, the very campaign to eradicate the underground churches by the government may be spurring their growth. Underground leaders say the commitment required to practice one's faith in China leads to a strong, disciplined and growing church.''

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

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota [Mr. RAMSTAD], our distinguished colleague.

(Mr. RAMSTAD asked and was given permission to revise and extend his remarks.)

Mr. RAMSTAD. Mr. Speaker, I thank my distinguished chairman for yielding me the time.

Mr. Speaker, I strongly support the bipartisan effort to renew normal trade relations with China and oppose the disapproval resolution we are considering today. United States engagement in China through continued trading relationships is clearly, clearly the best way to influence China's policies. How can we be a force for change in China's human rights policies if we are not there?

We learned during our Committee on Ways and Means hearing last week that many evangelical Christians and humanitarian groups which actually work in China strongly support MFN renewal. Let me quote from two.

First, Joy Hilley of Children of the World, which is a nonprofit international relief and adoption agency operating in China, said that her group's concern for continued access to China is based on their belief that their presence in China has not only enriched the lives of the children who have been adopted but has actually helped save the lives of those children who remain in orphanages in China.

MFN renewal is also supported by the Rev. Ned Graham, son of another well-known minister, the Rev. Billy Graham, who heads a ministry which works with the churches in China.

With all that in mind, Mr. Speaker, I must say that we do not need to apologize for recognizing that the United States-China trade relationship is also very important to jobs and to businesses in this country.

An aggressive free trade policy is absolutely essential to our economy and our workers. We in Minnesota know what this means. In 1996, we exported over $60 million worth of goods to the growing Chinese market. We are currently working on improving that figure through the Minnesota Trade Office's Minnesota China Initiative. In fact our State legislature just authorized $350,000 for this effort to establish Minnesota companies as known and preferred vendors in China.

The workers understand what this MFN means in terms of jobs. Let us hope the Congress understands. Vote down this disapproval motion.

Mr. STARK. Mr. Speaker, I yield 3 minutes to the gentleman from Maryland [Mr. CARDIN].

Mr. CARDIN. Mr. Speaker, I thank the gentleman for yielding me this time and congratulate him on his leadership on this issue.

Mr. Speaker, I heard all these arguments before against United States involvement on human rights issues. We were told with the Soviet Union that the United States would be alone. Just the opposite was the case when we stood up and denied most-favored-nation status to the Soviet Union. Other countries followed the United States leadership. I heard the same arguments about South Africa, that would hurt the blacks of South Africa. By standing up for human rights, we have brought down that apartheid government of South Africa. We said that we were going to hurt our own interests because of the richness of South Africa and their natural resources. We stood up and we changed South Africa. When the United States leads, the world will follow.

China's human rights record is horrible. Listen to our own State Department. I quote:

Overall in 1996, the authorities stepped up efforts to cut off expressions of protest or criticism. All public dissent against the party and government was effectively silenced by intimidation, exile, the imposition of prison terms, administrative detention, or house arrest. Nonapproved religious groups, including Protestant and Catholic groups, also experienced intensified repression as the government enforced the 1994 regulations. Discrimination against women, minorities, and the disabled, violence against women, and the abuse of children remain problems.

China's human rights records are horrible. Listen to what Professor Nathan of Columbia said: Human rights in China are of our national interest to the United States. Countries that respect the rights of their citizens are less likely to start wars, export drugs, harbor terrorists, produce refugees. The greater the power of the country without human rights, the greater the danger to the United States.

I have heard all the arguments against involvement. MFN is supposed to be for immigration only. MFN is for nations that respect human rights. China does not respect human rights.

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We never have to apologize for this Nation standing strong against nations that abuse human rights. Let us stand up for what this Nation believes in. Vote to deny China MFN. They do not deserve it.

Mr. MATSUI. Mr. Chairman, I yield 3 minutes to the gentleman from Massachusetts [Mr. NEAL].

Mr. NEAL of Massachusetts. Mr. Speaker, I rise in opposition to House Joint Resolution 79, disapproval of most-favored-nation trade treatment for China.

Mr. Speaker, this is one of those fascinating arguments that confronts this institution, where there is some truth to what everybody says. But it is ironic that we opened this century with the Boxer rebellion and now we close the century with MFN; and it highlights how this relationship between our Nation and China has been mishandled for the better part of one century.

I think that the issue for us today is really to take the long view of our relationship with China. Every year since 1980, Presidents have requested waivers from Jackson-Vanik in an effort to discuss MFN status as it relates to China. The Jackson-Vanik amendments were enacted to address the freedom of immigration issue. But through most of the 1980's, Presidents have indeed requested this waiver of MFN for China and the waivers, for the most part, were noncontroversial.

Now, I acknowledge that after 1989 and the massacre of Tiananmen Square that the situation changed. But, as we all know, the United States-China relationship remains precarious, and we have to decide the best manner in which to improve this relationship.

In May 1994, President Clinton decided to delink human rights from China's MFN status and to establish new programs to improve human rights in China. This decision was based upon the belief that linkage was no longer useful. I agree with President Clinton's decision.

This does not mean that we have forgotten about the students in Tiananmen Square and we have not forgotten about China's human rights record. We constantly raise these issues with China, and the Tiananmen Square sanctions are still in place. We continue to enforce United States laws banning prison imports.

But the sincere question in front of this House today is, how do we best engage China and to encourage those structural reforms that will retain and bring China further into the relationship of civilized nations? We have gotten away from the original intent of the Jackson-Vanik amendment. None of us endorse all of our actions as they relate to China. But if we want to improve our relationship with China, the best way to do it is to continue to engage them through current actions of trade.

We are not asking to condone China's egregious actions of the past, but we need to remember that renewing MFN is not providing China with special trade provisions. MFN is the normal trade treatment we provide to almost

every other country. I believe that if we engage China, we can make China take actions and move toward familiarizing them with international standards.

In recent Chinese history, the worst human rights violations occurred in times of international isolation. Engagement is working. China is making improvements. Even though it seems as though these steps are baby ones toward conforming to international standards, these are steps in the right direction.

I am going to close the way I opened. In this argument, there is truth to what everybody says in this institution. But let us not retreat today from MFN status for China.

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

Mr. Speaker, in rising in support of the Solomon resolution, let me just say that enough is enough is enough. If ever there was a policy out of touch with reality, it is our current policy of appeasement toward Communist China. And, of course, the continuous unlinked granting of MFN is the cornerstone of that appeasement policy; and that is why I have introduced this legislation, which would revoke MFN for China temporarily until the communist Chinese Government decides to change it, to change its ways by stopping its religious persecution, its human rights atrocities, and selling deadly missiles and poison gas factories to rogue nations like Iran. That does not even mention its trade discrimination, costing hundreds of thousands of American jobs.

Mr. Speaker, hardly a day goes by when the economic and trade picture with China does not get worse. We have heard it alluded to earlier today. China's refusal to grant fair and open access to American goods has resulted in our trade deficits with that country skyrocketing to $38 billion last year, and it is going toward $50 billion this year because our goods are not allowed in China.

Mr. Speaker, engagement theorists claim that United States exports to China currently support 170,000 United States jobs, which they say would be jeopardized if we cut off most favored trade status for China and China then retaliated against us. Well, Mr. Speaker, leaving that aside, this 170,000 figure has not changed since last year and the year before and engagement theorists say it should be going up, it should be creating more U.S. jobs. Considering that over one-third of China's exports come to us, versus 2 percent of ours going to them, does it not seem rather odd for us to be afraid of a trade spat with China? Two percent of our total exports go to China, and 33 percent of theirs come here. We clearly have the upper hand, my colleagues. But the engagement theorists do not have the guts to truly engage China and let them know that their behavior is disgusting.

More importantly, hardly a day goes by without reading of yet another act of aggression, another act of duplicity, or another affront to humanity committed by the dictatorship in Beijing. Consider human rights, the same people who conducted the massacre in Tiananmen Square and the inhumane oppression of Tibet have been busily eradicating the last remnants of democracy in China. And as we speak, they are preparing to squash democracy in Hong Kong.

I invite all my colleagues to go with me in about 3 or 4 months and see what is over there. According to the U.S. State Department's annual human rights report, and I quote, and my colleagues ought to hear this because it is coming from this administration.

> Overall in 1996, the authorities stepped up efforts to cut off expressions of protest and criticism. All public dissent against the party and government was effectively silenced by intimidation, by exile, the imposition of prison terms, administrative detention, or house arrest.

That is what they say, Mr. Speaker. And I emphasize the words ''stepped up'' because human rights violations in China are getting worse, according to the report I just read you. And that is the exact opposite of what is supposed to be occurring, according to the proponents of engagement theory.

China has also ramped up its already severe suppression of religious activity having, among other things, recently arrested the co-adjutor Bishop of Shanghai. We all know this is happening. Engagement theorists on both sides of this aisle know it. They know that this is happening, and all they can talk about is dollars for multinational corporations. It is enough to make you throw up sometimes.

Just read all these newspaper ads that have been appearing all over the country. We have a right to stand up for America and not business interests in this country, Mr. Speaker.

And even worse, in the field of national security, and I would hope that everybody is listening to this, in the field of national security, the engagement theorists completely ignore our national interests by appeasing the communists in Beijing. They totally ignore the relentless Chinese military buildup, ever more frequent exports of technology for weapons of mass destruction, and an increasingly belligerent Chinese foreign policy.

While every other major country has reduced its military spending, Communist China has increased its military spending by double digits each year, increasing their military budget by more than 50 percent in the 1990's alone, when every other country in the world has been cutting back.

What are they buying with all that money that is being financed by the trade deficits in this country? Soviet-made Sunburn missiles from Russia, that is what. We debated that on the floor here last night. The Sunburn was designed with the express purpose of taking out United States ships and killing American sailors, and Communist China is buying it with the express purpose of intimidating the United States Navy in the Taiwan Strait and in the Asian-Pacific theater. Or they are going to give it to Iran to attack American ships, as Iran did when they killed 37 American sailors aboard the *USS Stark* a few years ago.

Meanwhile, China's irresponsible missile proliferation activities continue unabated. Are my colleagues not concerned about that? I know some of them are. I have talked to some on that side of the aisle who are formerly for MFN and now they have changed their mind for this very reason. Despite engagement, or because of it, China continues to export ballistic missiles and nuclear technology to Pakistan—do my colleagues not think something is going to happen over there?—and missile, nuclear and chemical weapons technology to the avowed enemy of America, Iran. I did not say they are our enemy. They said they are our enemy.

Let me repeat. Has anyone around here thought about who these missiles that the Iranians are buying, who they will be used against? They will be used against the U.S. Navy because we will be called in over there, the same as we were in the Persian Gulf. And it is going to be used against Israel and a lot of other decent human beings over in the Mideast who will not be able to protect themselves against this nerve gas and the poison gas and the missiles.

Every Member of this body that claims to be a supporter of Israel should come over here today and vote for this resolution. Because if they do not, Iran's chief weapons supplier, Communist China, will be off the hook once again, and once again we will be back here next year, as we were last year and the year before.

Let me just note that the denial-inducing effects of the engagement theory are especially visible in the case of China's nuclear transfers and C–802 missile sales to Iran. These transactions are in clear violation of the 1992 Iran-Iraq Nonproliferation Act and should initiate sanctions against China, not more appeasement.

The principal author of this legislation is none other than Vice President AL GORE, but the numbing effects of the engagement theory have precluded the administration from invoking the Vice President's own legislation.

If it were not so serious and so sad, Mr. Speaker, it would be a laughable matter. These are the very bitter fruits of engagement. And I want to know just how long it is going to take for the engagement theorists to wake up. We will be going on here for another 5 years.

To show just how much the engagement theory seals its proponents off from reality, Mr. Speaker, I would like to quote from a recent ''Dear Colleague'' signed by four senior members of the Committee on Ways and Means, all of whom are card carrying engagement theorists. They say, and I quote,

''The Chinese would interpret the severing of normal trade relations as an unfriendly act.''

Mr. Speaker, I do not know whether to laugh or to explode in anger when I hear such statements. This rogue, vicious dictatorship commits murder, it commits rape, and intimidates countries with missiles. It makes aggressive land grabs, makes veiled threats of nuclear attacks against Los Angeles. Did we just overlook that? It sells deadly missiles to our archenemy Iran and buys missiles designed to kill Americans.

And the proponents of engagement are worried about us making unfriendly acts. What an outrage, Mr. Speaker. What a deep offense against the victims of this regime, both inside China and, God forbid, without. And what a deep offense against the United States military personnel that are on watch in the Pacific and in the Middle East, who may one day be a victim of China's military aggression or of China's irresponsible missile proliferation policy.

What has to happen? Does China need to commit a second Tiananmen Square in Hong Kong or elsewhere? Do they have to invade Taiwan? And if so, what is Congress going to do about it, Mr. Speaker? More appeasement? Do they have to take out American ships and kill American sailors with Sunburn missiles? Then what are we going to say? ''Oh, my goodness, you should not have done that, China''?

Mr. Speaker, it is nothing short of a disgrace that we would even consider waiting that long. But that is exactly the fix that the engagement theorists have put us in. And I resent it. Mr. Speaker, we owe it to this country to temporarily cut off MFN, now it does not have to be permanently, to temporarily cut it off until China becomes a responsible member of the international community. Is that not what we want?

□ 1145

Is that not what we want? Because if we do not, Mr. Speaker, the proponents of engagement may very well be responsible for the lives of Americans 5 or 6 or 7 years down the line. I do not want Members coming back to me and saying, ''Oh, my gosh, I made a mistake,'' because then it is too late.

Mr. Speaker, no MFN was given to the Soviets under Ronald Reagan. Peace through strength brought down the Iron Curtain and brought an end to that deadly atheistic communism in that part of the world. At the same time we were giving most-favored-nation treatment to China. Some of my colleagues will say, ''Well, we were playing the China card'' and, yes, maybe we were but the China card is over. Now is the time to stand up to this rogue regime in Beijing and let them know we are not going to take it anymore.

That is why Members ought to come over here and vote to send a message that we are going to protect American lives and American interests around the world and that China had better become a decent actor in the world.

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

Mr. CRANE. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from Pennsylvania [Mr. ENGLISH].

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD). The Chair will remind all persons in the gallery that they are here as guests of the House and that any manifestation of approval or disapproval of proceedings is a violation of the rules of the House.

Mr. ENGLISH of Pennsylvania. Mr. Speaker, in the debate on whether to continue normal trade relations with China, the opponents of trade have failed fundamentally to answer one question: What will ending our engagement with China accomplish? It will not improve human rights or political rights on the mainland. It will not benefit American security interests in Asia or stabilize the Pacific rim. It certainly will not improve trade opportunities for American companies and American workers in the world's largest and fastest growing market. Our severing of normal trade relations with China would be the greatest windfall that we would have bestowed on our European competitors since the Marshall plan. American companies would likely lose their favored position in the Chinese market permanently.

So what would ending normal trade relations with China achieve? For one thing it would devastate our longtime trading partners in Hong Kong at a sensitive time when they are returning to Chinese sovereignty but seeking to retain their autonomy. Ending MFN would undermine Hong Kong's economy and potentially their liberties as well.

Mr. Speaker, the best way for America to influence Chinese society is to pursue a policy of constructive and comprehensive engagement with China utilizing our economic role to leverage reforms that benefit individuals on the mainland. In this way we can stimulate market activity and growth on the mainland which has proven subversive of totalitarian bureaucracies worldwide.

Oppose this resolution.

Mr. STARK. Mr. Speaker, I yield 2½ minutes to the distinguished gentleman from California [Mr. BERMAN].

(Mr. BERMAN asked and was given permission to revise and extend his remarks.)

Mr. BERMAN. Mr. Speaker, I rise in support of the resolution of disapproval. For me it is a very difficult decision and a very close call. I regret having to oppose the administration on this issue. As a general proposition, I favor engagement over containment. While we have many contentious issues with the Chinese in the area of treatment of political dissidents and religious minorities and the curtailment of democracy and civil liberties in Hong Kong and the treatment of Tibet and our growing trade deficit and the creation of artificial trade barriers, none of these cause me to reach the conclusion that I should oppose the continuation of MFN. My decision instead is really based on the Chinese failure to abide by their international commitments in the area of the proliferation of weapons of mass destruction, a proliferation which threatens world peace and stability. I am voting against MFN because China has not lived up to its commitments not to promote the export of these weapons. I am voting against MFN because preventing the proliferation of weapons of mass destruction is the most serious immediate challenge for the future for all of us.

China has ratified the Nuclear Non-Proliferation Treaty, the Chemical Weapons Convention, and the Biological Weapons Convention. They have announced stronger nuclear export controls and adherence to the Missile Technology Control Regime. But commitments without compliance mean nothing. They have made many excuses for their failure to keep these international commitments. ''How can we monitor every businessman exporting millions of dollars of chemical weapon production materials to Iran?'' But they can find every dissident working secretly on a subversive pamphlet and imprison that person.

''We adhere to the Missile Technology Control Regime. We just don't recognize the Annexes'' which give that commitment any meaning whatsoever.

Mr. Speaker, what I want is for this administration to scream as loudly about the proliferation of weapons of mass destruction as it has about the manufacturing of counterfeit CD's and stolen computer software and video games. I want this administration to threaten the import controls and higher tariffs on key products imported here from China as forcefully and effectively as it has waved and wielded that weapon to remedy violations of intellectual property agreements. What I want this administration to do is to hound and to badger our key allies like Japan and Germany and France and Britain to pursue meaningful multilateral export controls that tell China that their movement to a fully modern society depends on stopping the weapons of mass destruction and their export.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin [Mr. KLECZKA].

Mr. KLECZKA. Mr. Speaker, I rise in opposition to the resolution before us today. I think this annual debate on trade with China is healthy, for through our voicing our dissatisfaction with not only human rights but other activities in that country, I think we make them aware of our posture as a

nation. However, I think it is important to restate that this is not a special privilege to China. This is the same type of trade relations that we give to 184 other nations around the world. Let us set that out and it should be repeated over and over again. This is not privileged trade for that country.

Know full well that in the last decade, we have had some $12 billion in exports to China and the author of the resolution indicates that this might not be accurate but, yes, there are 170,000-plus jobs, American jobs, connected to those exports.

In my State of Wisconsin, major companies like ABB Drives and Rockwell—Allen-Bradley—have penetrated the Chinese market and over the last year we have seen a 29-percent increase in exports to China. Our colleagues in support of the resolution indicate that going it alone will work, and I say to them, it will not and it has never worked on behalf of this country. I cite the grain embargo against Russia because of their activities in Afghanistan. Know full well that there were countries waiting at the door to pick up those grain sales, grain sales that to this day we have not gotten back. The same is true for any and every export to China. The European Community is just waiting at the door. Japan is waiting at the door. Those trading items are lost. Those American jobs connected to that trade is lost forever. Let us continue the engagement like we have over the years. Let us keep the pressure on, but let us look to people on the ground in China like missionary groups which indicate that it would hinder the cause of human rights if we were to stop our trading activity.

The China Service Coordinating Office, an organization serving over 100 Christian organizations in service and witness there, fear that ending MFN would close the doors to China through all sorts of educational and cultural reforms. Let us defeat the resolution. Let us continue normal trade with this country.

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the gentleman from Colorado [Mr. HEFLEY].

Mr. HEFLEY. Mr. Speaker, those who support most-favored-nation status for China argue that maintaining open trade with China would spur economic growth, as well, and have a consequence of social reform. While I sympathize with this position, I am opposed to extending MFN status to China, and instead favor imposing conditions upon our future trade designation.

China has a continuing legacy of human rights violations and oppression of its citizens which cannot be ignored. The events of Tiananmen Square provided the world with a clear picture of the Chinese Government's ruthless and immoral nature. Year after year we have been told, ''Give most-favored-nation status to China and we can win them over.'' We heard that during the Bush years. We hear it during the Clinton years.

Let us look at the score card a little bit regarding this strategy. We gave most-favored-nation status and they continue their policy of population planning with forced abortion. We gave most-favored-nation status and they continue not to tolerate any dissent of any kind, and the imprisonments, the torture, and the killings go on. We gave most-favored-nation status and they continue to try to stamp out any religion that is not state-supported religion, and the murders of priests and ministers continue.

We gave most-favored-nation status and they throw out the elected legislators in Hong Kong and replace them with handpicked Beijing lackeys. We gave most-favored-nation status and they made plans to invade Taiwan. When we stood in their way of that, they threatened to send nuclear missiles to our west coast.

We gave most-favored-nation status and they tried to smuggle automatic weapons into the United States to supply gangs in this country. We gave most-favored-nation status to them, and they have the biggest buildup of nuclear missile development of any country on the face of the earth.

Let us look at the score card. Do my colleagues suppose maybe that strategy is not working? How long before we get a new strategy?

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio [Mr. BOEHNER], our distinguished conference chairman.

Mr. BOEHNER. Mr. Speaker, I come to the floor today to support continued normal trade relations with China. We have heard before the term most-favored-nation status, which I do not think really says the true story. Most nations of the world, almost all the nations of the world, have most-favored-nation trading status. The fact is, what we are looking for is the same status for China.

Mr. Speaker, I understand my friends on both sides of the aisle are concerned about the issue of human rights, religious persecution and other abuses that go on in China. I and those who support MFN and normal trade relations with China are as concerned as they are. The issue is, how do we best address those? By delinking ourselves from China, by walking away from East Asia, or by staying engaged with them economically?

I think the best two examples that I have seen are what has happened in Taiwan and what has happened in South Korea. Twenty years ago both of those countries had brutal dictatorships, lack of religious freedom, lack of any kind of democratic freedom. Today both nations have popularly elected Presidents of their countries, real democracy.

Where did the democracy in those two countries come from? It came through expanded trade, expanded economic freedom that was engaged because the United States was engaged economically with those parts of the world.

Second, I would point out to my colleagues that when we talk about normal trade relations, if we want to delink this and we want to say no, who are we really hurting? Those in East Asia, those in China? Or are we really hurting the people in our own country, the people in my district?

Let us talk about agriculture, our country's No. 1 export, some $50 billion a year of exports going all over the world, and China being one of the main customers of our agricultural products. How about Procter & Gamble in Cincinnati? It has a huge presence in my district. Or Parker Hannifan in Eaton. French Oil Co. These are jobs in my district. Let us not hurt our people in order to raise our case about human rights in China.

Mr. STARK. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from Stark County, OH [Mr. TRAFICANT], one of the experts on foreign trade in this House.

Mr. BUNNING. Mr. Speaker, I yield 1 minute to the gentleman from Ohio [Mr. TRAFICANT].

Mr. SOLOMON. Mr. Speaker, I also yield 30 seconds to the gentleman from Ohio [Mr. TRAFICANT].

Mr. STARK. Mr. Speaker, will the gentleman yield?

Mr. TRAFICANT. I yield to the gentleman from California.

Mr. STARK. I thank the gentleman for yielding to me.

Mr. Speaker, I just wanted to point out, as I listen to this debate, that it becomes very clear what the issues are. The issues are, do you believe in human rights? And everybody does. But there are some who believe in making money more, and feeling that trade and money and campaign contributions from major corporations in this country are more important than human rights. So that while we all believe in human rights, are you willing to forgo the money to enforce them?

□ 1200

Mr. TRAFICANT. Mr. Chairman, China sells missiles to our enemies, China threatened to nuke Taiwan and Los Angeles. China is buying intercontinental ballistic missiles, attack aircraft, and nuclear submarines. Congress, China is literally building a military juggernaut with American dollars.

China enjoys a $50 billion trade surplus, they have a 17-cent an hour labor wage, they deny most American products, and they impose up to 30 percent tariffs on nearly all of our products.

In addition, China shoots their own citizens, treats their women like cattle, laughs in the face of the United States.

And finally, China is a Communist dictatorship, and American law, current law, says no Communist nation shall get MFN.

Now the President wants to waive that. I ask the Congress, what did China do to deserve this waiver?

Now the President talked about building a new bridge to the future. I

was always under the impression that new bridge was in America. It is evident to me the President was talking about building a new bridge over the River Kwai here.

I am opposed to this madness. We are, in fact, empowering a super dragon that is powerful enough some day to eat our assets. I think we are foolish.

China has become a powerful military problem. We better recognize it now before we arm them to a degree where we may have trouble reinforcing our freedom and national security in the future.

I commend the gentleman from New York [Mr. SOLOMON], proud to join forces with him. Vote ''no'' on MFN, vote ''aye'' on the resolution.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the gentleman from Michigan [Mr. LEVIN].

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, I rise in opposition to the disapproval resolution. On critical issues relating to China we need a policy, not a protest.

We do have serious problems with China; let us not paper them over: human rights, national security, trade. But for too long we have gone through the annual spasm over MFN only to more or less forget about China the rest of the year. It is time for more sustained and serious effort. Congress needs to roll up its sleeves, not throw up its hands.

On economics and trade, our problems with China are rooted in a fundamental change that has taken place in the nature of international trade. In earlier decades trade was mainly among industrialized nations, and the focus of trade negotiations was on tariffs and later market access. But today economic competition is increasingly between industrialized and developing nations, often with centrally managed economies with dramatically lower wage and salary levels sustained by government intervention.

These fundamental economic issues with China cannot be addressed through the annual MFN debate; they can be addressed directly through negotiations about China's accession to WTO, and they can be addressed as to other developing nations through comprehensive, hardheaded fast track legislation.

I urge all of my colleagues to confront these key issues, persuade the media to shine the light on them and help the administration play a central role by addressing them as we take up fast track and China's WTO accession. MFN has become a diversion rather than an answer. I oppose this resolution.

Mr. BUNNING. Mr. Speaker I yield myself 30 seconds to respond.

It has been brought up that we have normal trade relations with China. That is absolutely not true. We did not have normal trade relations with the Soviet Union because we did not grant most-favored-nation status, and we do not have a normal trade relationship with Cuba because we do not grant most-favored-nation status to Cuba. So it is not true when people talk about normal trade relations.

Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. ROHRABACHER].

Mr. SOLOMON. Mr. Speaker, I yield 30 additional seconds as well to the gentleman from California.

The SPEAKER pro tempore. The gentleman from California [Mr. ROHRABACHER] is recognized for 2½ minutes.

Mr. ROHRABACHER. First and foremost, Mr. Speaker, we are not talking about severing our trade ties with China, or talking about walking away from China, or talking about isolating China. That rhetoric does not meet the reality. What is being argued today is whether we should extend most-favored-nation status to China.

Now we have heard today that we are really talking about normal trade relations with China. Well, I too do not think it is normal trade relations. What we have is an unfair trading relationship with China. But, OK, a normal trading relationship with Communist China, yes, it is an unfair, irrational, unbalanced relationship that is unfair, yes, to the American people and putting our own country at risk. Why our corporate elite keeps pushing to maintain MFN is easy to see, but we have to get a little bit below the surface.

This is not about whether we should sell our products to China or corporations can still sell their products to China. Extending MFN means that these corporations will continue to get taxpayer subsidies. That is what it is about. When these big corporations go to China to use their slave labor or near slave labor, what they want is the taxpayers of the United States to guarantee their interests on their loans and guarantee the loans so it is easier for them to set up manufacturing units using slave labor in China than to do it in the United States.

This is an abomination, an attack against the well-being of the people of the United States who are paying those taxes. We end up putting them out of work so they can set up these companies and make a bigger profit in China. It is a terrible policy; it is unfair to our own people.

By the way, this unfair trading relationship burdens our goods when we want to sell over there that are made by our laboring people with a 35-percent tariff. Their goods flood into the United States of America with a 2-percent tariff. Yes, that is what we are talking about today, not most-favored-nation status. What we are talking about is an unfair trading relationship that we want to end by ending most-favored-nation status with China.

The trade deficit with Communist China is expected to be $50 billion this year. What are they using that money for? Again they are using that money directly against the interests of the people of the United States. They are buying weapons that could some day be used to kill Americans.

This is an abominable policy. Our policy makers should have their head examined for kowtowing to a Chinese dictatorship that is working against the interests of the American people. Vote for this resolution.

Mr. CRANE. Mr. Speaker, I yield 2½ minutes to the gentleman from Arizona [Mr. KOLBE], our distinguished colleague.

Mr. KOLBE. Mr. Speaker, I rise today in opposition to House Joint Resolution 79, the resolution calling for the United States to revoke the so-called most-favored-nation status with China. I oppose it so we can send a message to that nation about American principles and American values. I agree with the proponents of this resolution, let's send a message. Let us send a message to China, let us send a message about hope, let us send a message about freedom and democracy, let us send a message about prosperity, individual liberty, and the rules of law.

I strongly support institutions and organizations that promote American values abroad. I always have. I do so because I think America can be a shining example to the world, and I think these groups send powerful messages about America. When our people work abroad, they carry with them the best of what America has to offer, principles of fairness, of individual responsibilities and individual choice. Those are embodied with American businesses and organizations when they work abroad.

This is the best way for America to carry its message. Let us not isolate ourselves. But do not listen just to my words. Listen to those of others who have argued that a vote for MFN is a vote for religious freedom in China. Listen to these words of Reverend Sirico, a Paulist priest in China. Quote:

> Sanctions won't bring freedom for religious expression in China. They can only further isolate China and close off avenues for greater Western influence.

A vote for MFN is a vote for the people of Hong Kong. Listen to the words of Chris Patten, Governor of Hong Kong:

> Unconditional most-favored-nation trade status is unequivocally the most valuable insurance America can present to Hong Kong during the handover period.

A vote for MFN is the best hope for democracy. Listen to these words of Nick Liang, a former student leader in Tiananmen:

> The spirit of the Tiananmen Movement is not one of confrontation, not one of hatred, not one of containment, but of engagement. As one of the students from Tiananmen carrying on this spirit, I support MFN trade status, which is a very primary and effective vehicle of engagement.

Mr. Speaker, let me end with this quote by Daniel Su, an evangelical minister who spoke privately to some of us last week, and his words rang in

my ears then and they ring here today. He was talking about why this debate and the motives of those, who support or oppose MFN. Either way, we should not question those motives. They are honorable, but Daniel Su also urged opponents of MFN to think about the consequences of their opposition. He said these words:

To sacrifice ourselves for a principle is heroic. To sacrifice others for that same principle is insensitive.

Mr. Speaker, let us not sacrifice the Chinese people on our principles. Let us support MFN. Oppose this resolution.

This past January 1 led a 22-member, bipartisan congressional delegation on a fact-finding mission to Hong Kong and China to see first hand the impact that the United States policy of engagement is having on the Chinese economy and the Chinese people. I was truly astounded to see all the positive changes that have occurred since my first visit to that country in 1994, and I returned more committed than ever to our policy of economic and political engagement.

The changes we witnessed in China reflect many of the changes we have seen grip other Asian nations. Over the past decade, economic liberalization has generated powerful currents of democracy and freedom that have rippled throughout Asia. These currents have reshaped the socioeconomic landscape of the region.

Economic growth, driven by United States policies of free markets, free trade, and peaceful dialog among nations, has allowed countries like Japan, South Korea, and Taiwan to emerge as prosperous industrialized nations. Invariably, economic growth in these nations has led to expansion of individual freedom and liberty. Today, these countries have developed into true democracies characterized by political pluralism, functioning independent political parties, and greater respect for the rights of the individual.

Admittedly, these changes did not occur overnight. They were part of a long-term, evolutionary process. I believe we are seeing the same forces of change at work today in China. I am convinced that if we remain steadfast in our policy of engagement, with confidence that American values of freedom and democracy will ultimately prevail over the tyranny of repression and the economic stagnation that accompany state controlled economies, we will ultimately see the same economic and political transformation in China that we have seen in Japan, South Korea, and Taiwan.

Two decades ago, virtually every aspect of Chinese society was under state control. Today, more than half of China's output is generated by private enterprise. The development of a strong, vibrant, private sector—particularly in southern China—continues to weaken centralized control. This, I think, continues to represent the best hope for political freedom to spring full-blown in China.

Economic liberalization and growth of trade and economic links with the United States over the past two decades already have enhanced freedom for the Chinese people. That is undeniable. Millions of Chinese citizens are now employed in non-state enterprises, and they have the basic freedom to select their own employment and to change jobs when they are dissatisfied with working conditions or wages. This environment is the direct result of our policy of engagement.

Clearly, civil liberties and personal space have increased over the past two decades as the Chinese economy has improved. In my view, the ongoing process of political reform in China would be severely compromised if we were to erect barriers to trade and economic exchange between our two countries. This is reason enough to support renewal of China's most-favored-nation trading status.

But there are other reasons. In just a few weeks the world will watch as Hong Kong undergoes the peaceful transfer of sovereignty from Britain to China. If we pass the resolution of disapproval in the House of Representatives on the very eve of this transfer, what message will we send to the world and the people of Hong Kong? That America wants to turn its back on them, break economic and political ties with that region, and abandon its citizens at the precise hour of their greatest need? I do not think that is what the United States stands for.

I also fear that passing the resolution of disapproval in the House will result in a backlash against American goods and American values. It would be nothing less than a unilateral declaration of political and economic war, providing just cause to hard-line elements in the Chinese Government who advocate more state control and less foreign influence.

I fear the result will be the exile of groups associated with the United States who promote western values. Groups such as the International Republican Institute, which works to develop the rule of law in China and strengthen the nascent village democracy movement, would be discredited. Missionary organizations, like the Evangelical Fellowship, would no longer be welcome. We would be extinguishing some of the brightest rays of hope to the Chinese people, ultimately hurting the very people we are trying to help.

Maintaining normal trading relations with China does not mean that we can't also speak frankly and firmly to the Chinese Government about issues and values important to us. There are opportunities where we can and should let our concerns about human rights, trade, and nuclear proliferation be known. I have certainly done so in my meetings with top Chinese leaders. But if we disengage, if we pull back our most effective resources, what incentive will those Chinese leaders have to listen to, or care about, what we have to say?

I certainly think there is more that we can do. For example, I favor bringing China into the World Trade Organization on commercially viable terms. I think doing so would oblige the Chinese leadership to implement difficult domestic economic reforms while providing the United States with a strong multilateral vehicle for dealing with issues such as market access in China.

I also favor accelerating and funding efforts to work with the Chinese to promote the rule of law and encourage and support the village election process. In fact, I am currently working with Representatives JOHN PORTER of Illinois and DAVID DREIER of California to examine just such an approach.

But one thing is clear. The United States must remain a major influence in Asia. We must strengthen our relations with our allies and maintain a strong military presence in the region. And we must be clear and consistent in our message to the Chinese Government. This annual debate over whether we will continue our political and economic relations with China destructive and counterproductive. It hampers our ability to formulate a comprehensive and effective policy toward the region. And I think it is time for it to end.

Thus, I strongly urge my congressional colleagues to renew MFN status for China. History has shown that economic growth is the most effective catalyst for political change. The principles of freedom and individual liberty embodied in economic liberalization will ultimately prevail—but only if we have the political courage to allow them to flourish.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from Rhode Island [Mr. KENNEDY].

Mr. KENNEDY of Rhode Island. Mr. Speaker, let us see what the appeasement strategy of MFN has gotten us.

On military aggression China sales of weapons to Iran are well-documented. But even worse than being well-documented, China defends their sale of weapons to Iran.

We have heard about the trade deficit approaching nearly $50 billion a year. Those are jobs, my colleagues. Between 1989 and 1994, our trade deficit with China increased tenfold. I wonder why. Well, maybe it is because despite the fact that they have agreed to end trade and prison labor it is estimated that between 6 and 8 million Chinese are enslaved in labor camps. I thought they said they gave us their word they were not going to engage in slave labor any more. Whoops, small detail there. Well, according to Amnesty International, this is continued every year. In addition, over 3,500 documented executions occur every year in jails in China.

My colleagues, vote ''yes'' on the resolution and ''no'' on MFN.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the gentleman from Missouri [Mr. SKELTON].

Mr. SKELTON. Mr. Speaker, I rise to speak against the resolution to disapprove. It boils down to whether my colleagues want China inside the tent or outside the tent.

Now all of this China business, there is one segment of trade that has not been discussed as thoroughly as it should, and that segment is agricultural exports. So today I speak for the American farmer, I speak for the rural Missourians who sell products abroad.

United States should again extend normal trade status to China. Failure to do so will jeopardize American agricultural sales to that country that last year topped $3 billion. Overall, our country enjoys a substantial agricultural trade surplus with China of $2½ billion. Moreover, agricultural exports to China stand to gross significantly in the coming years as income growth in China leads to continuing dietary improvement.

Let us look at some of the sales statistics that we have. Nineteen hundred ninety-six corn sales to China topped 90 million bushels; fertilizer, $1.1 billion; wheat, $426 million; cotton, $736 million; soy beans, $414 million; soybean

meal, $116 million; soybean oil, $104 million, and poultry, $408 million.

China is already a major market for American agricultural exports and has the potential to become an even bigger customer as the economy continues to grow. So for the American farmer, for the Americans and those who live in rural Missouri and rural America, I say let us continue to sell agricultural products to that country.

□ 1215

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from New York [Mr. PAXON].

(Mr. PAXON asked and was given permission to revise and extend his remarks.)

Mr. PAXON. Mr. Speaker, it is with great sadness that I rise today to oppose the renewal of MFN for China. This decision has been a difficult one for me. I am a firm believer in free trade.

Trade is of vital importance to American jobs and the world economy, but our foreign policy is about more than simply trade. There are sound arguments on both sides of this debate. There are no black and whites here, there are no absolutes, except one: the absolute failure of the Clinton administration to effectively represent American interests and values on the world stage.

I wish I could stand here today and support MFN. Each of the four times that President Clinton has asked this body to renew, I have given him my vote. But when the Clinton-Gore administration fails to use our trade relationship to promote free and fairer trade, encourage human rights improvements, or to limit the proliferation of arms, it is time to try something else.

I will admit it: Trade for trade's sake is the closest thing this administration has to a consistent foreign policy, but the world is more complex than that, and American foreign policy is about more than champagne toasts and caviar receptions.

This administration's failures are not limited to Asia. Their debacles litter the globe from the Middle East to central Africa. Clinton-Gore foreign policy has made a mockery of this Nation in the eyes of the world. We have gone from being the world's policeman to its Keystone cops. Today, bumper sticker slogans substitute for honest dialog and fundraisers have replaced fact-finding.

America is best represented, I believe, by a cohesive, coherent, and disciplined foreign policy executed by the President of the United States. Sadly, the current administration refuses to address seriously even the most basic of human rights, trade, and national security concerns when it comes to United States-China relations.

I will be the first to admit it: Denial of MFN to China would be at best a blunt, imprecise instrument, but I believe it would send a message to China that the United States believes in something more than the blind pursuit of trade.

Do I wish the President would step up to the plate and do his job? Absolutely, yes. But absent that leadership, what choice does Congress have? Denying MFN will not solve all of our problems with China, but at least someone will have signaled to the leadership in Beijing that trade with America is not just a right, but a privilege.

Mr. CRANE. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Florida [Mr. FOLEY].

Mr. FOLEY. Mr. Speaker, I rise in opposition to this resolution to deny MFN trading status for China. Many of us share great reservations about the fate of Hong Kong under Chinese rule. Most of us also share deep concerns about human rights abuses, whether those abuses are in China or elsewhere. But denying MFN to China is the wrong way to address these issues.

Hong Kong Governor Chris Patten has made it crystal clear that denying MFN status will only hurt Hong Kong. His quote: ''For the people of Hong Kong,'' he said, ''there is no comfort in the proposition that if China reduces their freedoms, the United States will take away their jobs.''

Christian missionaries are also pleading with us not to endanger their work and their people by denying MFN. We cannot address the issue of human rights in China, or anywhere, if we are not engaged, and we cannot help Hong Kong retain its freedoms and its status as the center of trade if we undercut our influence there and undercut Hong Kong's economic health.

From my days as a real estate broker I can tell my colleagues that we gain nothing if we are not at the table. We cannot serve our interests or those of our clients by being absent during a closing. If we are not in the room, we are not a player, period, and that goes for trade as well.

I urge opposition to this resolution denying MFN trading status for China.

Ms. PELOSI. Mr. Speaker, I yield 1 minute to the gentlewoman from Connecticut [Ms. DELAURO].

Ms. DeLAURO. Mr. Speaker, I want to build a strong relationship between the United States and China, but the most-favored-nation status that China enjoys has done little to build a strong and mutually beneficial relationship between our two Nations.

China has engaged in unfair trade practices, pirated intellectual property, spread weapons and dangerous technology to rogue nations, suppressed democracy, encroached on democratic reforms in Hong Kong, and engaged in human rights abuses.

They have profited. They send one-third of their exports to the United States and allow only 1.7 percent of American exports to crack the Chinese market. The result? A $40 billion trade deficit which is expected to reach a staggering $50 billion by the end of this year.

The United States should use our trade laws to pressure China for greater access for American companies and goods. I am voting against MFN for China because we need to let China and our trade leaders know that more of the same from China is not acceptable. If our Government wants support for free trade, then it must insist on fair and equal standards and compliance with our trade laws. When that happens, there will be broader support for MFN.

Mr. MATSUI. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from New York [Mr. RANGEL].

(Mr. RANGEL asked and was given permission to revise and extend his remarks.)

Mr. RANGEL. Mr. Speaker, I rise in support of the President's decision to extend most-favored-nation status to the products of China for another year, and urge my colleagues to vote ''no'' on House Joint Resolution 79.

As most of my colleagues know, we are not really talking about giving privilege or favorable treatment to the Republic of China; what we are talking about is treating them as we would normal trading partners.

I think, too, one of the reasons I support it is because this is not just a trade issue, it is a foreign policy issue, and I think the President and the State Department should have more information as to where we can go as a nation and what proper tools we have available to use in order to bring the entire free world around to understanding that democracy really and truly works.

It seems to me that boycotts and using trade as a weapon can only work if we have a consensus among the world leaders that we are going to be working collectively. Here we see a situation which should be proven to us by the embargo against Cuba that there are too many countries willing to fill the vacuum that America would leave, if we just decided unilaterally that we had a higher sense of human rights than the people that we were dealing with.

It is just hard to see what our history of doing business with dictators in South America and around the world, including the former Soviet Union, than how with China we find this new high moral standard in dealing with them. It is not as though withdrawing and not communicating is going to improve the situation. Most no one denies that job creation in our country can be the difference in whether we trade or whether we do not, or whether someone else gets the jobs.

Mr. Speaker, on the question of human rights, I would just like to say that our great Nation exceeds the world in the number of humans that we have incarcerated per capita. If we take a look at the profile of those people that are locked up and have had their liberties taken away from them, and knowing the fact that statistically people who look like them will be ending up in jail, we would be hardpressed

on American soil to explain that we are not talking about political prisoners.

Most all of these people, at least 80 percent of them, come from poor communities; one way or the other they have been affected by drugs; most of them of color; most all of them are uneducated, untrained, and most of them do not think much about their lives and the lives of other people. It would seem to me that if we really were concerned, we would find out the source, the poverty that exists in communities, the failure of our school system to work, and to see how close to 2 million people could possibly enjoy the benefits of expanded trade which we hope this great Nation will be looking forward to.

What I am saying is that we all are seriously concerned about the human rights of every individual, and we should be, but I do not want any country ridiculing or telling my country, the greatest republic in the free world, what we are doing wrong. I do not want anyone setting these standards for my country.

I think that the fights that we have, we are able to fight back because we have the opportunity to do it. We have the ability to try to impress each other, to make America better, and I think the only way we can get this idea across to other countries is to be there and let them see who we are, how we succeed to have a better life. I think it is true in Cuba, if we went there and showed them what American capitalism is like, and I think that the United States as an economic showcase has changed the lives of many people in China.

Mr. Speaker, by continuing the dialog and creating the jobs on this side of the ocean, I truly believe that is a better solution to the problem than us determining what human rights should be in the Republic of China.

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. HUNTER].

Mr. HUNTER. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, this Tickle-Me-Elmo made in China is more coherent than the trade policy of the Clinton administration.

Let me turn this fellow off.

Trade is a balancing of interests. Whether we engage with a nation with respect to trade is a balancing of interests.

What are we getting? We are getting a smaller export to China than we get to Belgium. They are not a major trading partner except for the one-way street, except for the $50 billion-plus coming back to China, the trade surplus that they enjoy over us, the enormous sales throughout our Wal-Marts and K-Marts with hundreds and hundreds of products, many of which are made by the People's Liberation Army, and what are we getting in return for that?

Have we stopped any of the poison gas sales to Iran by China? Have we stopped any sales of ring magnets that are used to make ICBM's sold to Pakistan? Have we stopped the purchase of the missile destroyers that were purchased from Russia, that have one purpose, and that is to kill American sailors and destroy American ships on the high seas?

My colleagues have spoken of the policy of engagement, but not one CEO, not one president, not one trade negotiator can point to a single case of technology transfer or military transfer that they have stopped by engaging with the Chinese, nor can any of them really point to any attempts that they have made to stop this amassing of military capability in China and the transferring of military capability to outlaw nations around the world.

So in the balancing of interests, we are getting about the same exports that we get to Belgium, which is very little, and in return for that we are making China strong with hard American dollars. They are militarizing with their strength, and the same children, the 5- and 6-year-olds playing with that made-in-China Tickle Me Elmo today, may well be facing us on a battlefield in Korea when they are 17 or 18 years old. Vote against MFN for China.

Mr. DREIER. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Sanibel, FL [Mr. GOSS], chairman of the House Permanent Select Committee on Intelligence.

(Mr. GOSS asked and was given permission to revise and extend his remarks.)

Mr. GOSS. Mr. Speaker, I thank the distinguished gentleman from California for yielding me this time.

I continue to believe that we must remain engaged in China; clearly the power to be reckoned with both now and in the next century. However, I have to say it is with increasing reluctance this year that I am going to support these normalized trade relations. I have just about had it.

As chairman of the Select Committee on Intelligence, I have two major concerns: First, China's flagrant and inexcusable weapons proliferation activities; no denying it. Specifically, the provision of advanced weapons systems, equipment, and technologies to nations, including some that are hostile to America, that are known to have active programs to develop weapons of mass destruction. I want to be sure President Clinton knows how serious this is; I want to hear him say it, I want to hear him say he is going to do something about it.

The other issue clouding the debate for me is the serious allegation that Chinese officials engaged in improper and possibly illegal activities to influence the outcome of U.S. elections.

□ 1230

This matter is still unresolved, and it deserves cooperation, and I hope also we will get the cooperation of the administration on this.

Mr. STARK. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey [Mr. PASCRELL].

(Mr. PASCRELL asked and was given permission to revise and extend his remarks.)

Mr. PASCRELL. Mr. Speaker, let us not surrender to the China lobby. I rise today to make known my strong support for House Joint Resolution 79, disapproving the extension of most-favored-nation trading status to Communist China. The debate that this body is now engaged in is of the utmost importance for American jobs today and the security of our Nation tomorrow.

Let me say that I know my colleagues in this Chamber want nothing more than for our trade deficit with China to narrow, for human rights to improve, for the grave incidents of nuclear and weapons proliferation to cease, and finally, for democracy to take root in China. Let us be honest about this discussion. There is not a single Member in this body who does not want to achieve these laudable goals.

But I have come to realize that the annual exercise of renewing China's most-favored-nation status has been a complete failure in its annual exercise of futility. In fact, continuing MFN treatment for China has been based upon a series of broken promises. First, we have heard that engagement is critical for the United States to achieve its economic goals with China. We ought to engage the American worker, that is what we need to engage, in America, to protect our jobs and stop shipping them across the ocean.

We ought to visit China, but we should visit the shops and factories in our own districts back home where those folks have to work, where those folks need to be producing products that need to be sent to China, not to have a 35 percent duty or tariff on it, and ours a 2 percent, so China can send goods to us and we cannot send goods to them.

Mr. Speaker, our argument is not with the Chinese people, it is with their authoritarian government. The China lobby which did us in in the end of the Second World War is alive and well in Washington, DC. We should make the decision for our workers and working Americans, instead of shipping jobs across the ocean.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Oregon [Mr. BLUMENAUER].

(Mr. BLUMENAUER asked and was given permission to revise and extend his remarks.)

Mr. BLUMENAUER. Mr. Speaker, this is a high water mark for me in the last 2 years I have been able to be in Congress, being able to be a part of this discussion on our relationship with China. It is bipartisan, it makes a difference, it is Congress at its best and its most exciting.

Over the last 25 years, since President Nixon reversed our policy of isolating ourselves from China and the rest of the world, we have seen a safer

and more prosperous world. It helped hasten the end of the cold war, it helps keep peace today on the Korean peninsula, where China is one of the few countries that actually exercises some control over the North Koreans. It has pointed toward more prosperity and freedom for the Chinese. Even the progress with American missionaries on the ground in China in the last half dozen years would have been unthinkable 20 or 30 years ago.

Most important, it has planted seeds for a dynamic change in the future with access to information and to markets. The reason it sounds to people today that we are talking about a multiplicity of countries is the fact that China, although large and with an ancient culture, is complex and it is not monolithic. We cannot treat it as such.

The notion that somehow MFN will force a monolithic Chinese ancient society to change and accommodate us is misguided. It did not work during World War II, when there were over 1 million Japanese soldiers on Mainland China and we were giving them billions of dollars. The Chinese risked nuclear war and fought us to a draw in Korea, and tens of thousands of Americans needlessly died because we thought we could force China. It does not even work with a two-bit dictator 90 miles away with Cuba today.

We need to engage the world to work with us, not cutting ourselves off from China, but to work cooperatively, providing leadership. This Congress needs to support policies that enable the administration to continue the process of engagement and progress. We need to defeat this resolution.

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the gentleman from Florida [Mr. STEARNS].

(Mr. STEARNS asked and was given permission to revise and extend his remarks.)

Mr. STEARNS. Mr. Speaker, the question can be summed up in two words: self-aggrandizement. Is our interest in self-aggrandizement in this Nation more important than the principles involved? Are we a Nation whose purpose is expanding business at all costs, no matter what? Or do we have a Nation where some principles are important to us? Is expanding trade with China more important than the fundamental principles that define the beginning of this Nation? Is the loss of trade harmful to the economy, so harmful that we are willing to sacrifice any principle, or is there a higher good in which to lead our Nation in our trading practices?

I believe there is a much higher purpose today. How can we support trade policy with a Nation that believes in the power of the State rather than the power of the people? We are subsidizing through our trade policy China's economic interests, which is controlled by the State, and the people who are existing in that country get no benefit.

Mr. Speaker, I do not pretend to know all the answers. Maybe there is a compromise. China in the very near future can become a strategic threat, and this strategic threat is more important to us than trade.

The esteemed Frank Gaffney, the director of the Center for Security Policy, this is what he said: ''China is utilizing most of the huge trade surplus that it enjoys, thanks to this privileged trading status, to mount a strategic threat to the United States and its vital interests in Asia, the Middle East, and beyond.''

The United States trade deficit with China is $40 billion for 1996 alone. Because the State owns nearly all the businesses in China, the hard currency they receive from the United States trade deficit is used to purchase advanced military weaponry, such as advanced naval vessels from Russia that can be a direct threat to the United States in the western Pacific.

Our vote today is very important. Keep the principles in mind.

Mr. DREIER. Mr. Speaker, I am happy to yield 2 minutes to the gentleman from Metairie, LA [Mr. LIVINGSTON], the chairman of the Committee on Appropriations.

(Mr. LIVINGSTON asked and was given permission to revise and extend his remarks.)

Mr. LIVINGSTON. Mr. Speaker, I thank my friend for yielding time to me.

Mr. Speaker, the people of China are light years better off today than they were 15 or 20 years ago. There is a whole world of difference between the way the Chinese people were treated by their own Government back then and the way they are treated today. They are coming out in the open. They are gravitating toward Western styles, and maybe they will not even want to hear that, but to democracy. They are not open, they are not perfect. Everything that everybody has said on the floor today is right about the atrocities committed by the Chinese Government. But they are moving in the right direction, and most-favored-nation status is important to preserve normal trading relations with China.

If we cut them off, isolate them, are we going to enhance the plight of the Chinese people, or all the people they control? Not according to Martin Lee, who is the leader of democracy in Hong Kong; not according to Chris Patten, the former Governor of Hong Kong, who is on his way out; not according to the Dalai Lama from Tibet. These three leaders and proponents for democracy say that cutting off MFN for China is going to increase the probability that people will be oppressed by the Chinese Government.

If MFN is not extended, Hong Kong will stand to lose $20–30 billion in trade and 60,000–85,000 jobs. Moreover, their economy will be cut by over 50 percent and incomes will be reduced by $4 billion.

The United States has an estimated 170,000 jobs dependent on exports to China.

United States exports have more than tripled over the last 10 years and China is now our fifth largest trading partner, accounting for $12 billion of United States exports.

A number of religious groups in and out of China favor MFN. Taking away MFN will only hurt the Chinese people, particularly those who are persecuted because of religious faith.

Engagement does not mean we support all of China's policies. We should, and will continue to, press China on proliferation, human rights, religions freedom, and the rule of law. Revoking MFN?

What in the world are we doing? We have realized sanctions do not work. They have not worked in other places in the world, and they are not going to work against the most populous nation on Earth. The Chinese people deserve to be free. The people in Hong Kong deserve to be free. The worst thing we can be doing is cutting off MFN now, before we find out what happens to the people of Hong Kong.

Six months from now, a year from now, if things go badly, maybe then, maybe then we can cut off MFN, but not now. Let us give the only hope for freedom to the people of Hong Kong that we have. Let us extend normal trading relations.

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

I would like to comment, I have been informed that the Dalai Lama did not endorse MFN and suggest that it was necessary. Quite the contrary, he supports our position.

Mr. Speaker, I yield 1 minute to the gentleman from Ohio [Mr. KUCINICH].

Mr. KUCINICH. Mr. Speaker, I rise in opposition to most-favored-nation status for China. The American people have heard that trade at all costs with China serves United States interests, but here are the figures. The United States trade deficit with China has grown at a faster rate than that of any other major United States trading partner. The level of United States imports from China more than doubled between 1992 and 1996. The United States trade deficit was nearly $40 billion in 1996, and it is on its way to surpassing that mark in 1997.

These figures mean lost jobs in the United States, and it is just beginning, because United States-based multinational corporations are investing to build new plants and new equipment in China. Contractual agreements with the Chinese Government require that the supply of goods for those new factories will have to come from China as well, and that means more United States jobs lost.

Human rights are important in this. Why have we tolerated for so long the United States double standard of fierce commitment to the rights of intellectual property, important to multinational business, while the rights of workers in the United States and independent thinkers in China are cast aside?

Mr. Speaker, I say human rights are as important as copyrights.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the distinguished gentlewoman from California [MRS. TAUSCHER].

(Mrs. TAUSCHER asked and was given permission to revise and extend her remarks.)

Mrs. TAUSCHER. Mr. Speaker, this debate is what makes us different. It is exactly what should be happening in this great country of ours. America should never base its decisions solely on the power of economics. I commend those Americans, particularly those Members of Congress, particularly my good friend, the gentlewoman from California, MS. NANCY PELOSI, for raising so many of the important issues related to extension of normal trade relations to China.

So it is with some reluctance that I oppose this resolution and support extension of MFN to China. Secretary Madeleine Albright has stated, ''Engagement does not mean endorsement.'' I believe engagement does mean opportunity, opportunity to export our values and lifestyle, and an opportunity to promote a better and more secure world for our children and the children of China.

I worked on Wall Street for 14 years before I left to raise my family. I recognize the opportunities economic integration can provide. I believe there is no greater opportunity or challenge in American foreign policy today than to secure China's integration into the international system as a fully responsible member, not just in economic terms, but in terms of human rights, the environment, weapons proliferation, intellectual property protection, and other issues.

I believe we can better influence China's direction by exposing them to our Democratic ideals through engagement. We can effectively move the Chinese to change by increasing their exposure to the alternative model. We can work to end human rights abuses by continuing the dialog through trade and exchange. Revoking MFN would severely damage American interests and undermine our ability to influence China's direction. I urge my colleagues to vote ''no'' on this resolution and support extension of normal trade relations to China.

Mr. BUNNING. Mr. Speaker, I have the distinct privilege of yielding 3 minutes to the gentleman from New York [Mr. GILMAN], the chairman of the Committee on International Relations.

(Mr. GILMAN asked and was given permission to revise and extend his remarks.)

Mr. GILMAN. Mr. Speaker, I rise in strong support of this resolution, House Joint Resolution 79, offered by the distinguished chairman of the Committee on Rules, the gentleman from New York [Mr. SOLOMON], disapproving the extension of MFN trading status to China.

Mr. Speaker, this legislation sends a clear signal to Beijing that our Nation does not reward unsavory economic and political practices. Our Nation must do right and value principle over practice.

The regime in Beijing repeatedly has violated international trade agreements, spread weapons of mass destruction, committed terrible human rights abuses, both in China and in occupied Tibet, and persecuted all those who pursue religious freedom, while at the same time enjoying the privilege of an open trade agreement with our own Nation.

The so-called constructive engagement policy favored by the administration I think has been ineffective in moderating the Chinese Government's policies. It has not brought about a level economic playing field for American businesses and exports. The situation shows no sign of improvement.

What have we achieved in return? A $40 billion trade deficit, which, by the way, is likely to top $50 billion this year.

□ 1245

Chinese tariffs on American exports average 23 percent, a bewildering array of nontariff barriers to United States goods. The piracy of our intellectual property and the intentional diversion and illegal transfer of American dual use technology. The key to a successful policy of engagement is supposed to be reciprocity. The administration's advocacy for renewing MFN is a policy of appeasement, not reciprocity. China's weapons proliferation practices are a source of international concern and serve to embroil regional turmoil.

We must be willing to use our tremendous economic influence in order to stop any nation from violating international nonproliferation agreements. We should be willing to use our economic power to foster measurable progress on human rights around the world. The government in Beijing has a deplorable human rights record, and the administration's decision to delink human rights from the MFN debate has not helped but has contributed to a worsening condition in China.

A recent poll by a major United States news outlet showed that nearly two-thirds of Americans believe that we should demand progress from China on its human rights practices before extending any trade privileges. I agree.

We should base our foreign policy on the values that have made a great Nation of America: democracy, freedom, universal human rights, and the rule of law. Accordingly, I strongly encourage my colleagues to support this resolution. I invoke the words of the great American, Dwight D. Eisenhower, who said a people that values its privileges above its principles soon loses both.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from Minnesota [Mr. STUPAK].

(Mr. STUPAK asked and was given permission to revise and extend his remarks.)

Mr. STUPAK. Mr. Speaker, how can we endorse products manufactured by slave labor, child labor, and prisoners? We as United States citizens and as citizens of the international community, we cannot, we should not endorse these Chinese labor practices. We must reject trade agreements whereby low-cost products of countries which lack effective labor laws are sold in the United States at considerable profit for these countries.

My second concern involves the trade deficit with China. This trade deficit now stands at $40 billion. It is expected that our trade deficit with China will exceed Japan's within the next 12 months. In 1989, it was only $3 billion. Less than 10 years later, it is now $53 billion.

Mr. Speaker, that is not a trade policy. It is a trade giveaway. I hope we will all vote in favor of House Joint Resolution 79.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from California [Mr. DOOLEY].

(Mr. DOOLEY of California asked and was given permission to revise and extend his remarks.)

Mr. DOOLEY of California. Mr. Speaker, every year that I have been in Congress we have had this debate regarding China. The one thing that has been very consistent and very constant is that all Members, regardless of what their position is on China MFN, do agree that there are serious problems with human rights in China, with nuclear proliferation, with religious freedom. And there certainly are trade barriers. But what there is great disagreement on is, how can this country be most effective in addressing and improving upon those problems?

I agree with what every President since the 1980's has agreed to, that it is by maintaining economic engagement with China that we are going to be more successful in empowering the citizens of China to be able to be more successful in improving their human rights situation.

Since many of my colleagues have discussed many issues surrounding the China debate, I want to spend a little bit of time talking about agriculture. As a farmer from the most productive agriculture region in the country, I believe that the most useful action the Federal Government can undertake is to expand market access for agriculture products.

Few people realize that China is currently the sixth largest export market for United States agriculture goods. In 1996, China bought over $1.9 billion of United States agriculture products. When we look to the future with 1.2 billion people in China, with limited arable land, it is now expected that China will consume almost 50 percent of the increases in United States agricultural exports in the coming decades.

China is already No. 1, the world's largest wheat importer, and in the last 4 years China's feed grain consumption has increased by over 50 million tons. We must ensure that this country can be a reliable supplier to China. We must not repeat some of the mistakes of the past when this country put in place a grain embargo, when we acted unilaterally. The only people who suffered when we put in the grain embargo

were United States farmers. If we do not choose to go forward with China MFN policy, we will in fact be putting another embargo that will also be unilateral which will ensure that it be will the United States farmers who will have the most to suffer. Let us vote against this resolution.

The SPEAKER pro tempore (Mr. LAHOOD). The Chair would advise all Members that the gentleman from Illinois [Mr. CRANE] has 32½ minutes remaining; the gentleman from California [Mr. STARK] has 30 minutes remaining; the gentleman from California [Mr. MATSUI] has 30½ minutes remaining; the gentleman from Kentucky [Mr. BUNNING] has 17 minutes remaining; and and gentleman from New York [Mr. SOLOMON] has 3½ minutes remaining.

The Chair recognizes the gentleman from Kentucky [Mr. BUNNING].

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the gentlewoman from Florida [Mrs. FOWLER].

(Mrs. FOWLER asked and was given permission to revise and extend her remarks.)

Mrs. FOWLER. Mr. Speaker, almost exactly a year ago, I stood before this body to oppose extension of most-favored-nation trading status for the People's Republic of China. I did so with reluctance because I am a strong supporter of business and I have a fundamental commitment to free trade, also because I believe that the United States should remain engaged with China, which is an emerging superpower.

However, I do not believe in commerce at all cost. I could not in good conscious support normal trade relations with the PRC in view of a number of the Chinese Government's activities. I had hoped to be able to support MFN this year. But unfortunately, the actions of the Chinese Government over the last 12 months and this administration's lack of a coherent response to those actions leave me no choice but to oppose MFN once again.

In addition to its egregious human rights violations, including the use of slave labor, outrageous abuse and neglect of baby girls and persecution of Christians, the PRC continues to actively engage in weapons proliferation activities around the globe and to be a one-stop shopping center for Third World nations hoping to acquire or develop weapons of mass destruction. These proliferation activities pose a clear and present danger to our national security and to our young men and women in uniform, and the current administration has done little or nothing to address this situation.

I believe that supporting MFN would amount to tacitly approving both China's dangerous weapons and technology sales and this administration's lack of a coherent policy for dealing with the PRC. I can do neither and I will vote in favor of this resolution as a way of sending a message that this Congress will no longer tolerate the current state of affairs.

I urge my colleagues to do the same.

Mr. CRANE. Mr. Speaker, I yield 1 minute to the gentleman from New Jersey [Mr. FRELINGHUYSEN].

Mr. FRELINGHUYSEN. Mr. Speaker, I rise in support of MFN for China. I rise in support of the common sense proposition that we continue to normalize trade relations with the People's Republic of China. We live in a global economy and it simply makes no sense to turn our back on a nation of a billion people. It is in our own national security interest as well as our economic interest that we have normal relations.

We are all concerned about human rights and individual freedom, but the best way to promote those causes is to be present in China with our values and our products. In my district alone I have heard from large and small companies whose futures for products and jobs largely depend on new markets. Mr. Speaker, I can think of no more important export to China than each and every example of the American success story.

I urge my colleagues to oppose this resolution and to support MFN for China.

Mr. STARK. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio [Mr. BROWN].

Mr. BROWN of Ohio. Mr. Speaker, every year China promises to open its market to American products. Every year Congress grants most-favored-nation status to China. Yet nothing seems to change and we are about to do it again.

MFN is a job killer for America. MFN is a job killer for America because China refuses to open its markets to us. MFN is a job killer for America because China uses slave labor in prison labor camps. MFN is a job killer for America because it uses child labor to make things like these Spalding golf balls or this Mattel Barbie doll. Twelve-year-old Tibetan boys and girls in slave labor camps in China make these soft balls for 12-year-old kids to play with on America's playgrounds. Chinese children make these Barbie dolls in sweatshops—12-year-old Chinese children make these Barbie dolls in sweatshops—so America's 12-year-olds can play with these Barbie dolls in their bedrooms.

Mr. Speaker, repression in China today is much more than an isolated mock trial here, a closed newspaper there. Instead it encompasses the arbitrary arrest, torture, and execution of thousands of prisoners of conscience. It is systematic. It is wholesale. It is thorough, it is complete.

When I hear the State Department say that no dissidents are known to be active in the People's Republic of China, as it did in its 1996 human rights report, I am reminded of a line from Star Wars which is chillingly applicable to China. It is as if millions of voices cried out in terror and were suddenly silenced.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from New York [Mr. LAFALCE], ranking member of the Committee on Banking and Financial Services.

(Mr. LAFALCE asked and was given permission to revise and extend his remarks.)

Mr. LAFALCE. Mr. Speaker, in January 1979, I was fortunate to be a part of the United States congressional delegation that represented the United States at the ceremonies reestablishing relations between the United States and China. That was the first time I was in China. We met extensively with Deng Xiaoping; we viewed China. It was a drab, terrible place. But it was good that we reestablished relations.

This year, 18 years later, January 1997, I had occasion to go to China again, met with President Jiang Zemin and saw China 1997.

Mr. Speaker, I doubt that any country in the history of the world has advanced as much in an 18-year period as China has. I doubt that the human rights condition of a people has advanced in any country in the world as much in 18 years as China has. That would not have happened had we not reestablished relations. That would not have happened had we not established normal trading relations with China. So if Members want to pursue the cause of human rights in China, continue normal relations with China, do not make the single largest foreign policy mistake in the history of the United States.

Mr. BUNNING. Mr. Speaker, I yield 1½ minutes to the gentleman from Iowa [Mr. GANSKE].

(Mr. GANSKE asked and was given permission to revise and extend his remarks.)

Mr. GANSKE. Mr. Speaker, in 1995 and 1996, I voted for MFN. This year I will not. I will support this resolution.

Why the change? Well, it is not just one reason. I think that China's human rights record is no better and it may be worse. Second, I know for sure that our trade deficit is worse because we are not making any progress on bringing down their import tariffs. And we are losing American jobs because of it.

Third, we just learned that the Chinese sold cruise missiles to Iran. This places American troops in harm's way. And how about Chinese sales of nerve gas technology to Iran?

Finally it appears that the Chinese have tried to influence our own elections with illegal contributions. United States-China policy made in China.

Mr. Speaker, we need to send China a message. First, lower your tariffs. Second, stop persecuting religious freedom of speech. Third, stop selling weapons of mass destruction to terrorist states and, fourth, do not ever meddle in our elections again. Vote ''yes'' for this resolution.

Mr. Speaker, I include the following for the RECORD:

Today I vote on whether to extend most-favored-nation [MFN] trade status to China. Everyone agrees that the United States-China relationship is very important and I have spent

much time thinking about our country's relationship with the most populous nation on Earth. I voted for China MFN the last time. This year I will not. Why the change?

I believe our foreign policy should promote democratic freedoms, stop the proliferation of weapons of mass destruction, and promote U.S. exports. Indeed, since the Tiananmen Square massacre of 1989, Congress has been concerned about China's violation of trade agreements, sales of weapons of mass destruction, and human rights violations. There is new information available on abuses in each of these areas. In addition, it appears that the Communist Chinese Government tried to influence the outcome of our election in 1996. United States-China policy made in China.

I believe that free markets around the world lead to higher standards of living for all. However, free markets mean free markets. The United States, under MFN for China, levies an average 2 percent tariff on Chinese goods coming into the United States. The Chinese levy a 35 percent tariff on United States goods exported to China. Is it any wonder that the United States trade deficit with China has soared from $6 billion in 1989 to $50 billion projected in 1997? In January 1997 alone, imports from China were up 18 percent over the month before and United States exports to China were down 28 percent.

Despite the 1995 and 1996 intellectual property rights agreements, piracy of United States software and CD's continues in China. In 1996, that piracy cost our economy over $2.3 billion. China wants our technology, requires a ''certification'' of that technology by Chinese research and design institutes, and then disseminates that technology to Chinese domestic ventures. Is it any wonder that the CEO of one of Iowa's largest seed companies told me that they won't do business with China until his company's intellectual property is better protected?

Congress has had concerns about Chinese sales of arms, but just this past week the State Department officially informed Congress that the Chinese Government has sold cruise missiles to Iran that enhance Iran's ability to disrupt Persian Gulf shipping and strike United States forces there. In addition Chinese companies have recently sold Iran chemicals and technology that help Iran make nerve gas. China has provided Iraq and Libya with materials to produce nuclear weapons, have provided missile-related components to Syria and have provided Pakistan with advanced missile and nuclear weapons technology.

United States companies have sold supercomputers to China that allow the Chinese to do small underground nuclear tests at the same time that Chinese companies have exported AK–47's to be used by gangs in Los Angeles.

The United States should not ignore Chinese transfer of weapons technology to rogue nations like Iran when we are spending billions of dollars a year to promote Middle East peace. Furthermore, just last week United States military intelligence reported that the Chinese are developing an intercontinental ballistic missile that will give Beijing a major strike capability against the Western United States within 3 years.

In the human rights area, there was a recent report released by the State Department in January 1997 stating, ''The (Chinese) Government continued to commit widespread and well documented human rights abuses, in violation of internationally accepted norms, stemming from the authorities' intolerance of dissent, fear of unrest, and the absence of laws protecting basic freedoms.''

Since the State Department release, additional information has been provided to Congress about the Chinese Government persecuting evangelical Protestants and Roman Catholics who choose to worship independent of the government church, promoting a policy of forced abortions, and brutally repressing the people of Tibet. The takeover of Hong Kong by China is scheduled for July 1, 1997. Already, the Chinese Government has moved to disband Hong Kong's democratically elected legislature and to repeal its bill of rights.

The current policy of so-called constructive engagement has bolstered the Chinese Government and has made little progress in promoting Chinese-United States fair trade, stopping Chinese nuclear proliferation to countries which are dangerous to us, and in promoting the political freedoms we will be celebrating ourselves this 4th of July. A ''no'' vote by the House of Representatives on MFN would send a message to the Chinese regime and also to the Clinton administration that the status quo is not acceptable.

□ 1300

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentleman from Ohio [Mr. OXLEY].

(Mr. OXLEY asked and was given permission to revise and extend his remarks.)

Mr. OXLEY. Mr. Speaker, I rise in support of a productive engagement with China, support of American jobs, in support of the people of Hong Kong, in support of human rights, in support of religious freedom, and against the resolution disapproval.

I have had an opportunity to visit China on three different occasions. And as my learned friend, the gentleman from New York [Mr. LAFALCE], had said earlier, China has changed dramatically, has changed dramatically much more than any of us could have anticipated in so many ways.

I remember having a discussion with a young lady who was working in this case for an American company in China on our most recent visit. She had been educated here in the United States at a rather prestigious university and then went back to China and began working for an American company based there. She told me that about 20,000 Chinese students are educated in the United States, a total now of over 250,000 of the bright, elite people in China, the people who are the future of China, and that they have been educated in the United States, have gone back to their home country, and have participated in changing China in so many ways.

And I thought to myself as I spoke to this young lady that she really represented the future of China, that China is changing dramatically and continues to change in a positive way. And the fact that these students are going back and working for American companies based in China providing modern telecommunications, modern pharmaceuticals, and the like, I think was a real eye opener for all of us who were part of that delegation.

It would be a mistake, a huge mistake, if we are going to think somehow that by revoking normal trade relations with China, the same relations we have with everybody else, if we reject MFN, that we in fact have made a huge mistake in our trading relationships with the largest country in the world.

Mr. STARK. Mr. Speaker, I yield 2 minutes to the gentleman from Oregon [Mr. DEFAZIO].

Mr. DEFAZIO. Mr. Speaker, no one will stand on this floor today to defend China's arms trafficking to terrorist nations, Iran, Iraq, Libya, Syria, America's enemies. But the apologists also say MFN is not a tool to stop illegal traffic and weapons of mass destruction. No one will stand on this floor today to defend the human rights atrocities of the Chinese regime. But the apologists will say MFN should not be used to defend human or labor rights. The apologists say MFN for China is just normal trade relations. How can you have normal trade relations with an outlaw regime? How can we have normal trade relations with the most unfair trading nation on Earth?

The Chinese systematically exclude nonstrategic United States goods. First, there is a 23 percent tariff, on average. Then they have their discriminatory 17-percent value-added tax, which often only gets added to United States goods, not Chinese goods. Then, if that is not enough, they have nontariff barriers that make the Japanese nontariff barriers look like the work of amateurs. And finally, something might somehow get past that they have unwritten rules that change day-to-day, port-to-port in China to keep out anything that might get past those barriers.

The bottom line is, the only United States goods allowed in are those that enrich China's corrupt leaders or add to their store of critical technology and military weaponry. Yeah, it is about jobs. It is about Chinese jobs, not American jobs.

With a $50 billion trade deficit this year, according to the Commerce Department's own way of figuring exports and imports, we will export 1 million United States' jobs to China. Yes, this is free trade. One-way Chinese free trade into America, the largest consumer market on Earth, and not through their protected barriers into China.

Stop the apologies. Stop the appeasement. Send the Chinese a tough message they will respect.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the gentleman from Indiana [Mr. ROEMER].

(Mr. ROEMER asked and was given permission to revise and extend his remarks.)

Mr. ROEMER. Mr. Speaker, I rise in favor of normal trade status with the

Chinese. Back in 1919, then-President of the United States Woodrow Wilson said this, and I quote,

We set this Nation up to make men free and we did not confine our conception and purpose to America.

Now I say that for two reasons. One, because in 1920, the United States, after 140 years, extended the right to vote to women; 140 years. We did the right thing. We are still having problems in this Nation at times doing the right thing. Yet Members of Congress parade down here and they want to see China do the right thing in 1 year, in 6 months, in 2 weeks.

I think what Woodrow Wilson said in that quote was not only recognizing that we stand up for human rights in this country, but we should insist on it in other countries. And that is what constructive engagement is doing slowly, day by day. And if we go back to when we recognized China, they can now vote for somebody that is not a Communist and not be thrown in jail. There is tangible progress.

Now I know we have a lot of experts here in this body on foreign relations. But when we go to the real experts on foreign relations and we are concerned about religious freedom, Billy Graham, the Reverend Billy Graham has written, ''Do not treat China as an adversary but as a friend.''

If my colleagues were concerned about human rights, ask Martin Lee, who is over there in the trenches. ''Do not take away MFN,'' he says. If my colleagues are concerned about Hong Kong, Gov. Chris Patten says, ''Do not take away MFN for Hong Kong or China.''

Finally, for us, if we go forward and revoke MFN, we will spend billions of dollars in defense, with a new cold war era, we will spend billions on environmental problems, and we will give up billions to trade for the Japanese and the Koreans.

Mr. BUNNING. Mr. Speaker, I yield 2 minutes to the gentlewoman from Washington, Mrs. LINDA SMITH.

Mrs. LINDA SMITH of Washington. Mr. Speaker, I rise today to give voice to millions of Americans who have grave concerns about America's relationship with China. I guess the rainbow to this long debate over most-favored-nation status for China has ended with Americans realizing that something is wrong, deeply wrong.

Americans know in their hearts and minds the difficult social, moral, and economic issues involved. We knew something was wrong when we watched our President change his mind and turn his back on the issue of slave labor, which he said he would change if he were elected. We knew something was wrong when he decided that it no longer made any difference that we saw more labels ''Made in China'' that used to be carrying proudly the ''Made in U.S.'' label.

Americans are weighing this issue, and they are thoughtfully, thoughtfully but adamantly, against giving MFN to China. Just this week, a poll came out and it is growing the opposition. It is now 67 percent against giving most-favored-nation status. It is not a third for. Only 18 percent would support it at this point after this long debate.

Furthermore, Americans are dissatisfied with the current status quo. Recently, I got another letter from a union in my area, the Machinist Union, and they echoed the concerns of this poll. They echoed the concerns that China has to open up its markets. We have very few products and very few commodities now going into China. But they really had a loud voice in this letter, and also in the poll, that said a country that tortures its own to keep the rest terrified is not acceptable.

I would urge my colleagues to join the American people and vote ''yes'' on this resolution.

Mr. CRANE. Mr. Speaker, I yield 1 minute to our distinguished colleague, the gentleman from Illinois [Mr. EWING].

Mr. EWING. Mr. Speaker, I am here today, of course, to talk about most-favored-nation status. Much has been heard about our bilateral trade deficit with China. It is the same argument that protectionists use as a reason not to trade with Japan. These protectionists argue that because we have a large trade deficit with a specific country, we should erect trade barriers or force them to purchase more American goods to level the playing field.

In the 1980's, Japan was the culprit. Today it is China. And if China is treating us unfairly simply because of our trade deficits, then we are treating nations like Australia, Argentina, Egypt, and Poland unfairly and they should erect trade barriers to level the playing field with American products.

The fact is, all Americans run up lifelong trade deficits with their local restaurants, grocery store, department store. We do not demand that our local grocer or retailer purchase something from us in return for patronage. Of course, that is where I believe the so-called fair traders are incorrect. It is difficult to find a majority of economists who agree on anything, but they do agree erecting trade barriers hurts the nation doing it.

Ms. PELOSI. Mr. Speaker, I yield 1 minute to the gentlewoman from Ohio [Ms. KAPTUR], a champion on this issue.

Ms. KAPTUR. Mr. Speaker I rise in support of the motion of disapproval and ask the question: Why renew the terms of an abnormal relationship that is not working? Have freedom and liberty of the Chinese people expanded? No. Repression has increased. Has the United States earned income from this trade deal? No. Our trade deficits with China have exploded, as we watch China spend their dollar reserves to arm themselves militarily while they keep their tariffs against our goods at 40 percent, and give us no reciprocity in their market. For America, freedom should mean more than selling fertilizer.

John F. Kennedy inspired the world when he said that human progress is more than a doctrine about economic advance. Rather, it is an expression of the noblest goals of our society. It says that material advance is meaningless without individual liberty and freedom.

Exercising economic sanctions against South Africa's repressive regime resulted in an advance of freedom. But in our Chinese engagement, America's efforts have resulted in creating more powerful oligarchs that feast off our misdirected trade policies.

Upend this abnormal trade relationship, support the motion to disapprove.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the gentleman from Tennessee [Mr. CLEMENT].

Mr. CLEMENT. Mr. Speaker, I thank the gentleman from California [Mr. MATSUI] for yielding me the time.

Mr. Speaker, I cannot think of a more compelling argument made in the U.S. House of Representatives today than the words of a very dear friend and inspiration of mine, Dr. Billy Graham. As many of my colleagues remember, last February we bestowed a great honor on Dr. Graham and his lovely wife Ruth, the highest award, the Congressional Gold Medal.

Dr. Graham is not a politician or a policymaker. He is not going to be pulled into the political debate. But he understands China and he understands the world because he has traveled it extensively. He said recently, and I think he said it so well, ''In my experience, nations respond to friendship just as much as people do.''

Dr. Graham is exactly right. MFN approval is not a vote or a referendum on China's behavior. It is a vote on how best to promote U.S. values. The only way to change China is to continue to engage China, not to declare economic warfare.

Mr. Speaker, please look at the big picture. I firmly believe that without MFN, human rights abuses will worsen and the dream of achieving democracy in America will dim. Vote ''no'' on House Joint Resolution 79 and ''yes'' to the rising voices and change in China.

Mr. BUNNING. Mr. Speaker, I yield such time as he may consume to the gentleman from Indiana [Mr. BURTON].

(Mr. BURTON of Indiana asked and was given permission to revise and extend his remarks.)

Mr. BURTON of Indiana. Mr. Speaker, I strongly oppose MFN for China.

My reasons to defeat MFN.

HUMAN RIGHTS

Every year since 1980, when President Carter first extended China MFN, supporters have argued that this action will help the United States promote human rights in China.

It has failed. State Department's own Country Reports on Human Rights (January 1997) admits:

The Chinese Government continued to commit widespread and well-documented human rights abuses, in violation of internationally accepted norms, stemming from the authorities' intolerance of dissent, fear of unrest, and the absence or inadequacy of

laws protecting basic freedoms. * * * Overall in 1996, the authorities stepped up efforts to cut off expressions of protest or criticism.

And from Clinton's Assistant Secretary for Asia:

Frankly, on the human rights front, the situation has deteriorated * * * They're rounding up dissidents, harassing them more.

In addition: Over 1,000 forced labor camps; harvest and sale of organs from executed prisoners; forced abortions; and persecution of religious believers.

Nongovernment churches are outlawed.

Independent worshipers of the government church are harassed and imprisoned.

Their house churches are being forcibly closed or destroyed.

NATIONAL SECURITY

Selling nuclear material, weapons and military technology to rogue states (ex: Iran)

Purchased 46 American-made supercomputers which could design nuclear warheads for missiles capable of reaching the United States.

COSCO lease of Long Beach Port gives PLA base of operations in the United States.

TRADE

Economic espionage: U.S. workers lose when U.S. technology is stolen.

Violations of intellectual property rights: $40 billion trade deficit; 2 percent of United States exports are allowed in China, 33 percent of China's exports come to United States.

China charges American products with huge tariffs:

Even if we would extend least-favored-nation [LFN] status to China, their tarrifs would still tower ours.

China import tax on United States cars: 50 percent. United States import tax on LFN cars: 25 percent, that is one-half the rate charged by China.

China duty on shoes: 50 to 60 percent. United States duty on LFN shoes: 35 percent.

Allegations of attempting to influence our Presidential elections through campaign contributions. Vote ''yes'' for House Concurrent Resolution 79.

Yet, the administration has chosen to stand up to China on only one issue: intellectual property rights.

When they were faced with trade sanctions over this issue, they backed down.

If this type of muscular action is justified for the music industry, then it is justified for persecuted Christians, murdered infants, and nuclear proliferation. We need to put away the carrots and break out the sticks. The President's policy isn't just one of engagement, it's a see-no-evil strategy.

□ 1315

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Nebraska [Mr. BEREUTER].

(Mr. BEREUTER asked and was given permission to revise and extend his remarks.)

Mr. BEREUTER. Mr. Speaker, as chairman of the Subcommittee on Asia and the Pacific, I oppose House Joint Resolution 79.

There is perhaps no more important set of related foreign policy issues for the 21st century than the challenges and opportunities posed by the emergence of a powerful and fast-growing China. However, today we are not having a debate focused on those challenges. Instead, we are debating whether to impose 1930-era Smoot-Hawley trade tariffs on China that the rest of the world and China knows we will never impose.

This particular annual debate has become highly counterproductive. It unnecessarily wastes our precious foreign policy leverage and seriously damages our Government's credibility with the leadership of the PRC and with our allies. It hinders our ability to coax the PRC into the international system of world trade rules, nonproliferation norms, and human rights standards. Moreover, Beijing knows the United States cannot deny MFN without severely harming American companies and workers, or without devastating the economy of Hong Kong or Taiwan.

It is true, as MFN opponents argue, that ending normal trade relations with China would deliver a very serious blow to the Chinese economy, but the draconian action of raising the average weighted tariff on Chinese imports to 44 percent instead of the current average of 4 to 5 percent would severely harm the United States economy as well. And after China's certain retaliation, many of the approximately 175,000 high-paying export jobs related to United States-China trade would disappear while France, Germany, Canada, and other major trading nations would rush to fill the void.

But MFN is about much more than trade. China is an emerging power with a potentially wide range of interests and influence around Asia. Ending normal trade relations with the PRC would not only send that economy into a tailspin, making China's neighbors especially nervous, but would have a devastating impact upon Hong Kong and Taiwan. For example, the Hong Kong Government estimates that as many as 86,000 Hong Kong workers would lose their jobs.

Mr. Speaker, ever since President Nixon traveled to China, United States policy has sought to promote a stable and peaceful Asia where America's trade interests could be advanced without sacrificing security. Successive administrations have made expansion of trade relations and economic liberalization key tenets of our China policy. The goal has been not only to expand United States trade, but also to provide a means of giving China a stake in a peaceful, stable, economically dynamic Asia-Pacific region. This approach has worked well and protected not only our national interests, but also those of our friends and allies. Immediately, U.S. dock workers, transportation workers, and retail workers would be harmed until alternative sources for Chinese manufactured goods could be found.

For example, the Hong Kong Government estimates that as many as 86,000 Hong Kong workers would lose their jobs if the United States ended normal trade relations with China and, almost incredibly, they project that Hong Kong's gross domestic product would decline by nearly half. That is why Governor Patten recently stated in a letter to Members of Congress that ''unconditional renewal of MFN is the most valuable gift that America has within its power to deliver to Hong Kong at this critical moment in its history.'' And Hong Kong is not alone—Taiwan also quite appropriately, but too quietly, recognizes the importance of MFN. Last year, key business leaders publicly supported normal trade relations between the United States and China.

Mr. Speaker, the United States has convinced nearly every other country in the region that the best way to avoid conflict is to engage each other in trade and closer economic ties. Abandoning this basic tenet of our foreign policy with China would be a serious shock and set back what we have been trying to achieve in the entire Asia-Pacific region. It would send many countries scrambling to choose between China or the United States.

Opponents of MFN say that human rights in China have not improved and that the human rights situation in China has deteriorated. I certainly do agree that very serious human rights problems remain including arbitrary detentions, widespread religious persecution, suppression of nearly all political dissent, and coercive abortion practices. But, it is simply wrong to ignore the fact that since the United States embarked on normal trade with China, the day-to-day living standard of the Chinese people has improved dramatically. Moreover, the denial of normal trade relations with China will not directly improve the plight of those courageous advocates of democracy and reform in China—indeed it may worsen their plight and cause repressive action on many more Chinese citizens.

In making somewhat of an exit assessment on January 1, 1994, then-United States Ambassador Stapleton Roy said that in the history of China ''[t]he last two years are the best in terms of prosperity, individual choice, access to outside sources of information, freedom of movement within the country and stable domestic conditions.'' Now, 3½ years after Ambassador Roy's observations, those general trends continue; the Chinese people enjoy even more personal choice concerning their career, education, or place of abode. Just last year modest legal reforms were advanced in the area of criminal procedures which make it more likely that individuals will be considered innocent until proven guilty, will have a right to a lawyer at the time of detention, and will be able to challenge the arbitrary powers of the police. Although these reforms have far too many caveats that permit the government to suppress political dissent, they nonetheless represent progress toward a rule of law in China.

There have been other positive developments in China. The National People's Congress showed small but encouraging signs of assertiveness by attacking a government report that failed to adequately address corruption. Village elections, once the sole domain of local Communist party functionaries, have suddenly become contested events—with noncommunists elected in many places.

For these reasons, many human rights leaders support normal trade relations. For example, Wei Jingsheng, a prominent dissident still jailed for his eloquent and strongly held democratic beliefs, urges the United States to continue MFN. Similarly, Martin Lee, a democratic leader in Hong Kong, argued for unconditional renewal of MFN on his recent visit to the United States.

Mr. Speaker, as the chairman of the Asia and the Pacific Subcommittee, this member

has become convinced that the annual MFN process is counterproductive and undermines United States foreign policy interests with respect to China. However, the United States has other points of leverage where we can encourage China's leaders to be responsible actors in the world community.

For example, China's leaders will be faced with many difficult economic reform decisions in the next several decades; Therefore, rather than devoting attention to MFN, the United States should focus on one of the most important foreign policy decisions for the United States: China's accession to the World Trade Organization [WTO]. A good way to maximize our trade leverage is embodied in legislation that this Member and the gentleman from Illinois, Representative TOM EWING recently introduced. That legislation, the China Market Access and Export Opportunities Act, requires China to pledge adherence to the world's trade rules and accede to the World Trade Organization or face ''snap-back'' tariffs on goods imported to the United States. It would induce China's leaders to join the WTO by eliminating our annual MFN review upon China's membership in the World Trade Organization. Alternatively however, the China Market Access and Export Opportunities Act would require the President to impose realistic, pre-Uruguay Round tariff increases—4–7 percent—on Chinese imports if the PRC continues to deny United States exporters adequate market access or if it does not make significant progress to become a member of the WTO.

The PRC's desire to get into the World Trade Organization represents a historic opportunity for the United States to level the playing field for United States companies and workers wanting to sell their products in China. But we should act now. Recent press reports indicate that the PRC's trade negotiators may be walking away from the currently unproductive negotiating table. This news is especially disturbing given that last year's U.S. trade deficit with China was nearly $40 billion and this year's imbalance has risen by 37 percent Secretary of Commerce, William Daley, recently said that ''China remains the only major market in the world where U.S. exports are not growing and this despite significant economic growth in China.''

The China Market Access and Export Opportunities Act is a tough but fair approach to China's WTO accession. The Congress should immediately consider this legislation to accelerate the forces of change that have been unleashed by the PRC's desire to become a part of the world trade community. Economic and trade liberalization reforms in China, which this legislation will promote, not only will reduce our enormous bilateral trade deficit and benefit United States workers and consumers, it will also continue to provide the most positive forces of political and social change in China.

Mr. Speaker, I urge opposition to House Joint Resolution 79.

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentlewoman from Kentucky [Mrs. NORTHUP].

Mrs. NORTHUP. Mr. Speaker, I rise to speak against the resolution and in behalf of continuing normal trading relationships with China.

We are all here today for one reason, because we are very concerned about China. We are very concerned about human rights and civil rights, and we are wondering in what way we can best reach out and change China's current policy. The fact is that we recognize that China is a growing power, and there are some things, Mr. Speaker, that no matter what we do today in our vote, we are not going to change.

We are not going to change the fact that China is growing militarily. We are not going to change the fact that technologically China is advancing at a very rapid pace. We are not going to change the fact that China is going to have a profound impact on our world in the coming years.

And so, Mr. Speaker, the question before us is not how do we stop those things which we cannot stop, but how do we most influence them? Over the last 20 years, China has changed, China has grown, it has become more aware of civil and human rights, and their citizens have demanded more than they ever have before. Is it fast enough for us? No, it is not. But the fact is, it is that relationship, it is that continued relationship that gives us the most chance to affect China as it inevitably grows and advances.

Mr. Speaker, we can do a lot from the outside, demanding and asking for civil and human rights in China. But the way it will most change is when the Chinese people begin to be able to think, because of prosperity, about something more than where their next meal is coming from and how to meet their basic needs. When they begin realizing what is available in other countries in terms of their own civil rights and human rights, they will also demand more from within as we are demanding from without. Please, let us continue this relationship so that they will be able to enjoy the civil and human rights that we do.

Ms. PELOSI. Mr. Speaker, I yield 3 minutes to the gentleman from Georgia [Mr. LEWIS], a champion for human rights throughout the world.

Mr. SOLOMON. Mr. Speaker, I yield 30 seconds to the distinguished gentleman from Georgia [Mr. LEWIS].

Mr. LEWIS of Georgia. Mr. Speaker, I do not propose cutting off relations with China, but I simply cannot accept the situation as it is with China today. We cannot stand by while innocent people in China and Tibet are fighting and dying for democracy. Thousands of innocent Christians, Muslims, and Buddhists are dying in Chinese gulags. Millions of Chinese women are not allowed to plan their own families. They are not allowed to make the most basic, the most private decisions. The Chinese Government intrudes on families, their beliefs, their lives. They are desperate for our help. Yet we do not help. We continue business as usual. The abuse of human rights continues. And the United States renews MFN. China will not work with the community of nations to stop nuclear proliferation. And the United States renews MFN. Business as usual. Trade as usual.

We cannot accept and we must not accept what is happening in China. To quote Gandhi, ''Noncooperation with evil is as much a duty as is cooperation with good.'' We can never forget Tiananmen Square. Those students bravely stood for democracy, and they were slaughtered. I was a student once, fighting for what I believed, I was fighting for a nation free of racism, free of segregation. During the 1960's, some among us were jailed and beaten during that struggle. Some even died. Schwerner. Goodman. Chaney. Three young men gave their lives so that others could register and vote, so that others could participate in the democratic process. They did not die in vain.

Now it is the 1990s and China is on the other side of the world from us but their struggle is just as important. Their lives and their struggle must not be in vain. In a real sense, Mr. Speaker, our foreign policy, our trade policy must be a reflection of our own ideals, our own shared values.

What does it profit a great nation, a compassionate and caring people, to close our eyes and look the other way? As Martin Luther King said, ''There comes a time when a Nation and a people must stand for something or we will fall for anything.'' I feel that the spirit of history is upon us. We must make a decision today and it should be on the right side of history. We must stand with the people who are struggling for freedom, struggling for democracy. If we fail to act, no one will act. They are our brothers and our sisters.

Yes, Mr. Speaker, I believe in trade, free and fair trade, but I do not believe in trade at any price. I ask my colleagues on both sides of the aisle, how much are we prepared to pay? Are we prepared to sell our souls? Are we prepared to butcher our conscience? Are we prepared to deny our shared values of freedom, justice and democracy? Today I cast my lot with the people in the streets, with the students of Tiananmen Square, and with the people of this country who understand that a threat to justice anywhere is a threat to justice everywhere.

I urge and I beg of my colleagues to oppose MFN for China. I thank the gentlewoman from California and the gentleman from New York for yielding me this time.

ANNOUNCEMENT BY THE SPEAKER PRO TEMPORE

The SPEAKER pro tempore (Mr. LAHOOD). The Chair will remind all persons in the gallery that they are here as guests of the House and that any manifestation of approval or disapproval of proceedings is a violation of the House rules.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the gentleman from Texas [Mr. GREEN].

(Mr. GREEN asked and was given permission to revise and extend his remarks.)

Mr. GREEN. I thank the gentleman from California for yielding me this time.

Mr. Speaker, I rise in opposition to the disapproval resolution and I reluctantly do so. In previous Congresses, I voted for the extension of MFN for China with the belief that more engagement on economic and diplomatic fronts would yield gradual but positive changes within China. But as our trade deficit has worsened, I know that has not been the case. I know things have changed in China. In fact, there are elections that are going on on the local level, so there has been progress. But the concern I have is the tariff disparity between the United States and the People's Republic of China, so I was seriously considering voting in favor of the disapproval resolution. But I am going to vote against it today, because I do not think it would improve our trade deficit if we pass this resolution. I do not think it would give us more access to the China market. I do not think it would improve the treatment of Christians in China, although I know we have heard today both people who said they are persecuted and people who have said, including Reverend Billy Graham, that it would be bad not to have most-favored-nation. I do not think it would prevent China from selling weapons to Iran if we disapprove most-favored-nation.

I think the best choice we have is to continue to work with China and respect their culture and respect their country, and to say we are two great nations and we need to work together. That is why China's desire for WTO membership requires more open markets. I hope we will see that in China. I hope we will see a lessening of the tariffs on our products going to China because then this will come up again next year. That is why I have cosponsored our Democratic leader's bill asking for China's accession to WTO be subject to a vote in Congress.

Mr. BUNNING. Mr. Speaker, I yield 1 minute to the gentleman from Florida [Mr. SCARBOROUGH].

Mr. SCARBOROUGH. Mr. Speaker, yesterday in the New Republic we had this headline talking about persecution of Christians. It is in stark contrast to what we read about and hear about from apologists for China, whether it is in Wall Street, Washington, or in Hollywood.

The New Republic reported that persecution is real and by all reports getting worse. Attacks of Catholics and of Protestants continue, and the Far East Economic Review stated that police destroyed 15,000 religious sites in one province last year alone. Priests were sent to re-education camps for 2 years for simply saying mass, and 40 percent of all inmates in labor camps are members of the Christian underground. The New Republic went on to say that

> The methods used to re-educate Christians include starving and beating detainees, binding them in excruciating positions, hanging them from their limbs and torturing them with electronic cattle prods and drills. Sometimes, relatives are forced to watch the torture sessions.'

When I hear the gentleman from Georgia [Mr. LEWIS] speak about what happened in the 1960's in America, it reminds us too much of what is happening today even in a country that has killed 60 million of their own people in the past 50 years. We have to stop apologizing for China and stand up to this tyranny.

The SPEAKER pro tempore. The Chair would advise all Members that the gentleman from Illinois [Mr. CRANE] has 24½ minutes remaining; the gentlewoman from California [Ms. PELOSI] has 22 minutes remaining; the gentleman from California [Mr. MATSUI] has 24 minutes remaining; the gentleman from Kentucky [Mr. BUNNING] has 10½ minutes remaining; and the gentleman from New York [Mr. SOLOMON] has 3 minutes remaining.

The Chair recognizes the gentleman from Illinois [Mr. CRANE].

Mr. CRANE. Mr. Speaker, I yield 2½ minutes to the gentleman from Texas [Mr. ARCHER], the distinguished chairman of the Committee on Ways and Means.

Mr. ARCHER. I thank the gentleman for yielding me this time.

Mr. Speaker, I rise in strong opposition to House Joint Resolution 79 which would strip most-favored-nation trading status from China. At the outset, I want to make it clear, and I am sure it has been said before but it bears repeating, that the term most-favored-nation is a misnomer. It implies that we are somehow giving a country special treatment. Rather, when we provide MFN, we are only giving the same normal standard treatment that we give almost every country in the world; well over 100 countries. The only countries to whom we do not give MFN are Afghanistan, Cuba, Laos, North Korea, and Vietnam. We give better than MFN treatment to another very select group of countries, Canada, Israel, and Mexico. What we are considering today is whether we should continue giving China average treatment.

□ 1330

Now a move to the substance of the resolution. Quite apart from the benefits enjoyed by our companies by continuing to do business with China, our ability to win this vote affects whether United States values will continue to be of influence in China. Shutting down trade with China or making the terms of trade impossibly restrictive would put in place a policy of unilateral confrontation that would not change China's behavior. Maybe MFN for China is not a good policy until, as Churchill would have said about democracy, ''You consider all of the other alternatives.'' And those who oppose MFN for China do not really consider the other less attractive, by far, alternatives. If we remove MFN from China, we would disengage our government from a leadership role in the region and would remove the positive influence that our business community has in China.

At the same time, I hope that China will continue to pursue accession to the WTO and will be able to agree to take on the rights and obligations that make membership. At that point I believe that the United States should be in a position to provide China with full MFN treatment uncluttered by any conditions, a relationship identical to that which we have with almost all of the world. Once China becomes a WTO member we will be able to utilize the highly effective dispute settlement mechanism of the WTO to resolve our trade disputes with China.

As I understand it, China still has a long way to go in that accession bid. In the meantime, I urge my colleagues to vote a strong no on this disapproval resolution.

Ms. PELOSI. Mr. Speaker, I yield 1 minute to the gentleman from Maryland [Mr. HOYER], who in his capacity and his work on the Helsinki accords and Commission has been a champion of human rights throughout the world.

Mr. HOYER. Mr. Speaker, one cannot discuss this issue in 1 minute. Everybody on this floor knows this, and in fact perhaps in 5 or 50 minutes.

For over a decade and a half as chairman of the Helsinki Commission, I was not for most-favored-nation status for the Soviet Union. Why? Because they did not meet international norms. America has been, is now and hopefully always will be the beacon of freedom and justice for all the world. I am for constructively engaging on those premises, but I am also for principled engagement, for an engagement that says we will not do business as normal with those who do not treat their own people as international norms would demand. And not only do international norms demand that, but the peace and security and stability of all the world demands that.

My colleagues, let us stand up, let us lift that torch high of liberty and justice and say not business as usual.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the gentleman from California [Mr. CAPPS].

Mr. CAPPS. Mr. Speaker, I rise in opposition to the resolution. I do so with profound respect for the gentlewoman from California [Ms. PELOSI], the gentleman from Georgia [Mr. LEWIS] and my good friends on the other side. I want to make two points briefly.

First, the very term ''most favored nation'' is inaccurate. MFN is not a privileged status according to close friends, but an ordinary tariff treatment extended to all but 11 countries. Today I will introduce a bill to replace MFN in our trade law with a more suitable and accurate term, ''normal trade relations.''

Second point: I have a heart full of thoughts on this issue, Mr. Speaker. I had the privilege of being in China in December and lecturing at Peking University. While I would not call myself an expert on this subject, I do recognize that the underlying subject here is about culture, about cultural difference, cultural clash, cultural change. United States culture is not Chinese culture.

We talk about human rights. China, with a cultural tradition of more than 5,000 years, talks more about stability. We are dedicated to Judeo-Christian values. They for their part owe more to Confucius, to Lao Tzu, to the I Ching. We talk proudly of democracy. China has had centuries of feudalism, of emperors and empresses and are moving toward democracy. Consequently, it is difficult to translate across cultural lines. It is impossible to read their history according to our vectors.

But we must live together in the 21st century, and we must strive together to find ways to do this. This is not the time to isolate China, this is not the time to isolate ourselves against China. I plead a no vote on the pending resolution.

During my recent visit to China, I witnessed the promise of leadership among the emerging generation of active, intelligent, responsible young people. I am confident that they want to be active participants in the 21st century, not as enemies of the United States but as partners. I don't want to close the door on them right now. I want to encourage them as I have been encouraged by them. Democracy is a very delicate plant in China today. But we can help nurture and strengthen it.

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. PITTS].

(Mr. PITTS asked and was given permission to revise and extend his remarks.)

Mr. PITTS. Mr. Speaker, I rise today to call for an end to the many human rights abuses in the People's Republic of China, and I rise in support of renewing China's most-favored-nation trading status because, Mr. Speaker, these two goals are not mutually exclusive. In fact, renewing MFN for China will enable us to address the abuses we find so objectionable, first by keeping the lines of communication open with those leaders in China who have the power to change persecution and the climate there through private and tough diplomacy and, second, by allowing the many human rights, mission and Christian agencies in China to continue their work with the Chinese people.

Mr. Speaker, revoking China's MFN trade status and essentially declaring economic warfare on China is not the best way to achieve our goal of improving the human condition for the Chinese people. In fact, it would exacerbate the problem. Since this debate began I have spoken with many in the mission and Christian community who live and work in China, missionaries and Christian leaders whose whole lives are committed to the Chinese people. What they have told me is that if MFN status is revoked they feel that they would feel the effects of retribution on themselves and on Chinese Christians and on human rights activists. They told me that the hand of the hard liners would come down upon the people of China and especially anyone who is perceived as representing the West.

Rev. Daniel Su, a former member of the Chinese Red Guard who now works for China Outreach Mission Ministry, has said, quote:

The Chinese people are better off if MFN status is maintained. People suffer when China becomes isolated and hostile. Isolating China will do nothing for human rights in China particularly the rights of Chinese Christians. Like Rev. Daniel Su has said, Cutting off ties with China is like setting your car on fire when it stalls.

Dr. Samuel Ling, the Institute for Chinese Studies said this:

History has proven that as the United States engages China, a more pluralistic atmosphere develops, and both the standard of living and human rights and freedoms stand to improve.

Others have made other quotes, Mr. Speaker. I urge the Members to support MFN.

Ms. PELOSI. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts [Mr. DELAHUNT], a member who has worked very hard on this issue.

Mr. DELAHUNT. Mr. Speaker, this vote is about American credibility.

Yesterday a bill was on the calendar which would have prohibited financial transactions with terrorist countries. It would have passed without debate. Yet China has sold chemical weapons to Iran and missile components to Syria, and what of human rights? Last year Congress enacted the Helms–Burton Act because of human rights abuses in Cuba. Yet when it comes to China we ignore our own State Department report that the human rights situation actually worsened in 1996.

Then of course there is trade. We criticize the unfair trade practices of the Japanese, yet according to the last Sunday's L.A. Times, China has developed barriers to United States goods and services that would make the Japanese blush.

This vote is fundamentally about American credibility. We cannot demand respect for our values from the rest of the world and set a different standard for China. Please vote yes on the resolution.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the gentlewoman from Missouri [Ms. MCCARTHY].

Ms. MCCARTHY of Missouri. Mr. Speaker, I rise in opposition to House Joint Resolution 79 and in support of the President's decision to extend normal trade relations with the People's Republic of China. Terminating our current trade relationship with China would undermine America's economic interests in those States such as my own. The American consumer would be burdened with dramatic price increases. Thousands of American trade and investment jobs would be lost.

Chinese retaliation would likely exclude companies from opportunities in one of the world's fastest grow economies. Last year Missouri companies alone exported over $80 million in goods to China, an increase of over 64 percent from the previous year. United States exports to China currently support over 200,000 American jobs. The jobs which have been created have been good, high paying jobs.

In my home State of Missouri employment by foreign subsidiaries has risen 165 percent since 1980. Manufacturing jobs created by foreign investment have risen 51 percent. In my district MFN for China means that agribusinesses, high technology, and avionics industries are able to export their goods to one of the world's largest markets. From national firms like Farmland Industries to regional companies like Hanna Rubber Co. and small family-owned businesses such as Sun Electronics in Raytown, MO, MFN for China means jobs, revenue and business.

I have grave concerns over China's human rights record, particularly the practice of female infanticide, which has no place in any society. I have a constituent, Mattie, who was born in China just 2 years ago. She was adopted by loving Missouri parents and is living the American dream of freedom unknown in her native land. I want to advance our values within China so that future Chinese baby girls like Mattie can live proud and free within China as well.

We cannot walk away from this or any other problem that China faces. We have a moral obligation to remain engaged with China so that they can learn our values of democracy. I urge this body to reject the resolution and extend normal trade relations to the People's Republic of China.

Revoking trade privileges will reverse the progress that the Chinese people have made in their struggle for basic political, religious, and economic freedoms.

The power of our democratic principles and ideals eventually led to the fall of communism in Eastern Europe. It is important that we continue to engage in debate with China until we achieve victory in Asia as well.

Mr. Speaker, for these reasons, I support extending normal trade relations to the People's Republic of China, and I urge my colleagues to reject House Joint Resolution 79.

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

Mr. CRANE. Mr. Speaker, I yield 3 minutes to the gentlewoman from Washington [Ms. DUNN], our distinguished colleague on the Committee on Ways and Means.

Ms. DUNN. Mr. Speaker, for the past 7 years this body has gone through the annual ritual of debating MFN status for China because the minority of our membership thinks that China needs to be taught a lesson. This may make some of my colleagues feel good, but I believe it is a misguided response that hinders the development of human rights and democracy in China.

Before rushing headlong into the mistake of adding China to the list of nations denied MFN, there are two points to consider. First of all, who would be penalized by denying China MFN? Our compassion for the suffering in China is useless if the policy has no effect other than to put our own people out of work. Indeed, then the compassion is misplaced. We have made no difference in the life of those suffering

overseas while only increasing the numbers of those suffering without jobs here at home. By terminating MFN to China, this is exactly what I believe will occur. The loss of MFN will not change China. It will, however, cost our Nation and Washington State billions of dollars in aircraft, lumber, software, and agricultural sales and tens of thousands of jobs to our European and our Asian competitors.

The second point to consider is will revoking MFN accomplish our goal of improved human rights and democracy. I do not believe it will. United States trade and investment teach the skills of free enterprise that are fundamental to any free society.

For instance, in my home State of Washington we export a number of United States products from aircraft to software, and every single airplane and every single CD carries with it the seeds of change.

It has already been noted that the Reverend Billy Graham recently observed that Christian love and integrity are now being delivered to millions of people in China who were denied this opportunity during the darkest days of China. This sentiment is shared not only by the Reverend Billy Graham, but by his son who is my constituent, Ned Graham. His organization, East Gate Ministries, is based in Sumner, WA, and it has shipped 1½ million Mandarin language Bibles to China and 4 million more will be delivered before the end of the century under an agreement with the Chinese Government.

Just last weekend I had the opportunity to meet with the younger Graham to discuss his organization's work in China and the current debate here in the United States Congress. He expressed concern about this debate and that the crusade against MFN may harm the ability of his ministry to get Bibles into the hands of the Chinese people.

□ 1345

The message was clear, Mr. Speaker. Revocation of China MFN is in the interests of no one, particularly the Chinese people themselves. If we want to affect Chinese behavior and trade policy in civil liberty areas we all care about, we should increase our mutual contact.

I urge my colleagues to oppose the resolution of disapproval.

Mr. Speaker, for the past seven summers, this body has gone through the annual ritual of debating MFN status for China because a minority of our membership thinks that China needs to be taught a lesson.

This may make some of my colleagues feel good, but I believe it is a misguided response that hinders the development of human rights and democracy in China. Before rushing headlong into the mistake of adding China to the list of nations denied MFN, there are two points to consider.

Who would be penalized by denying China MFN? Our compassion for the suffering in China is useless if our policy has no effect other than to put our own people out of work. Indeed, then the compassion is misplaced; we've made no difference in the life of those suffering overseas while only increasing the numbers of those suffering here at home.

By terminating MFN to China, this is exactly what I believe would occur. The loss of MFN won't change China. It will, however, cost our Nation and Washington State billions of dollars in aircraft, lumber, software, and agriculture sales, and tens of thousands of jobs to our European and Asian competitors.

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Just last weekend, I had the opportunity to meet with the younger Graham to discuss his organization's work in China and the current debate here in the Congress. He expressed concern about this debate and that the crusade against MFN may harm the ability of his ministry to get Bibles into the hands of the Chinese people. The message was clear, Mr. Chairman—revocation of China MFN is of interest to no one, particularly the Chinese people themselves.

If we want to affect Chinese behavior in the trade policy and civil liberties areas we care about, we should increase our mutual contact, make MFN status permanent, and eventually, bring China within the disciplines of the World Trade Organization.

I urge my colleagues to oppose the resolution of disapproval.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from California [Mr. MILLER].

(Mr. MILLER of California asked and was given permission to revise and extend his remarks.)

Mr. MILLER of California. Mr. Speaker, I thank the gentleman for yielding. I rise today in opposition of extending MFN to China because I believe the United States policy of constructive engagement has failed.

Mr. Speaker, selling goods into the United States market is not a right, it is a privilege, and it is a privilege that should be restricted to dictatorships like China. Despite the promises of the White House, big business, and the MFN supporters, the United States trade relationship with China has failed to move that nation toward democratic reform in order to reduce the threat China poses to world security.

China's Government continues to brutally repress all dissent in that country and violate religious freedoms. Meanwhile it exports to rogue nations like Iran, Iraq, Libya, and Burma the technology to make weapons of mass destruction. China continues to close its market to United States goods and services and allows American products to be pirated, costing us billions of dollars. Faced with the evidence that our current policy of engagement toward China has failed, supporters of MFN then argue that we should ignore all those problems and extend this privilege to save American jobs.

Mr. Speaker, I oppose the extension of most-favored-nation status for China.

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Guam [Mr. UNDERWOOD].

(Mr. UNDERWOOD asked and was given permission to revise and extend his remarks.)

Mr. UNDERWOOD. Mr. Speaker, I stand for human rights progress and a secure Asian-Pacific region and against House Joint Resolution 79. This is fundamentally an issue which asks whether we want to engage in as normal relations as possible with an emerging world power in order to shape their future direction, in order to shape a safer and more secure Asian-Pacific world.

This is not a one-shot process, and there is no one-shot solution. Engaging, shaping, relating to China requires difficult decisions and fully understanding what is at stake, a secure Asian-Pacific world in which the forces of democracy arise from local experiences under our encouragement, and is not forced by well-intentioned but misguided foreign policies.

The issue is not human rights today but making it possible to have progress in human rights over the long haul. The issue is not Chinese hostility today, but whether we want to allow hostility to shape our and their policy. Some would have us believe that putting China on notice today through denial of MFN somehow brings their abuses to a halt.

I urge my colleagues to reject House Joint Resolution 79.

Mr. Speaker, many arguments have been offered from both sides of the issue: Supporters of House Joint Resolution 79 believe that withholding most-favored-nation status from China will send a strong, clear message that the United States will no longer kowtow to Chinese interests. Many cite purported Chinese meddling in America's election campaigns as further proof of just how far the Chinese lobby has extended its reach into our domestic affairs. There are also arguments relating to China's nuclear capabilities and its sales of equipment to Iran. The strongest contention so far in this debate over MFN status has been the human rights issue. China's curtailing of political and religious freedoms, sterilization, laogai institutions, and list goes on and on.

Despite these points, I adhere to the belief that extending MFN to China will be a wise policy decision for the United States. As we all

know, MFN is not a special status, it is one conferred to our regular economic partners throughout the world. According China MFN status will be the avenue through which we can influence China's discriminatory practices against some segments of its society. Political and religious freedom will follow greater economic freedom.

As part of the Congressional Human Rights Caucus, I am knowledgeable of the various human rights abuses committed against political dissidents and jailed inmates in China. It is a deplorable situation, but I do not believe revoking MFN will be the solution. Increasing diplomatic contact and applying pressure through international organizations is a wiser decision that unilaterally isolating one quarter of the world's population. Democratic principles are transmitted through the free flow of ideas between nations in close interaction with one another. Isolating China is not the answer to curbing human rights abuse.

Those who support House Joint Resolution 79 have mainly focused on the human rights question, but I believe that MFN is an economic issue. Using trade as a tool of engagement is a mutually constructive way for us to improve relations with China. In 1996, United States exports to China totaled $14 billion, and exports to China generated some 200,000 American jobs.

I wish to emphasize that the MFN debate is ostensibly about trade and should be limited to a discussion about whether we want to engage in normal trade relations with the fastest growing economy in the world. This seems to be a no-brainer and the answer is yes. This is fundamentally an issue which asks whether we want to engage in as normal relations as possible with an emerging world power, in order to help shape their future direction; in order to help shape safer and more secure relations in the Asia-Pacific world. this is not a one-shot process and there is no one-shot solution. Engaging, shaping, relating to China requires difficult decisions and fully understanding what is at stake—a safer, more secure Asia-Pacific world in which the forces of democracy arise from local experiences under our encouragement and not forced by well-intentioned, but misguided foreign policies.

But many have added other issues to this debate to alleviate its focus as a trade issue, rather, they have converted it into a form of political theatre designed less to influence the eventual outcome which is well-known to everyone, but designed to assuage various constituencies in this country.

Contrast this with the reaction in the Asia-Pacific region. Nearly everyone in the region who is directly affected by China does not see the extension of MFN as weakness or a toleration of abuses inside China; but as a way to constructively engage China.

The issue is not human rights today, but making it possible to progress in human rights over the long haul; the issue is not Chinese hostility today, but whether we want to inadvertently allow hostility to shape our and their policy. There is implicit in the debate today the sentiment that failure to put China on notice today through denial of MFN somehow will bring their human rights abuses to a halt and stem their growth towards being a competitive and hostile world power.

It seems to me that the denial of MFN will bring help facilitate the very thing the opponents of MFN decry—moving China to rogue status as a state. Let us bring a little common sense and not emotion to this discussion and let us engage China within a system of trade and security in which we have primary influence rather than make China an outcast state intent on destabilizing the Asia-Pacific region.

As we approach the new millennium, we find that tools such as the Internet and monetary policies are helping draw the nations of the world in an ever tighter web. Events such as American normalization of ties with Vietnam, Burma and Laos's guaranteed admittance into ASEAN, NATO extension, and the future establishment of the Euro relate just how tight this version of the World Wide Web is contracting. The United States will take a great leap backward if it chooses to revoke MFN for China. At a time when competition is steep for the Chinese market, at a time when China's human rights situation is still problematic, the United States should be at the forefront of engaging China's political and economic policies.

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

Mr. DREIER. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. WELDON].

(Mr. WELDON of Pennsylvania asked and was given permission to revise and extend his remarks.)

Mr. WELDON of Pennsylvania. Mr. Speaker, my comments today are aimed at our newer Members.

I am unusual in this debate, because I have opposed MFN in the past. In fact I voted against NAFTA because I was not happy with the side agreements. In fact, I am concerned about China's human rights record. I am a member of the Human Rights Caucus and take great pride in my involvement there. And on missile proliferation, I probably spend as much time on that issue as any Member in this body as the chairman of the Subcommittee on Military Research and Development of the Committee on National Security. As a matter of fact, I wish I had as much interest as demonstrated today by Members on both sides on missile proliferation on the debate on our defense bill as I have heard today in this debate.

Mr. Speaker, I would remind our colleagues when we heard about the attack on the *Stark*, the U.S.S. *Stark*, it was not a Chinese missile, it was a French-made Exocet missile. In fact, we have our own allies exporting missiles that are being used against our troops by rogue nations around the world.

Now, I am not happy with China's actions in many areas, but I do not want to isolate China; I think that is the worst thing we can do now. I fault this administration for a lack of enforcement of existing arms control agreements. The MCTR violations, the Garrett rocket engines that were sent to China, the M–11 missile transfers, the ring magnet transfers, the chem-bio transfers, they are all wrong; but we do not just talk about those on the MFN debate alone. We deal with those issues all year long, and I do that all year long, and all of us should do that all year long.

I am appalled by the statement that has been said numerous times here of Gen. Xian Guang-Kai, but I say to my colleagues, I confronted him personally. I went to Beijing and sat across the table from him, and I said, General, those statements are unacceptable. That is what we need to do, Mr. Speaker, is aggressively engage the Chinese leadership.

I spoke this past year twice at the National Defense University in Beijing, and I told Chinese military leaders what I am telling our Members today. We are not happy with China's policies in many areas, we are not happy with human rights improvements in China, and we are not happy with arms control violations; but we have to do that in an effective way and not isolate China and make it a demon. That is the wrong signal to be sending.

Oppose this resolution and support the status of trade relations normally with China.

Mr. STARK. Mr. Speaker, I yield 1 minute to the distinguished gentlewoman from California [Ms. SANCHEZ].

Ms. SANCHEZ. Mr. Speaker, we have a very important choice to make here today, but that choice is not between engagement or isolation. Certainly we will continue engagement with China, but that engagement must be constructive.

The debate over China MFN is an important one for Americans. Nothing less is at stake than our economic future, our national security, and our democratic principles.

Proponents of continuing MFN status for China say it merely normalizes trade in the same way that we have done so with many other countries. But trade relationships between the two countries is anything but normal. China does not play by the rules. China should not receive most-favored-nation status because it does not reciprocate the trade benefits that we grant them with MFN.

Besides not following trade rules, China violates international arms control treaties and protocols, but the most disturbing violations in China are the gross negligence of human rights in that nation. China persecutes millions of religious believers of the Christian, Muslim, Buddhist and Jewish faith. These appalling human rights must stop. I urge my colleagues to vote ''yes'' on the resolution.

Mr. Speaker, we have a very important choice to make here today. But that choice is not between engagement or isolation. Certainly we will continue engagement with China. But that engagement must be constructive.

The debate over China MFN is an important one for the American people. Nothing less is at stake than our economic future, our national security and our democratic principles.

Proponents of continuing MFN status for China say it merely normalizes trade in the same way that is done with many other countries. But trade relations between the two countries is anything but normal.

China does not play by the rules. China should not receive most favored nation status

because it does not reciprocate the trade benefits that we grant them with MFN.

But the most disturbing violations in China are the gross negligence of human rights in that nation. China persecutes millions of religious believers of the Christian, Muslim, Buddist and Jewish faiths. The severity of this religious persecution has been well-documented by the international human rights community.

Chinese Christian women are hung by their thumbs from wires and beaten with heavy rods. They are denied food and water, and shocked with electric probes for simply seeking to openly practice Christianity.

Freedom House reports that there are more Christians imprisoned for religious activity in China than in any other nation in the world. Four Roman Catholic bishops have been imprisoned by the Chinese Government for celebrating mass without official authorization.

Evangelical Protestants are arrested and tortured for holding prayer meetings, preaching and distributing Bibles without state approval. Churches of all faiths have been officially banned and replaced by ''patriotic associations'' created by the Communist government.

These appalling human rights violations in combination with their arms control violations and high tariff barriers are very powerful reasons to deny MFN for China. I urge my colleagues to vote ''Yes'' on this resolution.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the gentleman from Arkansas [Mr. BERRY].

Mr. BERRY. Mr. Speaker, I rise today in support of most-favored-nation status for China. Only last year, the U.S. Congress told the American farmer, we want you to compete in a free market situation. In the 1970's the American farmer was successfully doing that and the U.S. Government unilaterally embargoed its markets to the point that they destroyed those markets and precipitated the agriculture crisis of the 1980's.

I beg my colleagues not to allow this to happen again. China has 25 percent of the world's population and 7 percent of the arable lands. We sell them 4 billion dollars' worth of agricultural products each year. Even Rev. Billy Graham says, this is a good idea to trade with China and it will improve their country and ours. We must have access to the international marketplace if we expect our farmers to succeed. I urge my colleagues to vote for MFN for China and against the resolution.

Mr. DREIER. Mr. Speaker, I yield 1 minute to the gentleman from Michigan [Mr. KNOLLENBERG], my very good friend and one of the hardest workers in the cause for MFN.

Mr. KNOLLENBERG. Mr. Speaker, I rise today to support normal trade relations for China. American workers benefit most from the trading status with China.

The facts I think are very clear. If we reject MFN, we do not improve the trade deficit, but we do lower or approve the loss of exports to China. In my State of Michigan alone, there is some $215 million in exports and over 5,000 jobs. If we translate that into the USA entirely, it is 228,000 jobs. China has been reported as the world's third largest economy, after the United States and Japan. It has, by far, the world's highest annual growth rate of 9 percent. We cannot exclude American companies, farmers, workers, goods, and services from this large market.

For the sake of our businesses, our jobs, and our workers, we must reject this resolution. We must not slam the door on one-fourth of the world's population. If we really want to promote human rights and civil rights, and I do, and we want to plant the seeds of mutual understanding, then continue normal trade relations. I urge opposition of this resolution.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from New York [Mr. ENGEL].

Mr. ENGEL. Mr. Speaker, I thank my colleague for yielding me this time. I rise in strong support of the resolution denying MFN for China.

Those who argue against it say this is not the right vehicle. I would say to my colleagues, what is the right vehicle? If I had another vehicle, I would try it, but the Chinese Government has thumbed its nose. They do not even give us a hook to hang our hat on.

We talk to them about human rights. A recent report said that there is no dissident activity in China anymore. They have suppressed all of it. We know what they are doing with Hong Kong now. We know what they are doing with the trade deficit in selling weapons to Iran; what they did in Taiwan, what they have done in Tibet. The list goes on and on and on.

When does it end? When does our Government stand for something? When is the almighty dollar not the most important thing?

I think that we in this country say that we stand for human rights and democracy and self-determination. There are more than 1 billion Chinese people who are looking toward us, they are looking toward us, they are looking for us to stand for something. They are looking for us to help them throw off oppression of their Government. When does this end? No dissident activity? We cannot tolerate this. Support the resolution. Reject MFN for China.

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Tennessee [Mr. FORD].

(Mr. FORD asked and was given permission to revise and extend his remarks.)

Mr. FORD. Mr. Speaker, today I rise to oppose this resolution. In my estimation, this debate boils down to a simple question. Will we choose to isolate China, or will we remain actively engaged?

I believe that a policy of engagement and not isolation is a powerful tool for change and will enhance our ability to positively influence China's policy. China is the world's most populous nation and has the potential to be the world's most dynamic economic power in the 21st century. Continuing MFN will further our national interests of helping China into the community of nations as a stable partner which respects human rights and contributes to our global economic trading system.

My colleagues on both sides of the aisle have raised valid and legitimate concerns about the unfair trade practices, but revoking MFN status is not the way to go about it. Enforcing existing international trade laws and targeting sanctions might be a more prudent course.

Mr. Speaker, the 20th century will be recorded as America's century. As we move into this next century to maintain our position of economic preeminence and economic dominance, it would be unwise and imprudent at this point for us to revoke MFN.

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

Mr. DREIER. Mr. Speaker, I yield 2 minutes to the gentleman from Nebraska [Mr. CHRISTENSEN], a very valued member of the Committee on Ways and Means.

Mr. CHRISTENSEN. Mr. Speaker, I have thought a lot about this issue. There are people on both sides of this issue who have struggled over it, people of faith, people that I respect immensely. There is not a right or wrong answer on this decision. Nobody knows what the right answer is, but I support MFN this year and I supported it last year because I believe that taking MFN status away is going to do more to harm than help for Christians in China.

This past week we had an opportunity to talk to some Wycliffe Bible translators. They said:

Taking MFN away is going to cause every one of our Bible translators to be viewed as a suspect of the government, an agent of the State. You take MFN status away from China, you are going to cause real persecution upon all the Bible translators and missionaries in China.

So people of faith are in disagreement over this issue. Yes, everything that has been said is true about the persecution, about the human rights abuses. But the correct answer has not been resolved yet. Taking it away, taking MFN status away, is not clear and conclusive evidence that it is going to improve things over there. I believe what Billy Graham has said and other missionary organizations have said is, ''Stay engaged, keep the process going, stay involved, keep the dialogue open. We can bring them around to our way of thinking.''

When I was over in Hong Kong I talked to a man who said, JON, we are moving in the right direction. Yes, we are not moving as quickly as we want to move. But your culture is not any better. You have allowed abortions out of convenience. Yes, we have had them also, but you have allowed abortions out of convenience. You are the largest exporters of pornography. You have the largest murder rate, the highest percentage of murder rate and rate of teenage dropout in high school. Your culture is not any better than in China.

When we get over this debate and people of faith disagree on this issue, let us turn our focus back on America and start cleaning up our own backyard before we continue to look at China. Renewing MFN is the best way of solving the persecution over there; staying engaged, staying involved, and moving the ball forward. Vote for MFN.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from Hawaii [Mr. ABERCROMBIE].

Mr. ABERCROMBIE. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I am speaking today near the end of this debate as a member of the Committee on National Security. I think that before we cast any vote we should think about the national security implications.

In today's Washington Post, to go no further than the most contemporary moment, Mr. Speaker, ''U.S. is big market for firms owned by the Chinese military.'' The People's Liberation Army is now being called in some quarters the People's Liberation Army, Incorporated. We find ourselves in circumstances where military-related firms now are working in our seaports, they are involved in shipping.

The military is pervasive throughout China. It is against our national security interests to go forward with most-favored-nation status for China at this point. It reminds me of the 1960's. We find ourselves walking down a path toward confrontation with China which need not occur if we are able to see today that we should not grant most-favored-nation status.

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the gentleman from Texas [Mr. BENTSEN].

(Mr. BENTSEN asked and was given permission to revise and extend his remarks.)

Mr. BENTSEN. Mr. Speaker, I rise today in support of extending MFN trading status with China and against the resolution. All of us are concerned about China and their actions, whether it be religious persecution, treatment of Taiwan, weapons proliferation, their human rights violations, or their questionable trade and copyright practices.

The fact is, do we really believe, if we pull out of normal trading relations with China, that our industrial allies and other trading allies that we just met with in Denver are going to follow our action and pull out as well? Of course not. What they are going to do is fill the void and turn a blind eye to the concerns we have as a Nation. What we will do is to cut off our nose to spite our face, and walk away from one of the largest markets at the expense of American jobs.

We have heard a lot about security concerns, and there are some things we should be concerned about. There is no question about that. But we also should consider some facts: that China has adhered to the Nonproliferation Treaty of 1992, and it supported the indefinite nonconditional extension in 1995. It ratified the Chemical Weapons Convention. It has signed the Comprehensive Test Ban Treaty.

Yes, there are problems with that, but we have other ways we deal with that. Time and again, the administration has taken actions to impose sanctions against the Chinese for proliferation activities. We have put the laws on the books to do that. We have the laws to deal with copyright and other trade violations. What this says is that we will have normal trading practices to open the doors to deal with the Chinese, and on individual cases we can impose laws to deal with them. Let us not shut the door. It will do nobody any good.

Mr. DREIER. Mr. Speaker, I am happy to yield 2 minutes to the gentleman from Arizona [Mr. SALMON], one of our greatest and hardest working champions and one of the initiators of the whole plan to deal with democracy and human rights in China.

Mr. SALMON. Mr. Speaker, this has been a very tumultuous year, especially for our relations with China. As we go forward and have this debate yet one more time on whether or not we should extend most-favored-nation status with China, Members, look deep inside.

I have to say that those who are opposing the most-favored-nation status, people like the gentleman from New Jersey, Mr. CHRIS SMITH and the gentleman from Virginia, Mr. FRANK WOLF, to me are heroes by every stretch of the imagination. I have watched them before I came to Congress and since I have been here, and I have been amazed at their ability to articulate passionate beliefs which they care deeply about.

There are some, however, not necessarily just within this body but without, as well, who would like to have us believe that this issue is simply cut and dried, that those who support most-favored-nation trading status are profiteers, that they are out there working for the interests of corporate America, and that those who are against it care deeply about human rights and that is the end of the story. In fact, I have heard slogans that say something like profit over substance, or profit over principle.

The fact of the matter is, nothing could be further from the truth. When I served a mission for my church in that region of the world in the 1970's, I grew to love the Chinese people. I grew to love them deeply. When I saw the massacre at Tiananmen Square, part of me died that day, because people who cared deeply about freedom, people who cared deeply about their convictions, were wasted away. We want to do something. We want to thump China in the nose. We want to do the right thing.

But the answer is not to walk away from this relationship, because if we do nobody will be at the table articulating the things we care about so deeply. It will not be France, Germany, Japan. They will not be there. There will be a big silent spot. Does that mean we have been 100 percent accurate and good in everything we have done in our dealings with China? No. We have not. We should speak up. We should do some things. We crafted a bill which will do that. But the answer is not to throw the baby out with the bath water. The answer is not to walk away from this relationship.

Ms. PELOSI. Mr. Speaker, I am pleased to yield 1 minute to the gentleman from California [Mr. LANTOS], a cochair of the Human Rights Caucus of the Congress of the United States.

Mr. LANTOS. Mr. Speaker, there are a dozen good reasons to deny most-favored-nation treatment for China, ranging from the persecution of Christians to the selling of weapons of high-technology to despicable countries, to the theft of our intellectual property, to discrimination against American exports. But we all know what is going to happen here. They will get MFN because even if this body should approve this resolution, the administration will veto it, and we do not have the votes to override it.

So my plea is to my undecided colleagues, the only thing we are dealing with is the sending of a message to the Communist totalitarian regime in Beijing. Let us send a strong message. Let us tell them that we can stand on principle.

When a year ago this body unanimously approved my resolution giving the right to the President of Taiwan to visit his alma mater in Cornell, we stood on principle. When we voted not to move the Olympics to Beijing, we stood on principle. Today at least we should stand on principle.

The SPEAKER pro tempore (Mr. LAHOOD). The Chair announces that when we get close to closing, we will go in this order of closing: The gentleman from New York [Mr. SOLOMON] will go first; the gentleman from Kentucky [Mr. BUNNING] will go second; the gentleman from California [Mr. MATSUI] will go third; the gentleman from California [Mr. STARK] will go fourth; and the gentleman from Illinois [Mr. CRANE] will close the debate.

The Chair recognizes the gentleman from California [Mr. MATSUI].

Mr. MATSUI. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from Florida [Mr. DAVIS].

Mr. DAVIS of Florida. Mr. Speaker, today I rise in strong opposition to the motion of disapproval, and in support of continuing our normal trade status with China. Opponents of most-favored-nation status say we must send a statement to China, a message.

In some respects I agree with that. China must know as a nation we will be vigilant in our efforts to fight human rights abuses, and we will watch closely the transition of power with respect to Hong Kong, that we

will not tolerate acts of aggression toward their neighbors, and most importantly, we will continue to work to open their market to exporters.

But the real question today is whether MFN is the proper vehicle to send this message, and whether revoking MFN advances our interests on these issues. The answer to both these questions is no. MFN is not a referendum on China's policies. It is not a sense-of-the-Congress resolution that we have serious differences with China. It is not just a symbolic vote, allowing us to send a message to the Chinese that we are unhappy with their leadership. It is a real vote with real implications, both at home and abroad.

If we are concerned about Hong Kong, we must not undermine their economic stability at a point when that leverage is vital to protecting their freedoms. If we are concerned about religious persecution in China, let us listen to the missionaries who fear serious repercussions if we revoke MFN. If we are concerned about market access to our exports, we should not set off a trade war which could raise tariffs up to 70 percent and effectively cut off our economic relationship, estimated to cost consumers nearly $30 billion.

Indeed, if we want China to act in accordance with established international principles, let us not isolate them from commercial, cultural, and religious exchanges.

Mr. Speaker, I urge my colleagues to vote against the motion for disapproval, and to support continued MFN status for China.

Mr. BUNNING. Mr. Speaker, I yield such time as he may consume to the gentleman from Michigan [Mr. UPTON].

(Mr. UPTON asked and was given permission to revise and extend his remarks.)

Mr. UPTON. Mr. Speaker, I rise in support of the motion to deny most-favored-nation trading status.

Mr. Speaker, I rise today in opposition to renewal of most-favored-nation trading status for China. I supported MFN renewal last year believing that I should try the theory of engagement for 12 months and see what happens.

Well, it's now 12 months later and what actions has the Chinese leadership undertaken. Allow me to read some headlines for some of our Nation's papers this year:

''U.S. Confirms China Missile Safe to Iran'',

''China called Obstinate over talks about Tibet'',

''China Buys U.S. Computers, Raising Arms Fears'',

''China joins forces with Iran on short-range missile''.

The United States has given the Chinese 8 years of warnings and demands for improved human rights and to stop selling weapons and advanced missile and nuclear weapons technology to rogue nations like Iran or Pakistan. It's time to act now and take decisive action. No more carrot and stick approach. Just as the United States brought pressure on the Soviet Union to allow Jews to emigrate and on South Africa to end apartheid, and on South Korea to become more democratic, we must keep up our pressure on China.

Conditioning MFN for China provides the United States with the best leverage to improve human rights and send a strong signal about its weapons sales because preferential access to the United States market is critical to China's authoritative regime. Societies based on democratic principles and respect for basic human rights and freedoms make the best neighbors and the best trading partners.

I'm aware that United States business exports to China in 1993 totalled $8.8 billion. In the meantime, China's trade surplus with the United States has grown from $6 billion in 1989 to $45 billion last year with many of the Chinese products being produced by forced labor.

While I recognize the importance of MFN renewal to my home State of Michigan and its businesses, this must be weighed with the overriding goal of trying to foster a more humane way of life for the Chinese people, particularly as it impacts the rest of the world.

Last week the Spence amendment restricting supercomputers to those countries that violate nonproliferation agreements passed by a 332 to 88 vote.

Last night, this House passed the Rohrabacher amendment restricting funds to Russia if they transfer certain missile systems.

Mr. Speaker, this is the people's House. We need to send a message to the people around this globe that human rights violations and the transfer of horrific technology-chemical and nuclear proliferation must end today.

China MFN will continue. The President has the votes, but we can send a message that this practice of so many bad things must end.

Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from North Carolina [Mr. WATT].

Mr. WATT of North Carolina. Mr. Speaker, the last time this issue came before Congress I voted to extend MFN trading status to China. I felt that engagement was our best hope for getting China to act more responsibly on issues of human rights, international affairs, and international trade.

Since that vote, however, China has shown no progress on any of these issues. On human rights the State Department's 1996 report confirms that China continues to commit widespread human rights abuses, and in 1996 China actually stepped up efforts to cut off protest and criticism.

On international affairs, China is transferring dangerous weapons and technology to Iran, Iraq, Libya, Syria, Pakistan, and Burma. On international trade, Chinese tariffs on our exports average 35 percent, while our tariffs on Chinese imports average 2 percent, and our 1996 trade deficit with China was $40 billion. In the face of this, Mr. Speaker, I simply cannot be in support of extending MFN status, and I urge a vote in support of that proposition.

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Mr. MATSUI. Mr. Speaker, I yield 1 minute to the gentlewoman from New York [Mrs. MALONEY].

Mrs. MALONEY of New York. Mr. Speaker, often in this Congress we are faced, as we are today, with two imperfect choices. As a delegate to the U.N. conference in Beijing, China, I spoke out against China's human rights abuses, and I will continue to do so. I also know that, since beginning negotiations, changes have taken place. Normal trade relations are importing and exporting more products. They are exporting an understanding of our democratic standards.

In 1994, the state compensation law was passed allowing Chinese citizens to sue Government officials and collect damages. Similar laws have passed but they would not have occurred without U.S. influence. Denying normal trade status to China would do nothing more than transfer trade to our international competitors and give ammunition to anti-American hard liners within China who will use our denial as an excuse to reverse advances that have already been made. I urge a vote against the resolution.

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

Mr. CRANE. Mr. Speaker, I yield 3 minutes to the gentleman from Texas [Mr. DELAY], our distinguished whip.

Mr. DELAY. Mr. Speaker, I understand the deep feelings of the opponents of MFN and I have deep sympathy with those feelings. But the question before us is very simple. Will revoking MFN lead to more freedom in China? In my view, the answer is a resounding no. I want to send the Communist Chinese Government a message regarding human rights and religious freedom. But I believe that cutting off MFN is a very ineffective way to send that message, and in sending that message, we are taking freedom away from Americans.

Mr. Speaker, free trade leads to freedom, and capitalism is a synonym for freedom.

Will revoking MFN help those Chinese who are being persecuted by their Government? Will revoking MFN stop the Chinese Government from selling dangerous weapons to unstable countries? Will revoking MFN end barbaric social practices within China? I fear that the answer to all those questions is a big no. Instead of closing the door on China, we should be forcing that door open to open even wider. Instead of taking away freedom from Americans, we should empower our citizens to fully engage China.

We should have congressional delegations going to China demanding that the Chinese Government free political and religious prisoners. We should disallow visas for any member of the Chinese Government who is a known human rights violator, and we should press on many different fronts to make our views known to the Chinese Government that we care how they treat their citizens. But we should not cut the strongest link we have with the people of China especially now that Hong Kong is falling under the control of the Beijing regime.

That link is trade. And the trade link is the lifeline for many Chinese who see America not as an adversary but as a friend. And this is not just my view. In

a statement supporting MFN for China, Dr. Samuel Ling, who happens to be program director of the Institute for Chinese Studies at Wheaton College's Billy Graham Center, said: History since 1979 has proved that as the United States engages China, a more open, pluralistic atmosphere develops, and both the standard of living and human rights and freedoms, including religious freedom, tend to improve. Washing our hands of China is simply irresponsible. Let us not impose a false isolation of China that diminishes our influence, hurts the very people we want to help and takes freedom away from American citizens.

I urge my colleagues to vote down this disapproval motion, and let us give a helping hand to those who are now being persecuted in China.

Mr. STARK. Mr. Speaker, I yield 5 minutes to the gentleman from Michigan [Mr. BONIOR], distinguished minority whip.

Mr. BONIOR. Mr. Speaker, brutal efficiency, prison, torture, executions, these are the tools of the Chinese leaders. These are the tools they use to muffle the voice of anybody who dares speak out against basic liberties. Tariffs, regulations, piracy, these are the tools Chinese leaders use to keep American goods out of China. They are effective tools, tools that have been sharpened into economic and political weapons, weapons that cut at the very heart of our belief in fairness, freedom, and democracy.

As we speak today, every Chinese activist, every voice of dissent, every advocate of freedom and democracy in a country of 1 billion people is either in jail or in exile. According to the State Department, not a single dissident is free in all of China.

I want to talk briefly about one brave voice who languishes in Chinese prison. His name is Wei Jing Sheng. Because he spoke out for democracy, he has been forced to endure two decades of prison, labor camps, and solitary confinement. Mr. Wei's message, that China needs democracy, frightens the Government so much that his guards will not allow him to even have a pen and paper. To dictators who fear the truth, this humble electrician is a dangerous man. But Mr. Wei is not the first electrician to stand up to cruel corrupt regimes. In the early 1980's, Lech Walesa said enough is enough and launched a fight for freedom that spread across eastern Europe and eventually the Soviet Union itself.

Like Lech Walesa, Mr. Wei is a simple, direct man. He stands firm in his belief in democracy. But, for now, his voice has been silenced. So we must speak for him and for all the people in prison who have been speaking their conscience, just as we spoke for Lech Walesa a decade ago.

For 8 years we followed a policy of engagement with China, and the human rights situation has only gotten worst. The same is true for our trade deficit with China, which continues to soar out of control. In the past 5 years it has more than doubled. This year it is expected to hit about $53 billion.

Supporters of the status quo claim that revoking most-favored-nation status will hurt our exports to China. Let us take a look at the numbers. China exports about a third of their goods here, a third of what they produce comes here. What percentage of American exports make it to China? Less than 2 percent, 1.7 percent. We export more to Belgium.

What kind of things are we exporting to China? A lot of high technology equipment and machinery that China is using for questionable ends, ends like stealing intellectual property, building up their military and spreading weapons of mass destruction.

Is this the behavior we are supposed to reward with most-favored-nation status? Is this the behavior we take as evidence of a growing respect for human rights? Is this what we call engagement?

If America grants most-favored-nation status to China, we should call it what it is: It is looking the other way. Revoking most-favored-nation status will not signal disengagement from China or that China is the enemy, but revoking that status will send a strong message to China's leaders. If they want the best possible access to these markets which they have a third of their exports going to now, they have to uphold their end of the deal.

Looking the other way does not make the problem go away. Looking the other way only makes the problem worse, and looking the other way at injustice wherever it is undermines our credibility, our leadership and our moral authority in a world that needs it more than ever.

This is a vote about what our future is going to look like. If we do not stand up for the principles of democracy and human rights in China, we risk losing those principles here at home. If we do not stand up for decent wages and safe working conditions and environmental protections in China, we risk losing the quality of life we have worked so hard for here at home. We cannot designate China as one of our most favored nations without debasing our standards, damaging our credibility, and betraying the ideals on which America stands.

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the gentleman from Florida [Mr. DEUTSCH].

Mr. DEUTSCH. Mr. Speaker, there is a fundamental choice that we are making today. That is a choice of engagement versus nonengagement with China. It is unfortunate that most-favored-nation status is called most-favored-nation status. It would much more appropriately be called trading status. Among the countries today in the world that have most-favored-nation status with the United States of America are Syria, Iran, and Iraq. It is a choice that we are making to isolate ourselves. Into the next century there is no question that China will be, and is today, but will only continue in its status as a world power. And in that economy we will have a choice in terms of whether we want to be part of that growth and part of that synergy of the world economy or not.

I urge my colleagues to reject this resolution in terms of the opportunity to continue just the normal trading status, not really a most favored status at all.

The SPEAKER pro tempore (Mr. LAHOOD). The Chair would advise all Members that the gentleman from Illinois [Mr. CRANE] has 7 minutes remaining; the gentleman from California [Mr. STARK] has 9 minutes remaining; the gentleman from California [Mr. MATSUI] has 12 minutes remaining; the gentleman from Kentucky [Mr. BUNNING] has 10½ minutes remaining; and the gentleman from New York [Mr. SOLOMON] has 3 minutes remaining.

The Chair recognizes the gentleman from Kentucky [Mr. BUNNING].

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

Mr. CRANE. Mr. Speaker, I yield such time as he may consume to the gentleman from Iowa [Mr. LEACH].

(Mr. LEACH asked and was given permission to revise and extend his remarks.)

Mr. LEACH. Mr. Speaker, there is probably no bilateral relationship more important than that between China and the United States. The evolution of Sino-American relations over the next decade will be of profound import not only for stability in the Asia-Pacific region, but for the world.

In this regard it must be understood that most favored nation [MFN] trade status—that is, normal trade relations—is the linchpin of Sino-American economic relations. it is also a natural extension of the open door policy that hallmarked American involvement in China at the end of the 19th century. By contrast, revocation of MFN would effectively drive a stake through the heart of our economic ties with China and place in grave jeopardy our future relationship with one-fifth of the world's population.

Hence it is crucial that the issue of extending MFN be delinked from the aberrational issue of the moment, in this case ongoing campaign finance investigations.

These issues—MFN which is fundamentally about relations between two peoples, and campaign finance abuses which likely involve the foolish actions of a few—are distinct. While Congress has a profound obligation to review the allegations of illegal involvement by foreigners and perhaps their governments in the American political process, perspective must be maintained. Campaign indiscretions are about deal-making conflicts of interest; MFN is about the future of the planet.

In the context of the recent Presidential campaign, it must be understood that the most appropriate antidote to campaign finance violations is for the Justice Department to uphold vigorously current law and the Congress to work forthrightly on campaign finance reform.

As for the Chinese, Beijing would be well advised to conduct its own inquiry into this affair, encourage openness and full disclosure and not shield any potential witnesses from

the accountability required by United States law enforcement and congressional oversight.

By way of background, this Member has long believed that when confronted with the choice of high walls versus open doors in Sino-American relations, open doors are preferable. Hence my historically strong support for maintaining MFN. Though I favor unconditional MFN for China at this time, I do not favor MFN unconditionally for all countries at all times. MFN is all about reciprocity. The best way for countries to have good sustainable economic relations is to have reciprocal open markets, and the best way to achieve reciprocity in trade is to get politics out of economics into the market.

With this in mind, Congress should not hesitate to renew China's MFN status, preferably on a multiyear basis in conjunction with China's entrance into the World Trade Organization [WTO] on commercially acceptable terms. In this regard, it is my view that in the next century relations between states will relate more to the capacity of the business community to advance mutuality of interest than to the efforts of public officials to advance a civil dialog. Public policy is nonetheless crucial, for what is at stake is the advancement of the rule of law—whether it relates to U.N. Charter ideals, arms control, or rules of trade.

With regard to the latter issue, the obvious deserves repetition: Common rules of trade are in the vested interest of all countries which want to be part of the modern world. Those nations which want privileged status to protect their own industries, usually on grounds of the old infant industries argumentation, generally hurt themselves. As recently pointed out by perhaps the most erudite 20th century head of state, Vaclav Havel, there is little more counterproductive for developing economies than protectionism. Financial services is a classic example. While China has become dramatically more integrated into the international financial system over the last decade and a half, it has only taken modest steps to open up its banking, insurance, and financial service industries to foreign competition. Yet in my view China and its economy would be far better off to welcome United States and other foreign financial institutions and their panoply of low-cost commercial and investment banking products.

As for Hong Kong's return to China, this is clearly one of the seminal events of our time. For the West, it marks the end of a transition from colonial rule that began at the end of the Second World War and the end of an imperial presence in Asia. For China, in conjunction with the return of the Portuguese colony in Macao in 1999, Hong Kong's transfer marks the end of its traumatic colonial experience. In the short run, China has made its intentions clear. It intends to hold the reigns of freedom in Hong Kong rather more tightly than Gov. Chris Patten. In the long run, one's confidence in the future of Hong Kong depends on one's confidence in China and its ability to learn both from its own experience and the experience of others. Clearly, it's in China's interest to see the one country, two systems, concept successfully implemented. After all, Hong Kong's financial and managerial expertise is crucial to China's modernization drive and Hong Kong companies have accounted for over half of all outside investment in China, while Chinese concerns have invested over $60 billion in Hong Kong.

Will China honor its agreements with the British and allow a two-systems approach to internal government? We cannot know the answer to this question. But this Congress can certainly point out to Beijing the enormously destabilizing consequences of any substantial mishandling of the Hong Kong transition.

Clearly, the United States has important and financial as well as philosophical interests at stake in Hong Kong's smooth and successful transition to Chinese sovereignty on July 1. It is certainly the hope and expectation of the Congress that Hong Kong will remain one of the world's most vibrant and productive societies, that it will enjoy the substantial autonomy promised to it by the People's Republic of China, and that fundamental freedoms of its people will be fully protected and respected after 1997. In addition, it is self-evident that China's handling of the Hong Kong transition will powerfully affect attitudes toward the mainland in Taiwan.

In this regard, it is interesting to note that perhaps the only revolutionary leader held in high esteem by China, as well as Hong Kong and Taiwan, is Sun Yat-sen, whose principal contribution to Chinese political theory, beyond nationalism, is the precept of a three stage, guided evaluation to political democracy. Perhaps because it has a manageable population base, perhaps because it is located in the currents of trade and sits as a cultural and commercial island-bridge between China, Japan, and the Americas, Taiwan has led the way with political and economic democracy and the least divisions of wealth of any industrializing society. A generation ago its leading party, the Kuomintang, while rightist, resembled in organization the Communist Party of China. Today it looks more like Margaret Thatcher's Conservative Party. Tomorrow, who knows? The only thing that is certain is that the future of Hong Kong will have a bearing.

Deng Xiaoping underscored the new Chinese pragmatism with his cat and mice metaphor, and by promoting ''socialism with Chinese characteristics.'' That pragmatism has led to unprecedented social and economic change in China. Indeed, despite continued political repression, China may be changing more rapidly that any other country in the world. Not only is it looking outward to trade and establishing a market-oriented internal economy, but in terms of private discussion there is much more freedom of expression than existed two decades ago. Privately, one can criticize the Government without repercussion; it is public criticism that remains shackled. This latter circumstance is indefensible, but the looseness of controls on the farmer is not without significance. Nonetheless, China's social and economic transformation can't proceed in the long run without effecting political change. At some point Beijing's new leaders must recognize the incompatibility of free enterprise and an authoritarian political system, and must recognize as well that instability can be unleashed in society when governments fail to provide safeguards for individual rights and fail to erect political institutions adaptable to change and accountable to the people.

Whether the 21st century is peaceful and whether it is prosperous will most of all depend on whether the world's most populous country can live with itself and become open to the world in a fair and respectful manner. How the United States, its allies, and the international system responds to the complexities and challenges of modern China is also one of the central foreign policy challenges of our time.

Revocation of MFN would not be responsive to that challenge. It would not effectively address our legitimate concerns on human rights, nonproliferation, Taiwan, or trade. On the contrary, it would constitute a supremely self-destructive act.

The United States would be far better to develop a bipartisan and biinstitutional approach that maintains the open door to China and with it a relationship that could be key to peace, stability, and prosperity in the 21st century than to annually threaten this political brinksmanship on the House floor. I urge the defeat of this self-defeating legislation.

Mr. CRANE. Mr. Speaker, I yield 1 minute to the gentleman from Illinois [Mr. MANZULLO].

Mr. MANZULLO. Mr. Speaker, this is not a vote about who is more against religious persecution in China. We all deplore violations of human rights not just in China but in the entire world. Defeating MFN will not stop human rights abuses in China. Many Christian ministries with an outreach to China believe that religious persecution will get worse in China if MFN is defeated. For these Christian missionaries it is their life's work. They are the experts on religious freedom. The Rev. Billy Graham, his son Ned, the president of the National Association of Evangelicals, the President of Moody Bible Institute, Fr. Robert Sirico, president of the Acton Institute, and Bob Grant of Christian Voice, they all encourage us to remain engaged with China.

MFN is at the heart of America's engagement policy with China. MFN, if it is revoked, is the wrong vehicle to protest China's behavior. If Chinese goods are being illegally dumped here, we have laws against that and the same with goods that may be made in slave labor camps. We can stop that here with existing laws.

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Mr. STARK. Mr. Speaker, I yield 1 minute to the gentleman from Maryland [Mr. WYNN].

Mr. WYNN. Mr. Speaker, I rise in opposition to renewal of most-favored-nation status for the People's Republic of China. This is, basically, a question of fairness and of common sense. The fact of the matter is that we have a tremendous trade deficit with China. China does not allow U.S. products in. China imposes tremendously high and unfair tariffs.

Mr. Speaker, this is simply a question of common sense. Our choice is not either isolate or engage. We also have the choice to negotiate, to say to China, ''We want to trade but on fair terms. You should not have such a trade imbalance. You should not block our products. You should not pirate our intellectual property. You should not trade arms to our enemies.'' These are things that we can negotiate while maintaining a relationship.

People say, well, MFN will give us a better situation in all these areas. The

fact of the matter is, we granted MFN last year and the situation got worse. In fact, our trade deficit this year is 41 percent worse than it was last year. So there is no empirical evidence that MFN has yielded results. We need trade, but we need fair trade and a measure of common sense.

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the gentleman from America Samoa [Mr. FALEOMAVAEGA].

(Mr. FALEOMAVAEGA asked and was given permission to revise and extend his remarks.)

Mr. FALEOMAVAEGA. Mr. Speaker, I have been a member of the House Committee on International Relations now for about 9 years, and I have long been a strong supporter of maintaining broad, comprehensive ties with the People's Republic of China.

This policy of engagement has been upheld in a bipartisan fashion by five previous administrations, and I support President Clinton in his efforts now for continued engagement with China. We cannot allow America's broad range, multi-faceted relationship with China to be held hostage to any particular interest or issue.

Mr. Speaker, I do not know if my colleagues realize that when the People's Republic of China was founded in 1949, this government had to provide for some 400 million people living in China in 1949. Now we have got enough problems already on our own. Two hundred years it has taken us to provide for the needs of 264 million Americans. I think we need to leave a little slack here in realizing that this is not whether it is a dogma, it is a Communist, or what, but to provide for the needs of 1.2 billion people.

Mr. Speaker, we need engagement. We need MFN with China.

Mr. BUNNING. Mr. Speaker, I yield 4 minutes to the distinguished gentleman from New Jersey [Mr. SMITH].

Mr. SMITH of New Jersey. Mr. Speaker, I thank my good friend, the gentleman from Kentucky [Mr. BUNNING], for yielding me the time.

Mr. Speaker, whatever decision we make today, the American people will see it as a decision about the role of morality in U.S. foreign policy, and they will be right. Mr. Speaker, this is a vote about whether a government which practices forced abortion and forced sterilization on a massive scale should be rewarded or punished. It is a vote about how a government treats its own people, especially people of faith, Catholic bishops, priests and Protestant ministers and Tibetan monks and nuns. This is a vote about a government that routinely uses slave labor and does so with impunity.

I have held six hearings in my Subcommittee on International Relations and Human Rights on various aspects of human rights in China. We heard from people who survived the Laogai, the gulag system, people like Harry Wu. And I can tell my colleagues, the victims are not in favor of continuing most-favored-nation status with China because they know a butcher when they see one.

Today's vote is about dying rooms and inhumane orphanages, where baby girls and handicapped children are left to die simply because they are unwanted by the dictatorship. Today's vote is about what happened in Tiananmen Square—because what was overt in 1989—the silence of dissent—is more covert and sophisticated today. But the repression remains pervasive and brutal.

Last December, Mr. Speaker, the President coddled the dictatorship's hit man General Chi Haotian, the Defense Minister for the People's Republic of China, and gave him the red carpet treatment. The man who ordered the massacre at Tiananmen Square was the President's honored guest and during his visit to the U.S. said ''nobody died'' at Tiananmen Square. Does anybody in this room believe that? Of course not. It is utter nonsense, an unmitigated lie; but that is what the Beijing dictatorship is all about—lies.

Let me just ask my friends and colleagues, how long are we going to continue this misguided strategy of constructive engagement? As the previous speaker pointed out, things have gone from bad to worse. During the China human rights period of time when President Clinton had his executive order in place, we saw a significant regression, not progress but regression in every category of human rights.

As a matter of fact, one of three human rights missions to the PRC, I was there at the halfway point during the life of the executive order. During the trip I met with Wei Jingsheng, the father of the democracy movement in the People's Republic of China. A couple of weeks later, he met with John Shattuck, Assistant Secretary of Democrat and Human Rights—Bill Clinton's point man on human rights. How did the Chinese Government respond to those meetings, especially to the one with Secretary Shattuck? They arrested Wei, the dictatorship put him in prison where he is today—another victim of this brutal dictatorship.

Let me also remind my colleagues that if they think trade will trigger democracy and respect for human rights—they are sadly mistaken. The government of China has gone from communism to fascism. And respect for human rights have deteriorated. Who is making big profits in the PRC? The generals and officers affiliated with the People's Liberation Army and those who are connected to the power structure of the dictatorship. And again, we have seen significant regression in the area of human rights.

On religious freedom, I beg to differ vehemently with Billy Graham and others and especially with his son Ned Graham, who have suggested we should continue most-favored-nation status as a way of assisting religious liberty. Nothing could be further from the truth. The only people that can practice their religion in the PRC today are those who are part of the official Communist controlled church, and that is it. Step outside the boundaries of the government church and the full weight of the totalitarian state is visited upon you.

If you're a pastor in the underground church—you go to prison. If you meet for Bible study in a setting not approved by Beijing, you are harassed—and you may go to a concentration camp. I met with Bishop Su of the Baoding Province. Bishop Su—who is part of the ''illegal'' Roman Catholic Church aligned with Pope John Paul II—celebrated mass for our delegation. What happened to him? He was arrested by the secret police and is now back in prison for meetings with us. Bishop Su is no stranger to persecution, having suffered more than 12 years for his faith. Now the bully boys have sent this good man back to the gulag. There is no religious freedom in the PRC. Let us stop kidding ourselves.

To those who think trade equals progress in human rights, can you at least provide some evidence of that? Let me remind members that there were business men during the Nazi years, in the 1930's, who went and traded with the Nazis. But at least they did not have the temerity to stand up and say somehow that human rights were going to break out because the trains were running on time..

MFN is empowering a brutal dictatorship. The oppressor is getting bolder and stronger. And meaner. The dictator will soon begin to project its power to its neighbors—the signs are all there. The dictatorship will soon leave a bristling blue water navy to project power and influence and to intimidate.

Let me just note at this point that my business friends are not adverse to using sanctions when intellectual property rights are involved. Hollywood will go to war to protect pirated movies and CD's. But they shrink like violets when people's lives are on the line. When people, when torture, when forced abortion and religious freedom are the issue—they walk away and spout ''constructive engagement.'' Vote for the Solomon resolution and against MFN for this dictatorship.

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

Mr. MATSUI. Mr. Speaker, I yield 1 minute to the gentlewoman from California [Ms. MILLENDER-MCDONALD].

Ms. MILLENDER-MCDONALD. Mr. Speaker, this MFN status, as it is called, is nothing more than according normal trading status to China to facilitate commerce between the two nations. It is in no way preferential to China. MFN keeps tariffs from skyrocketing, and it retains a working relationship between our two countries.

However, some Members of Congress want to take MFN status away from China, citing human rights violations as an excuse to deny them the equal trading status that we provide most countries in the world. I understand

these Members' concerns and want to see improvements in China's human rights record myself. However, only through continuous engagement in dialogue will we have an opportunity to effect change.

It is important to note, however, that from 1990 to 1996, United States exports to China rose by 90 percent, the fastest growing rate of any major export market. This has been a direct benefit to southern California, given its recovery from a recession. One quarter of all cargo entering the United States comes from China.

I urge my colleagues to support MFN and to reject this resolution.

Mr. MATSUI. Mr. Speaker, I yield myself 2 minutes.

Mr. Speaker, I would like to point out to the Members of this body that three of the four former Presidents have endorsed most-favored-nation status for China: George Bush, Jimmy Carter, and Gerald Ford. All three of them have for this vote today.

In addition, every former Secretary of Defense, Democrat and Republican, over the last 12 years has supported MFN for China. We have every Secretary of the Treasury over the last 16 years supporting most-favored-nation status for China. We have every Secretary of Agriculture and every Secretary of Commerce also supporting MFN for China, as well as every Secretary of State and every USTR, United States Trade Representative, that currently is alive.

I might also mention, in terms of the issue of the trade deficit, many are making much out of the $40 billion trade deficit. One needs to look at the entire region, however. Because if we look at Taiwan, Singapore, Hong Kong, and South Korea, what we have seen is a commensurate reduction in their trade surplus with the United States as the trade deficit with China has gone up. So it is not a loss of United States jobs, it is a transfer of jobs from these four countries to China. That is exactly what is happening in that particular area.

In addition, I might say that this really is not any longer an issue of trade, this is an issue of diplomacy. If we cut off most-favored-nation status with the Chinese, we will, in essence, cut off diplomatic relationship with the Chinese. What we are really talking about is what the United States-China relationship will be 10, 15, 20 years from now. I think that is what we should be focusing on.

China has 21 percent of the world's population. As a result of that, that relationship will be the most critical relationship the United States will have. I urge a rejection of the resolution by the gentleman from New York [Mr. SOLOMON].

Mr. BUNNING. Mr. Speaker, I yield 1 minute to our distinguished colleague, the gentlewoman from Connecticut [Mrs. JOHNSON].

Mrs. JOHNSON of Connecticut. Mr. Speaker, I rise in strong opposition to this resolution. Our goal must be to strengthen our engagement with China to bring her into the international trading system, whose rules seek to assure mutual benefit for all trading nations, to bring her into the international web of agreements, whose goal it is to prevent the proliferation of nuclear weapons and create the maximum opportunity to resolve conflicts without war.

As to the important issue of human rights, we know more about today's problems in China then we did during the terror of the cultural revolution precisely because China is far more open and allows far more personal freedoms than in the past. Greater individual economic opportunity has always fostered over time greater individual freedom and respect for human rights.

We should continue to press China toward international human rights standards. But engagement, not disengagement, will achieve these goals.

The SPEAKER pro tempore. The gentleman from Illinois [Mr. CRANE] has 5 minutes remaining; the gentleman from California [Mr. STARK] has 8 minutes remaining; the gentleman from California [Mr. MATSUI] has 8 minutes remaining; the gentleman from Kentucky [Mr. BUNNING] has 6½ minutes remaining; and the gentleman from New York [Mr. SOLOMON] has 3 minutes remaining.

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

Mr. MATSUI. Mr. Speaker, I yield 3 minutes to the gentleman from Texas [Mr. STENHOLM].

(Mr. STENHOLM asked and was given permission to revise and extend his remarks.)

Mr. STENHOLM. Mr. Speaker, today we will decide whether to maintain the normal trading relations we have had with China since 1980. This vote is critical to agriculture in the rural areas of our country that have made us the No. 1 exporter of agricultural products in the world.

In 1996 alone, we exported over $60 billion in agricultural products. Last year we had a $1.4 billion trade surplus with China in agricultural trade. We sold over $2 billion of agricultural products to China. Ending normal trading relations will jeopardize this trade.

As China reaches out to the rest of the world to meet more of its food needs, the last thing we should do is pull out of the market. While we clearly lead the world in agricultural exports today, many of our friends in Europe and Central and South America would relish the opportunity to supply the Chinese market. Agriculture is one of those things we Americans do best. And the jobs that it provides in rural areas are good jobs that are performed with pride by the American farmer and the workers who supply them; and that is why it is so critical that we maintain the markets that we have worked so hard to create.

China has opened its markets to live cattle, cherries and apples from Washington and grapes from California. Because we remain engaged in trade with China, we are closer to gaining access for other important commodities. If we vote to end normal trading relations today, China will see us as an unreliable supplier of a very important commodity, the food it needs to feed its people.

And finally, if we vote against normal trading relations with China today, we can forget about China's accession to the World Trading Organization. We have only begun to gain marketing access to China's agricultural markets.

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With accession to the WTO based on a commercially viable package, China's state trading enterprises which control imports of agricultural commodities will fall.

In the brief time allotted to me, I cannot address all of the reasons we should continue normalized trade relations with China. There are certainly legitimate concerns about human rights, religious freedom, international cooperation, U.S. jobs, Hong Kong and Taiwan. I believe, however, that progress in all of these areas will best be made, particularly in the area of human rights and religious freedom, by pursuing ever-increasing dialog and constructive engagement rather than reverting to isolationism.

The choices are clear. We can do what America does best or we can revert to those things that have been tried and proven to be wrong for America and wrong for those that we perceive to be helping.

I ask that we vote to continue normal trading relations. Vote against this resolution before us today.

Mr. STARK. Mr. Speaker, I yield myself 3 minutes.

Mr. Speaker, I suggest for those of us who live in such grandeur and have the most productive Nation in the world, why not risk? Why not risk ending slave labor?

Why not? Because the other side will say that we cannot offend Boeing who wants to sell jets to China, and Motorola their cell phones. Why do we not risk stopping the murder of female babies? No way. Wal-Mart needs those cheap T-shirts and sneakers. Or why not encourage religious freedom? Forget it. Agriculture needs to sell grain and cotton to China, those small family farmers like Archer and Daniels and Midland.

Why did it work in South Africa? They tell us we were not alone in South Africa. We were all alone when we voted the Helms–Burton bill, were we not? And why is it that Cuba is treated real tough and China is not? Maybe it is because Cuba did not make big political contributions to Clinton-Gore and other campaigns. Maybe that is why. And maybe that, Mr. Speaker, is why we are seeing human decency sell out to big money.

If Members believe that they can stand up for human decency, and if

Members believe that this country is strong enough to compete with anyone based on its human values, then they will vote for this resolution and send a message to China that may get them to change.

Ms. PELOSI. Mr. Speaker, will the gentleman yield?

Mr. STARK. I yield to the gentlewoman from California.

Ms. PELOSI. Mr. Speaker, it has been 8 years since the Tiananmen Square massacre. Every year at this time the President gives the regime an anniversary present requesting a special waiver to grant most-favored-nation status to China. No wonder the former Presidents and Secretaries of State support renewing MFN. They are the ones who brought us this failed policy in the first place.

What do we have to show for it? Lost jobs, lost freedom, and a more dangerous world. The American people know it. That is why in a poll yesterday, a Business Week poll, the American people support, 67 to 18 percent, revoking MFN for China.

The President and the regime in Beijing should take no comfort from this vote on the floor today. The American people want a change in policy. Our colleagues have thoughtfully spoken out to say that if they vote for MFN, they still want to see stronger actions taken by the Clinton administration. But in order for the Administration to do that, we need a strong vote in support of the Solomon resolution today.

I urge my colleagues to oppose most-favored-nation status for China by supporting the Solomon resolution.

Mr. MATSUI. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from California [Mr. FAZIO].

Mr. FAZIO of California. Mr. Speaker, I rise today in opposition to the resolution to disapprove most-favored-nation status and in support of normalized trade relations with China.

Like many of my colleagues, I am concerned and often as outraged as many here on the floor have been about China's continued unfair trade practices, proliferation of nuclear and chemical arms, and human rights abuses. But unlike my colleagues who support this resolution, I believe that cutting normal trade relations will not change China for the better, but will, in fact, slow the pace of democratic and economic reforms in that country while penalizing the United States in the process.

Rather than restricting trade, we should be concentrated on opening China's markets. We can do this by using targeted trade sanctions to persuade China to lower import barriers and end unfair trade practices. Last June, the United States and China reached an agreement that has shown how we can shut down illegal factories; 39 of them were done so. They were producing pirated software and computer disks. We need to take more of this kind of tough action.

Since we have begun our policy of engagement, China has made progress toward halting the proliferation of nuclear, chemical and biological weapons technology, and China just recently ratified the chemical weapons treaty. In addition, China has agreed to a moratorium on nuclear testing and signed the comprehensive test ban treaty.

Progress will continue to be made if we use diplomatic pressure and the prospect of economic sanctions to secure commitments by China. Revoking normalized trade relations will not achieve our human rights goals.

Two nations in the region that once had authoritarian regimes, South Korea and Taiwan, now are among our strongest allies. Why? Because we built our relationships on trade and thereby had direct influence in improving human rights.

Let us build on our relationships, let us not tear them apart. Keeping China as a strong trading partner is the most effective way of preserving our interest in a nation that has undergone massive change during the last 25 years. Please support the position the gentleman from California [Mr. MATSUI] has advocated so effectively today.

Mr. CRANE. Mr. Speaker, I yield such time as he may consume to the gentleman from Alabama [Mr. CALLAHAN].

(Mr. CALLAHAN asked and was given permission to revise and extend his remarks.)

Mr. CALLAHAN. Mr. Speaker, being the foremost authority on foreign aid in the entire House, I rise in opposition to the proposal today.

Mr. Speaker, I want to thank my colleague for allowing me this opportunity to address the House.

I rise today in opposition to the resolution under consideration and in favor of normal trade relations with the People's Republic of China.

Let me begin by stating that I have many problems with the recent conduct of the People's Republic of China.

From their abysmal human rights record, to nonadherence on nuclear nonproliferation, to its engagement in discriminatory and unfair trading practices, and China has a long way to go before this conduct earns the respect of the United States.

That said, however, I am also concerned that disapproving a trade agreement which simply extends to China the same privileges granted to all other nations with the exception of only seven rogue terrorist nations is not the most effective way for the United States to influence policy in China.

While I understand and share the concerns of conservative Christians regarding religious persecution in China, I believe a policy of disengagement could potentially worsen the situation for religious minorities there, resulting in more, rather than less, persecution, and human rights violations.

Passage of this resolution will have a seriously damaging effect on American business interests both here and abroad. Enacting a policy of trade isolationism with China would roll back the progress which has been made to this point, and would further undermine our diplomatic and economic influence in the region.

By engaging China to open markets and supporting progressive democratic reforms, the United States foreign policy regarding China has had an impact.

The people of China will only realize full democratization and liberalization of rights with the long-term, consistent involvement and encouragement of the United States.

I urge my colleagues to vote no on this resolution and support our continued engagement with China.

Mr. CRANE. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Illinois [Mr. PORTER].

Mr. PORTER. Mr. Speaker, China is one of the world's major human rights abusers. It ranks right up there with Nigeria, Burma, Turkey, and the Sudan. There is no doubt whatsoever about this. Each year we debate MFN, we vent our anger and frustration with China and we send messages. I have consistently, Mr. Speaker, voted to cut off MFN. But nothing ever happens. And nothing will happen this year. The MFN approach is a legislative and policy dead end. If MFN were eliminated, surely it would cut off American influence in China. It might well slow the pace of economic freedom in China that ultimately, I believe, will lead to political freedom. And clearly it would hurt the common people of Hong Kong who have lived in freedom and under the rule of law and face an uncertain future under Chinese sovereignty.

Mr. Speaker, we must move beyond the MFN exercise to a positive agenda for the values we believe in for all people. The gentleman from California [Mr. DREIER] and I have joined together with a number of our colleagues and will introduce later this week the China Human Rights and Democracy Act of 1997. It will focus on increasing our broadcasts through Voice of America and Radio Free Asia to China to 24 hours a day. It will bring the truth to the Chinese people about their own country and about ours and about the world. It will build democracy in China through the National Endowment for Democracy. It will provide a voluntary code of conduct for U.S. businesses. It will cut off visas for human rights abusers and proliferators. It will provide new reports on human rights; a prisoner information registry; more human rights officers in our embassy in Beijing; a report on Chinese intelligence activities; and a disclosure regarding the People's Liberation Army and its commercial activities.

Mr. Speaker, I commend my colleagues who are so passionately for the rights of the Chinese people. I am still very much with them. I believe this exercise, however, leads nowhere and hope they will join us all in an effort that will really impact Chinese society and advance the cause of democracy, human rights, and the rule of law.

Human rights, democracy, freedom and equality of opportunity are the values that define us as Americans and they should be reflected in our foreign policy.

Unfortunately, the MFN debate, as well as the administration's policy, pits these principles against one another, dividing Congress and the American people, and sending a mixed message to the Chinese.

As cochairman of the Congressional Human Rights Caucus, I have been a consistent and outspoken critic of the Chinese Government and its horrendous human rights record.

I have always used my MFN vote to protest China's treatment of its citizens and its renegade foreign policy of market exploitation and weapons proliferation.

Since 1994 when President Clinton formally de-linked human rights and MFN, the MFN debate has been an empty threat and has ceased to be an effective means of advancing our values within China.

Today, we have again engaged in a heated debate that allows Members to vent their anger at Beijing, but does little to change Chinese society for the better.

I believe that we must move beyond this annual exercise in futility toward a real policy which more accurately reflects and more vigorously promotes American ideals within China.

For this reason, my colleague DAVID DREIER and I have sought out positive and pro-active ideas from many of the leading voices on all sides of this issue on how we can move our China policy in a more productive direction.

The legislation that has resulted from this consultation—the China Human Rights and Democracy Act of 1997—includes funding for 24-hour broadcasts into China by Radio Free Asia and the Voice of America in multiple languages.

It would promote democracy-building activities in China, such as legal and judicial training, and expand reporting on human rights by the administration. Our legislation prohibits visas for human rights abusers and those who carry out China's irresponsible policies of weapons proliferation. The bill also includes a voluntary code of conduct for United States businesses operating in China. We would require expanded reporting on human rights and other important concerns that Members of this body have enunciated today, and increase public and private exchanges between the United States and China. Finally, we would begin the process of creating a Commission on Security and Cooperation in Asia—based on the successful model of the Helsinki Commission.

The premise behind all these initiatives is that we can best promote our values by increasing our contact with the Chinese people, and concerns about human rights and democracy should be dealt with in a way that responds directly to those issues.

The China Human Rights and Democracy Act attacks China's abusive policies at their roots by giving the Chinese people the tools to build a civil society and decrease their dependence on the Chinese Government.

Economic freedom and opportunity can provide a catalyst to increased political freedoms, but we must not just sit around waiting for this to happen. We must take positive steps to bring these changes along, such as the China Human Rights and Democracy Act.

Revoking MFN, however, would do nothing to accomplish this goal, and would make it difficult to take the kinds of actions which will bring China into the community of nations as a responsible member.

Moreover, MFN revocation would devastate one of our best chances at changing China from within—Hong Kong, which will come under Chinese control this time next week. I firmly believe that Hong Kong—a place of freedom, the rule of law and a nascent democracy—has the potential to change China far more than China will change Hong Kong. If we take away MFN, Hong Kong will be the first casualty.

If we want to improve the lives of the Chinese people and improve the human rights situation in China, we cannot promote our values selectively.

Members of Congress have spoken forcefully against MFN today from their hearts—I respect no one in this Congress more than my colleagues from California, Virginia, New York, and New Jersey who have passionately addressed this issue today, and we have worked on these issues together for many years.

I know that I will not change their minds today, but I ask that after this vote ends today, that we work together to end this annual debate and promote a more realistic approach.

MFN revocation is a dead-end for Congress, and we have to move beyond sending messages to move China in the right direction. I will support MFN today and continue to work with all my colleagues to build a better approach to China. I hope that I can count on their support.

Mr. Speaker, I include the following op-ed from the Wall Street Journal for the RECORD:

[From the Wall Street Journal, June 24, 1997]

WHY I CHANGED MY MIND ON MFN

(By John Edward Porter)

Human rights, freedom, democracy, free-market economics and the rule of law are the values that define America and that must be reflected in our foreign policy. Unfortunately, the current MFN debate pits these principles against one another, dividing Congress and the American people and sending a mixed message to the Chinese leadership.

I have been a consistent and outspoken critic of the Chinese government and its deplorable human rights record. China's egregious behavior is clear, and I have voted repeatedly to revoke most-favored-nation trade status for China to convey America's outrage over Beijing's abuses and to pressure China to mend its ways. What's also become clear to me, however, is that the threat of MFN withdrawal is not the most effective way to advance our values within China.

With support from successive U.S. presidents for MFN renewal, the Chinese have concluded that our trade threat is an empty one. Nonetheless, we continue to pursue an annual debate that allows Congress to vent its anger against Beijing but that does nothing to change Chinese society and move it toward basic freedoms.

Yes, a vote for MFN withdrawal sends a message. But with a president committed to vetoing such a resolution, it is a pointless exercise that cannot affect China's conduct. Clearly, we need a new, active policy toward China and should drop this annual debate.

With this in mind, I began working six months ago to develop a list of policy initiatives that could make a difference within China, primarily expanded broadcasts through the Voice of America and Radio Free Asia, a new radio service that brings uncensored news directly to the Chinese people. For the past 10 years, I've also worked closely with Martin Lee and other domestic leaders in Hong Kong to ensure that basic rights are protected there after June 30. I've voted for legislation to establish direct U.S. ties with Hong Kong in those areas where it maintains autonomy and have introduced a bill to help protect Hong Kong journalists, who are the first line of defense against erosion of the freedoms enumerated in the Sino-British Joint Declaration.

When Speaker Newt Gingrich returned from his recent trip to China, he addressed the Congressional Human Rights Caucus and emphasized his support for this kind of initiative. My discussions with the speaker led to formation of an MFN Working Group, which has brought together a group of House members who share a strong commitment to human rights but who have divergent views on MFN. Our goal was to come up with legislative proposals that would help define an effective U.S. policy toward China.

The group is planning to introduce legislation—the China Human Rights and Democracy Act—that we believe will be more effective than the annual MFN debate in moving China toward democracy. Passing this measure would make Congress a more forceful player in the U.S.-China policy debate and encourage the administration to integrate concerns about human rights and democratic development into all our dealings with China.

Our bill would increase funding for broadcasting by Radio Free Asia and Voice of America, with a goal of 24-hour broadcasts into China in Mandarin, Cantonese, Tibetan and other Chinese dialects; increase funding for democracy-building activities, such as legal and judicial training, in China through the National Endowment for Democracy; expand State Department reporting on human rights violations and political prisoners; and require disclosure of Chinese companies' ties to the People's Liberation Army. Our initiative also suggests the formation of a congressional commission on human rights abuses in China and in other repressive societies, including Vietnam, Laos, Burma and North Korea.

Furthermore, our legislation would increase both public and private exchanges between the American and Chinese peoples, but it would deny visas for U.S. travel to those whom the State Department determines to have committed human rights violations or who are involved in proliferation of weapons or other sensitive technologies. Also, U.S. companies would be encouraged to adopt a voluntary code of conduct, to show how they treat Chinese workers and foster our values.

The premise of these initiatives is that we can best advance our values through continued contact with China. This is especially true as China is about to regain sovereignty over Hong Kong, a center of robust economic freedom that would be devasted by MFN revocation. As we have seen in Taiwan and South Korea, economic freedom ultimately leads to political freedom. I believe that Hong Kong, a place of freedom and the rule of law and, more recently, a place of democracy, will ultimately change China much more than China will change Hong Kong.

If we want to bring China into the community of nations, we cannot promote our values selectively. It is time to recognize that revoking MFN is a dead-end policy that cannot succeed in bringing us closer to our hopes for China. Members of Congress have in past years spoken forcefully from their hearts in voting to deny MFN for China. But now our minds tell us that we must go beyond sending messages to move China in the right direction.

Mr. CRANE. Mr. Speaker, I yield 1½ minutes to the distinguished gentleman from California [Mr. DREIER].

(Mr. DREIER asked and was given permission to revise and extend his remarks.)

Mr. DREIER. Mr. Speaker, there has been an awful lot of talk throughout this debate over the issue of sending a signal. ''Let's send a signal.'' They are absolutely right. There are several very important signals that we should be sending. For starters, in just a few days, we are going to see Hong Kong revert to China. We need to send a signal to the freedom-loving people in China that we want to maintain United States-China relations. In fact, the greatest apostle for freedom there, Martin Lee, has made it very clear in his statement that the nonrenewal of MFN would hurt us badly. We also need to send a signal to the international community, especially our closest allies in Asia.

Bob Dole made it very clear in a piece that he wrote today in the Washington Times:

> Revoking MFN would engender grave doubts in all Asian capitals about the wisdom of American policymakers and undermine their respect for us as the guarantor of Asian stability.

We also, Mr. Speaker, need to send a very important signal to American citizens, American private citizens who are in China, American citizens there who are spreading the gospel, American business men and women who are on the front line pursuing capitalism and pushing our western values into China, and also to democratic activists, like our International Republican Institute, out there encouraging democratization at the village level. It is very important that these signals be sent, and the most important signal is to the people of China, the 1.2 billion people of China who should know that we stand with them. The single most powerful force in the 5,000-year history of China has been the economic reforms. We need to stand for MFN and in opposition to this resolution.

The SPEAKER pro tempore (Mr. LAHOOD). The gentleman from Illinois [Mr. CRANE] has 1½ minutes remaining; the gentleman from California [Mr. STARK] has 5 minutes remaining; the gentleman from California [Mr. MATSUI] has 3 minutes remaining; the gentleman from Kentucky [Mr. BUNNING] has 6½ minutes remaining; and the gentleman from New York [Mr. SOLOMON] has 3 minutes remaining.

The first Member to close will be the gentleman from New York [Mr. SOLOMON], followed by the gentleman from Kentucky [Mr. BUNNING], followed by the gentleman from California [Mr. MATSUI], followed by the gentleman from California [Mr. STARK]. The gentleman from Illinois [Mr. CRANE] will close the debate.

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

Mr. SOLOMON. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, we need to send signals all right, but we do not need to send do-gooder signals and we do not need to send feel-good signals. We need to send signals that the Chinese Government understands.

Let us get one thing straight. It is important to note right now that nobody is talking about severing relations with China. Nobody. Nobody is talking about severing trade relations with China. Nobody. In fact, we are not even advocating permanent revocation of MFN. If we pass this resolution into law, there is nothing whatsoever to stop this Congress from renewing MFN, and I would be one of the first to help do it at a later date, maybe 3 months from now, 6 months from now, 7 months from now. That is why there is really no good reason for us to oppose this resolution.

Mr. Speaker, the status quo is simply unacceptable. As I think our side has outlined very forcefully here today, China's behavior remains repugnant, it remains dangerous to this country, and it is certainly unacceptable. Our current policies simply are not working.

To recap, even the State Department says that human rights abuses are getting worse in China, not better. Let us not fool ourselves. A new round of religious persecutions is under way. That is unforgivable.

China itself announced that its military spending will increase 15 percent this year, and that is 50 percent over the last 4 or 5 years. It was just 6 months ago that China concluded a deal with Russia to purchase a missile which is specifically designed to kill American sailors.

Mr. Speaker, would it not be worth it to delay renewing MFN for China for 3 months if China decided to stop buying deadly missiles from Russia? Would it not be worth it if China stopped religious persecution, even made a step in that direction? Would it not be worth it if a 3-month delay saved a few hundred lives? Would it not be worth it? Lives are precious.

I would ask my colleagues to come over here and vote, not to cut off MFN for China but to delay it, so that we can sit down. The Chinese are the smartest people in the world. Let me tell my colleagues, we send this temporary measure to them, and they will sit down and we will see a difference. My God, would we not have a great feeling in our conscience if that happened?

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Please come over and vote for this resolution.

Mr. BUNNING. Mr. Speaker, to close the debate I yield 6½ minutes to the gentleman from Virginia [Mr. WOLF].

(Mr. WOLF asked and was given permission to revise and extend his remarks.)

Mr. WOLF. Mr. Speaker, I feel more strongly about this issue than any vote I have cast since I have been in this body. I want to thank all of the groups. I wish I can mention all of the names, but I want to thank the Family Research Council, I want to thank the Catholic bishops and the Catholic conference, I want to thank the Christian Coalition, and I want to thank the AFL–CIO for coming together and making this point. I will tell them we have won this debate, we have won it outside of this Chamber, and next year we will win it inside of this Chamber. The American people are with us. The Congress may not be with us, but the people are with us.

Why should we support the Solomon resolution? The administration's policy is fundamentally failed. It is not true to American values. I will tell my colleagues it is amoral, and I personally believe that it is immoral.

Why? The Catholic priests and bishops that are in jail, some for saying holy communion. The next time my colleagues approach the rail and when the pastor or the priest says we break the bread of the body of Christ, he remembers us and the wine for the blood of the Christ, think of the bishops and the priests that are in jail for doing this, for this very, very thing. There are Protestant pastors that are in jail. None of my colleagues go to house churches when they go there, none of my colleagues visit the prisons. The gentleman from New Jersey [Mr. SMITH] and I were in Beijing Prison No. 1. We met with the underground church. If we can be with a church, my colleagues can be with a church, too.

And what about the Buddhists, the Buddhists who have been raped, the nuns? Raped with a cattle prod and tortured? And what about the Moslems? We are a diverse country. There are 80 million Moslems in that country that are being persecuted, and they have more slave labor camps in China then thay had in the Soviet Union when Gulag Archipelago was written by Solzhenitsyn.

And they have programs where they shoot prisoners and when they drop they cut their kidneys out and they sell them for 35 to $50,000.

They have forced abortions. The gentleman from New Jersey [Mr. SMITH] and I can tell our colleagues we talked to the people where they were told that they were tracked down and women were forced to have abortions.

So why is this an immoral policy or at least an amoral policy? Because of those things.

Second, the long arm of the Chinese Government has reached into our Government. Charlie Trie, a friend of the President has influenced this policy. Charlie Trie is in Beijing, probably watching this debate as the foreign ministry is watching this debate in Beijing. Where are the Riady family? They have had an influence on this policy. They have with money attempted and have been successful, successful in influencing this Government and, indirectly, this body.

And where is John Huang? He will not come forward, and he will not come forward, but after my colleagues cast their vote 6 or 7 months from now the story will come out with regard to the influence of John Huang when he worked for the Government and then when he raised money for the Democratic National Committee.

And major companies, read today's Wall Street Journal. Major companies, and I am not going to mention them, I do not want to embarrass anybody or mention any names, have been pressured, pressured with fear of losing business.

So this Government has been directly influenced and this Congress has been indirectly influenced by the Chinese Government.

I fear what would have happened if the same thing had been done during the 1970's and the 1980's with regard to the Soviet Union. What? Are we giving the Soviet Union MFN?

Third, third, in the light of the military buildup the administration's policy is one of appeasement. It is a policy of appeasement that I believe with every fiber of my body. Now the Secretary of State will not like that because she knows better because she lived in Eastern Europe, she saw what communism can do. But let there be no mistake. This Clinton policy is a policy of appeasement.

Now do my colleagues remember the debates in the House of Commons when Winston Churchill got up in the 1930's and talked about what was taking place in Nazi Germany. Chamberlain never listened to him, and the House of Commons never listened to him, and finally it was too late and millions of Americans and millions of British died. The same thing is happening with regard to this. We are going through the same policies that Winston Churchill went through.

I had a briefing, and not many of my colleagues have had it. I had the briefing from the CIA, I have had the briefing from the DIA, and I have had the briefing from the Office of Naval Intelligence, and I will not say what one, but I said, ''Sir, can you tell me how many Members have had this briefing?'' I wanted him to tell me 25 or 40.

He said, ''There were three, and you are the third.'' One is sitting in this Chamber now, and the other one is in the other body.

If my colleagues have not had the DIA briefing and the CIA briefing and Office of Naval Intelligence, frankly those colleagues are voting in ignorance because all the material that they told me, and much of what was said on the floor, that I cannot say, really is true with regard to sales, the missiles, with regard to Iran and many of the other things. They are endangering our country, they are endangering our men.

Imagine for just 1 minute being a priest, a minister or dissident in jail and having heard that tomorrow morning that the House of Representatives, the people's House, had voted to grant MFN. Can my colleagues imagine how demoralized they would be? The guard will probably come by, and I was in Beijing prison to see the conditions, and I was with the gentleman from New Jersey [Mr. SMITH] in Perm Camp 35. There are terrible conditions. Very few people have gone to those places. The guard will probably mock. The guard will say to the four bishops, ''Your American friends forgot you.'' Imagine how it would feel.

But on the other hand, imagine hearing the U.S. Congress had voted to deny MFN, and we are not denying MFN, we are sending a message. Can my colleagues imagine how encouraged they would feel? Natan Shcharansky has said he knew that the U.S. people and the Congress and the Government stood with him.

Let me just end by turning to my side. They can take care of their problem. We ought not be bailing out this fundamentally corrupt policy of this fundamentally corrupt administration. Vote to send a message to this administration, vote to send a message to the Chinese people, vote to send a message to the dissidents. Be true to American values. Ask, my colleagues, does this policy fit into American values? Be with the American people, 67 to 18. Be on the side of freedom.

Do my colleagues remember, those who were here when Ronald Reagan gave the Evil Empire speech? In Orlando, FL, he was criticized by many on that side and many in the press, but it was the right speech, where he stood out with regard to religious freedom and evangelicals. And do my colleagues remember when Ronald Reagan gave his speech at the Berlin Wall? The State Department said, ''Mr. Reagan, don't mention the Berlin Wall,'' and Ronald Reagan said in that speech because he knew what he believed in and he knew the values; Ronald Reagan said:

''Mr. Gorbachev, tear down the wall.''

And the wall came down.

When Thomas Jefferson wrote the words in the Declaration of Independence, he said,

We hold these truths to be self-evident, that all men and women are created equal and endowed by their Creator, by God, with certain inalienable rights: life, liberty and the pursuit of happiness.

Those words were not only meant for Virginians, they were not only meant for Americans, they were meant for people in the gulags of China, they were meant for the dissidents, they were meant for the entire world.

I beg of my colleagues if they are undecided, I plead with them, support the Solomon amendment so when the priests tomorrow hear, when the bishops tomorrow hear, when the dissidents tomorrow hear, they will know that the people's House has sent a message to the Chinese Government: We will no longer permit this to take place, and I strongly urge the support of the Solomon amendment.

Mr. Speaker, I rise in strong support of House Joint Resolution 79 to revoke most-favored-nation status for China. Unconditional MFN forms the backbone of the President Clinton's China policy—a policy which I believe has been a failure. The administration's policy is fundamentally amoral and not true to American values.

Why?

First, human rights abuses continue and are worsening. They have not improved despite our so-called policy of engagement * * * not that there has been much engagement.

Catholic priests and bishops are in jail—more and more go in each day for practicing their faith outside of Government control. Many have been arrested just for giving mass or administering the sacraments. In April, just before the visit to China of the congressional delegation headed by the Speaker and the visit by Vice President AL GORE, the Chinese arrested the bishop of Shanghai, ransacked his house and confiscated all his religious material.

Protestant pastors and house church leaders are still being thrown in jail in record numbers. Beatings and torture are routine. Some reports indicate that Christians are being tortured in a prayerful position—they are forced to kneel in a praying position which they are viciously beaten and their feet are crushed.

Buddhist monks and nuns are tortured and killed. Tibet has been plundered. The Panchen Lama has been kidnapped and replaced by a puppet from Beijing.

Muslims in the northwest corner of China are being persecuted.

All dissidents are behind bars, in exile, in labor camps or under house arrest. The Chinese Government has stifled all dissent.

There are more slave labor camps in China than in the Soviet Union when Alexander Solzehnitsyn wrote his famous book ''The Gulag Archipelago.''

The Chinese Government shoots prisoners and takes their kidneys and corneas for transplantation.

Forced abortions and sterilizations continue.

There is more.

The long arm of the Chinese Government has directly influenced the Clinton administration and has indirectly influenced this Congress.

Charlie Trie is an Arkansas friend of President Clinton's. He is now in Beijing and doesn't seem to be coming back. He helped raise political contributions and sway policy. Big time.

The Riady family left the country after allegations of campaign finance improprieties. They attempted to sway policy. Maybe they did sway it. They surely spent enough money trying.

John Huang worked in the Clinton administration and raised money for President Clinton's 1996 campaign. Many think he passed information on to those closest to the Chinese Government. He helped sway policy.

Big companies have been silent on human rights, religious freedom and democracy and are being directly pressured by the Chinese Government. These companies are afraid to lose business so they exert pressure on the U.S. political process in favor of American silence on human rights.

The Chinese Government bought the world's silence at the U.N. Human Rights Commission in Geneva by doling out lucrative contracts to countries that refuse to support an EU-sponsored resolution condemning China's human rights practices.

Imagine if the Soviet Union had tried to exert this kind of influence on our Government. Would we have turned around and given them MFN?

Third, the policy the United States is pursuing toward China, in light of China's massive

military buildup and weapons proliferation, is one of appeasement. We are closing our eyes just as Neville Chamberlain did in England in the 1930's when faced with another aggressive power.

Winston Churchill spoke up in the Parliament, but the Chamberlain government did not listen. Now there is a new bully in town.

The Chinese Government is building up its military—some say United States trade and technology are helping provide needed resources. China is selling chemical weapons, missiles, and nuclear technology which could pose a future threat to the United States and its allies.

If you did not get the briefing by the Defense Intelligence Agency and the Office of Naval Intelligence—you don't have all the information. I strongly urge all my colleagues to get these briefings. You owe it to yourself and your country to know exactly what China is doing.

China sold chemical weapons and cruise missiles to Iran. China sold nuclear technology to Pakistan.

China is engaged in a military buildup and becoming a threat to our future security. It is developing ICBM missiles capable of hitting the United States, our allies in Asia, or our military installations in the Pacific. China also purchased 46 American supercomputers which intelligence experts say can be used to design nuclear warheads to put on the long-range missiles.

I believe that American men and women may soon be in danger because of our current policy of appeasement toward the Beijing regime. Appeasement didn't work for Neville Chamberlain in the 1930's and it will not work for the United States in the 1990's.

MFN is the backbone of a failed policy. A policy of appeasement. A policy that is amoral because it suggests engagement and yet, does not engage. And a policy that is, and will continue to be, dangerous to our national security.

What is needed is real backbone, not appeasement.

Imagine if you were a priest or pastor who was in jail. You had been beaten or tortured or starved. You had been forced to endure backbreaking labor. Imagine you heard that the United States Congress had again granted MFN to China—imagine how discouraged you would feel.

But what if you, a jailed pastor or priest, hear tomorrow on your crystal radio set that the United States House of Representatives, the People's House, voted to deny MFN to China. Wouldn't you feel encouraged? I would and that's why I'm voting for the Solomon resolution.

To my colleagues on my side of the aisle. I hope you will vote to deny MFN to China.

It is important to be true to American values.

It is important to be with the American people who overwhelmingly, in poll after poll, support linking trade to human rights improvements. The most recent poll, a Harris poll released yesterday in Business Week magazine, found that 67 percent of Americans oppose MFN for China. Only 18 percent favor it. A vote against MFN is a vote on the side of the American people.

I encourage those on my side of the aisle to be with the legacy of Ronald Reagan who refused to grant MFN to the Soviet Union while it persecuted people of faith. He engaged but he didn't appease. He spoke out for American values and stood with the persecuted when he called the Soviet Union the evil empire and demanded Mr. Gorbachev, tear down this wall.

Be on the side of history. Vote to deny MFN to China and send a message to the Chinese Government, to the Chinese people, and to all persecuted people around the world that the words of Thomas Jefferson in the Declaration of Independence are for them.

These principles of freedom, ''We hold these truths to be self-evident that all men are created equal, that they are endowed by their Creator with certain unalienable rights among them life, liberty and the pursuit of happiness'' apply to all people. Not just Virginians or Americans or Westerners. These rights are for all people, including the people of China. That's the message we would send by voting to deny MFN in the House.

Vote ''no'' on MFN for China.

Mr. MATSUI. Mr. Speaker, I yield 3 minutes, the balance of our time, to the gentleman from Indiana [Mr. HAMILTON], the ranking member of the Committee on International Relations.

Mr. HAMILTON. Mr. Speaker, I thank the gentleman from California for yielding this time to me.

I rise in opposition to the Solomon resolution of disapproval. The resolution before us today presents a fundamental choice about our relationship with China. Do we choose a policy of engagement, or do we choose a policy of isolation?

Now some have argued in this Chamber today to end normal trade relations with China and still pursue a relationship with China. I do not think that argument can be sustained. To withdraw normal trade relations is to declare economic warfare against China. We cannot declare economic war against China and then expect China to play by our rules on political security and proliferation and human rights matters. Political engagement and economic cooperation with China go hand in hand. We cannot separate them.

Now I support an engagement policy because I think it is in the American national interests, and I yield to no person in this Chamber in my concern for human rights. Engagement is not appeasement. It does not mean ignoring our differences with China. It means actively engaging China to resolve the differences. It means hard bargaining. It means, as the administration did, sending two aircraft carrier groups into the Taiwan Straits last year. It means threatening to impose sanctions because of Chinese violations of intellectual property rights. It means imposing sanctions on Chinese companies because of their violation of nonproliferation laws.

Engagement works. Engagement has produced a number of successes in the nonproliferation area. They have been identified here during the afternoon.

Engagement works. China was instrumental in convincing North Korea to sign the agreed framework freezing North Korea's nuclear program.

Engagement works. Every Member of this Chamber is proud of what happened in the gulf war and how this body conducted itself. Without China's cooperation in the U.N. Security Council, it would not have been possible to fashion the international coalition that defeated Iraq in that war.

Engagement works. Millions of Chinese have had their lives improved because of this engagement. Exposure to the outside world and the accompanying exchange of goods and ideas and people have brought increased openness, social mobility and personal opportunities to the Chinese. It is not a perfect country, it is far from it, we got plenty of concerns about their human rights, and they are valid concerns. But we got to get a perspective of a couple of decades here and see how China has evolved. Four hundred million new people in China since Nixon went to China in 1972.

Engagement works. It is meant that we use our trade laws to attack Chinese trade barriers and to help American enterprises export.

Engagement works. Our law enforcement authorities work together to combat terrorism and alien smuggling and illegal narcotics, trafficking.

Engagement works on environmental and public health issues.

Engagement has not solved all the problems, of course not. We got plenty of concerns left with China, but it has a proven record of bringing China, moving China, toward international norms. It offers a better prospect of achieving our policy objectives, including a respect for human rights, than isolation or containment. If we vote today to revoke China's normal trading status, we will undermine our ability to work with China in the future and we will damage a broad range of interests that this country has at home, in China, in the region and around the world. Revoking MFN will almost certainly make the human rights situation in China worse, not better. It will undermine the reformers. It will strengthen the hard liners. It will slow the flow of Western culture and ideas.

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Our influence would be reduced. If we revoke MFN, we undermine our stature throughout Asia; Hong Kong's transition will be more difficult. Let us, my friends in this Chamber, follow the advice of three former Presidents, six former Secretaries of State, 10 former Secretaries of Defense, and support normal trading status for China. I urge the defeat of the Solomon resolution.

Mr. STARK. Mr. Speaker, I yield 5 minutes, the remaining time, to the gentleman from Missouri [Mr. GEPHARDT], the distinguished minority leader.

(Mr. GEPHARDT asked and was given permission to revise and extend his remarks.)

Mr. GEPHARDT. Mr. Speaker, this is a debate today that is not simply about economics and trade, it is a debate about principle and value and belief. This country was founded not on economic principles and not on economic

ideas, but on moral beliefs that have for over 200 years radiated out of this country. As the gentleman from Virginia [Mr. WOLF] said a moment ago, the revolutionary words that appear in our Declaration of Independence was the starting place of this country, which is an idea for all people.

We said, ''We hold these truths to be self-evident, that all men are created equal, that they are endowed by their creator with certain inalienable rights; that among these are life, liberty, and the pursuit of happiness.'' When we made those words, we did not say they were American rights, we said they were universal rights.

And almost 50 years from the date those words were signed, Thomas Jefferson said this: ''May it be to the world what I believe it will be to some parts sooner, to others later, but finally, to all, the signal of arousing men to burst their chains.''

In 1986 on the floor of this House a Member who is on the floor today said these words: ''I would suggest, Mr. Chairman, Members of this body, human beings do not live by bread alone, that there are spiritual values, the right to stand as a dignified human being, the right to stand as an equal person. I would suggest that wherever you are on the political spectrum you should join me in this effort, not to make a statement that is measured, not to make an incremental step, not to make a step that is a political step, but to make the statement at this point based upon what is right.''

He said, ''I am simply saying that every human being on this planet should have control over their human destiny.''

The Member who said those words is the gentleman from California [Mr. DELLUMS], and he was not saying those words about China, he said them about South Africa. The freedom movement in South Africa started on this floor, and Members of this House of Representatives stood in this well time and time again and argued for the end of apartheid and the beginning of freedom in South Africa. I dare say had they not stood in this place and made that argument over and over again, Nelson Mandela would be in prison today. And all the arguments we are hearing now were made then.

The policy we had with South Africa was called constructive engagement. People said we would lose contracts; people said other countries would never follow; people said it would hurt the good people in South Africa who were trying to break free; people said our businesses would not be there to change that government. But the gentleman from California [Mr. DELLUMS] and Bill Gray and other Members of this body stood tall and fought for sanctions against South Africa, and Nelson Mandela stood at that podium, the president of the country, and talked about freedom.

I say to my colleagues, the policy that we are following is not working. We need firm engagement, not constructive engagement. I know all of the good arguments that are made, and I respect the people who make them very much. First of all they say, well, trade helps us with human rights.

Listen to what our own State Department says about what is happening in China. They say, ''All public dissent against the party and the government was effectively silenced by intimidation, exile, the imposition of prison terms, administrative detention or house arrest. No dissidents were known to be active at year's end.'' This is at the end of last year.

''Even those released from prison were kept under tight surveillance and often prevented from taking employment or otherwise resuming a normal life.'' That is our own government, our own State Department saying whether or not the policy is working.

Then they say human rights and trade should be separated. They are different issues. We have to trade, and then we can talk about human rights. Does anybody argue that we should separate intellectual property protection from trade? Has any businessperson stood up and said, forget about my intellectual property rights, let us just go ahead and trade. Of course they do not.

Mr. Speaker, do we not understand trade issues are human rights issues? What are we trying to do? We are trying to build a world trading system. How can we ever do that if people do not have human rights? Who is going to ever be in China to buy any of our products? They will never have enough money to do it. And we expose our businesses and our people to this unfair competition. You bet human rights is a trade issue.

Then we hear, do not make China an enemy. What a crazy argument. I do not want China to be our enemy, that is the last thing in the world we want. But we are saying. By arguing that if we do not give MFN, most-favored-nation treatment, the treatment we give to the most favored nations, that somehow we have made them an enemy. That is ridiculous. We can trade with China.

Do my colleagues think China is not going to trade with the United States? They have a $40 billion trade surplus with us. We are carrying China. They have a trade deficit with every other country in the world. We are literally financing their form of government by our insistence on giving them most-favored-nation treatment.

Finally, we say we will lose business. We will lose business. Let me end where I started. This country is not just about business. This country is about an idea, a moral belief that every human being in the world is created with liberty and freedom. If we do not stand for freedom in China, who will? If we do not lead for freedom in China, who will follow? When will we start this fight as we started it with South Africa? Maybe we start it today.

Listen to this letter that was sent by the parents of a third grade young girl, near here in Baltimore, Maryland. She was writing about Wei Jingsheng. As you know, Wei Jingsheng has been in jail for 14 years in China because he dared to speak out. He spoke in the universal language of the Declaration of Independence and said human rights, like freedom of speech, press, assembly, and appeal to the government, are inalienable rights belonging to the people, the masters of the country. For saying that he was put in jail and he has been in jail for 14 years, like Nelson Mandela was in jail.

Mr. Speaker, this girl said, ''I wish all American citizens would help in this struggle for what is right. I want him to get out of prison and return to his family and get healthy soon.'' A third grader speaking of the moral beliefs and ideas that are the founding wellspring of this greatest country that has ever existed on earth.

Six days after the Berlin Wall fell in 1989, Lech Walesa spoke here to a joint session and he said, ''We, the people. I do need not remind anyone here where those words come from. And I do not need to explain that I, an electrician from Gdansk, am also entitled to invoke them.''

I say to my colleagues there is as an electrician this afternoon in a jail in Beijing, and his name is Wei Jingsheng, and he wants to get out and be free just like Lech Walesa did and just like Nelson Mandela did. De Toqueville said America is great because America is good, and if we cease being good, he said we will cease being great.

Representatives of the people of this country, stand today and be good, and stand for what is right and stand for the founding principle of this country, and we will bring freedom to China as we brought it to Lech Walesa and Nelson Mandela. Stand against most-favored-nation treatment. Stand to send a message to the leaders in Beijing. I urge my colleagues to vote for this resolution.

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

We have listened to some very eloquent testimony on both sides, and I think this Chamber has represented that today more than maybe most days, evidence of what our system is all about in terms of our exchanges on a bipartisan basis. But let me focus very briefly on why I think extension of normal trade relations with China is so important.

If we go back to the Great Leap Forward, and that was with total government-managed control of that economy, there were 60 million Chinese that starved to death. We can condemn Deng Xiaoping for a lot of things, but one thing that he will be most remembered for is as the initiator of what he called Leninist capitalism, the ultimate oxymoron. But he did advance free enterprise in mainland China, and free enterprise has expanded so dramatically that our concern as a people,

which is not the government, it is the Chinese people over there, and bear in mind that of 1.2 billion, only 40 million of them are allegedly Communists, and I think they are too bright even to be Communists, I think they are just bright pragmatists that have got a good thing going for themselves.

But the fact of the matter is, more Chinese people today are enjoying a higher standard of living than ever before in the history of China, in its 5,000 years, and that is continuing to expand dramatically, and it is because of their commitment to free enterprise.

Now, we want to aid and abet and help them in that effort, to be sure, and that is why maintaining our contacts and our business contacts is a good idea. As Ben Franklin said, a good example is the best sermon. We are providing the best sermon by our presence over there in mainland China, and that is continuing to improve the lot for all of the Chinese people.

I would urge my colleagues to recognize that there are alternative ways to address legitimate questions that have come up about arms transfers, legitimate questions that come up about human rights violations, but harking back to the original reference to our inalienable rights to life, liberty and property, Thomas Jefferson was absolutely correct. I mean he used that phrase, ''pursuit of happiness,'' but it was property.

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The fact of the matter is, how do you enjoy life if you do not eat? That means having access to property and expanding and improving that access, especially in terms of food, shelter, and clothing. That is happening at an unprecedented rate over there.

The last remaining issue to be addressed through that is liberty, but that is where our presence can set that good example. I would urge my colleagues to vote down the well-intentioned resolution of disapproval, and to guarantee that we continue what is sound policy into the future, and holds the greatest hope we have ever had in our post-World War II relations with mainland China; namely, normal trade relations.

Mr. ETHERIDGE. Mr. Speaker, I rise in opposition to House Joint Resolution 79, the resolution to disapprove extension of MFN for China. I have serious concerns about China's overall human rights record. However, if we do not have engagement we will be doing more harm than good—how do we isolate 1.2 billion people? We have tried isolation and it did not work. In arriving at this decision, I found particularly compelling the words of Rev. Billy Graham who said ''we must do all we can to strengthen our relationship with China. It is far better to treat it as a friend, than to treat it as an adversary.'' I believe it is in North Carolina's best interest to engage China and build on our strengths rather than damage a trade relationship which other nations will vigorously pursue in our absence.

Exports, especially in the agriculture sector, are essential to North Carolina's economy. China represents a large and growing market for our goods and services. This market supports thousands of jobs here at home. Agricultural exports to China from the United States have grown from $333 million in 1993 to $2 billion in 1996 and the prospect of future growth is tremendous. Every $1 billion in additional exports creates nearly 20,000 new, high-wage jobs in the United States. For North Carolina, which exports $544 million—ninth among U.S. States—in goods a year to China—$297 million—and Hong Kong—$247 million—engaging China through trade will provide jobs for North Carolina's workers and help ensure our economic success into the next century. I also believe it will allow us to press for better human rights policies as we increase our economic involvement.

Mr. RUSH. Mr. Speaker, I rise today in opposition to House Joint Resolution 79, China, disapproval of most-favored-nation [MFN] trade treatment for China.

My vote against this resolution—a vote to continue MFN for China—is not without deliberation.

I am deeply concerned about the continuing allegations that China has not made sufficient progress in their human rights and democracy reform efforts. Both the State Department and prominent international organizations such as Amnesty International cite the persistence of jailed and exiled Chinese dissidents. However, I believe that the human rights issues must be approached independently of our trade relationship with China.

MFN is not foreign aid. The United States grants MFN—which is normal trade status—to nearly 100 countries, and every President since 1980 has annually renewed MFN for China. MFN to China means that we grant them normal tariff status. This is a policy that the United States grants to all but a handful of countries—Cuba, North Korea, Afghanistan, Laos, and Vietnam. In fact, countries such as Iran, Iraq, Libya, Syria, and Burma—where many believe there continues to be abuse of human rights—receive MFN treatment.

I want to see the administration work more aggressively to encourage human rights and religious freedom in China. But I do not believe that denying MFN to China will achieve that goal. Cutting off normal trade relations with China will only further isolate a country with one-quarter of the world's population.

China continues to grow as one of the United States' main trading partners. U.S. exports to China have almost quadrupled in the last 10 years. Exports to China support more than 17,000 jobs in the United States that, on average, pay 13 to 16 percent more than non-export jobs. As key industries in the United States, such as telecommunications, grow, we need to maintain trade policy that will increase market access and ensure that U.S. companies have opportunities in those emerging markets. Illinois, for example, has benefited from trade with China. Over the last 2 years, exports from Illinois to China have increased 9 percent to $1.6 billion. And this trade growth contributes to nearly 600,000 export-related jobs in the State.

And while these benefits are significant, I continue to be concerned about the data regarding China's reliance on prison labor to manufacture many of its exports. Since the early 1990's, in responses to charges that Chinese political prisoners were used to manufacture goods for export to the United States, the administration—through the Customs and State Department—began investigating these charges. Our Government signed a memorandum of understanding [MOU] with China in 1992 to facilitate inspection of Chinese prisons. And continued allegations of using prison labor led the administration to tighten procedures for investigations and visits under the memorandum. I am aware that Chinese cooperation in implementing the memorandum falls short of being satisfactory. But the administration is committed to fully enforce the terms of the agreement. Since the MOU took effect, U.S. Customs officials have made 58 referrals to the Chinese Ministry of Justice for further investigation. And according to the administration, Customs has obtained two prison labor-related convictions. I believe that continuing normal MFN for China will facilitate the enforcement of the MOU.

As a Member of Congress, I will vigilantly monitor the progress of human rights, workers' rights, and political democracy in China. I am deeply committed to these values. However, I do not believe that the resolution we are voting on today, is the proper arena to debate these issues; nor is revocation of MFN the most effective way to influencing internal Chinese policies. I believe that a more comprehensive approach will serve as a better means to bringing about a change in Chinese policy, particularly in terms of human rights. In America's dealings with China, history has shown that a more moderate approach is most effective.

Ms. JACKSON-LEE of Texas. Mr. Speaker, fellow colleagues, I rise in opposition to the resolution and in support of extending MFN treatment to China. The term MFN refers to the normal, nondiscriminatory tariff treatment that the United States provides to all its trading partners. It is the cornerstone of commercial relations between the United States and any foreign country. MFN status is not a concession and does not mean that China is getting preferable treatment. Rather, MFN status means that China and the United States grant each other the same—no less favorable—tariff treatment that they provide to other countries with MFN status. The United States provides special tariff preferences to a few selected trading partners under the NAFTA, United States-Israel Free Trade Agreement, Caribbean Basin Initiative, Andean Pact, and the Generalized System of Preferences program. Eligible imports from these countries enter the United States duty-free or are subject to duties lower than the MFN rate. China is not eligible for any form of preferential or special treatment. It is only getting the same type of treatment that we extend to other countries.

Terminating China's MFN status would seriously affect virtually all trade between the two countries, eliminate some of it, and result in higher prices for U.S. consumers and possible losses for U.S. exporters and lead to a significant downgrading of bilateral relations. Hence, carrying out a threat to terminate China's MFN status could significantly damage United States-China economic as well as political relations. The United States is the only country that conditions MFN status for China. If the United States terminated China's MFN status, it is highly doubtful United States allies would follow suit. Furthermore, American workers benefit most from an extension of most-favored-nation status for China. In 1996, United States exports to China were valued at $12

billion, and of almost 200 United States trading partners, China ranked 15th as an export market for American goods. If MFN were conditioned or withdrawn, the United States would unilaterally impose higher tariffs on Chinese goods, and Beijing would almost likely take its business elsewhere. Thus, because every 1 billion dollars' worth of exports creates approximately 19,000 jobs in the U.S., the loss of exports to China would put 228,000 American jobs directly at risk. Also, MFN revocation would increase tariffs on imports from China trade-weighted average of about 6 percent to an estimated 44 percent. MFN revocation, even accounting for changes in trade flows, will require U.S. consumers to pay upward of half-a-billion dollars more each year for goods such as shoes, clothing, and small appliances subject to increased tariffs. In addition, the costs of goods manufactured in the United States with Chinese components could increase, reducing the competitiveness of the finished goods.

I sympathize with the victims of the many atrocious practices that China has engaged with in the past. I also agree with the rationale of many of my colleagues who seek to revoke China's MFN status due to its human rights violations. However, revoking China's MFN status is too drastic and most likely would prove to be counterproductive.

I would like to remind my colleagues of an old maxim, ''Judge not, that ye be not judged. For with what judgment ye judge, ye shall be judged: and with what measured ye mete, it shall be measured to you again.''

If we want a more humane, China that shows respect for her own people, who are some of the most creative, artistic, brilliant people on this Earth, we had better be prepared to lead by first showing China what it takes to be a superpower. Power is not dictated by the ability to say no, most often it is the ability to say yes under the most difficult circumstances. We must pause to consider that the measure of the right of our social, political, and economic systems are far greater than the sum of all of our arguments regarding the atrocities in that distant land. By the sheer force of this country united under God we will teach, preach, and reach every corner of China with the messages and symbols that translate into over 200 years of success that the American experience has been.

MFN is not a reward; nor is it a special treatment that results in special trade privileges. MFN simply refers to the nondiscriminatory treatment of trading partners, which has long been a basic principle of international trade. While China clearly has violated numerous trade agreements in the past, the best way to secure Chinese compliance is to engage the Chinese Government, not isolate it.

Furthermore, the strongest case for keeping United States trade relations with China is made by Hong Kong and Taiwan's political and business leadership. They argue, if the United States breaks the trade tether to Beijing, it will undermine future economic and human rights for the Chinese people for years to come. Hong Kong's British Governor Chris Patten and prodemocracy leader Martin Lee have come out forcefully against using China's trade status as a way of showing United States displeasure with its human rights abuses. Chinese human rights leaders elsewhere are opposed to using trade as leverage against their country because they believe; First, it will not work, and second, stronger economic ties to the West and private-sector expansion will lead to an expanded middle class, greater political freedoms, and eventually a democratic system of government.

MFN status for China cannot be compared to the decision by the Congress to place sanctions on South Africa. South Africa's regime was based on a policy of discrimination based on race and race alone. In China the battle is of tolerance of thoughts and ideas, not of skin color or complexion.

We must consider that Hong Kong and Taiwan have been investing heavily in China's emerging capitalist system and they see increased United States trade ties as the linchpin in the dramatic economic changes going throughout the mainland. Now that historic transfer is at hand we should not abandon the people of Taiwan during this critical transition period.

Extension of MFN is an importnt step in preserving Hong Kong's prosperity and freedom. Today, the Chinese economy is the fastest growing in the world. While many Chinese remain poor peasants, few go hungry and hundreds of millions of Chinese have seen their lives substantially improved through economic reform. Many Chinese people enjoy greater material wealth and a greater degree of personal economic freedom. Market reform is the single most powerful force for positive change in China in this century and possibly in the country's long history. In fact, economic reform has helped to lift hundreds of millions of hardworking people from desperate poverty, giving them choices and opportunities never available before. Thus, hundred of millions of hardworking people have access to information and contact with Western values through technologies spreading across the country, thanks to economic reform and the growth it created.

China has made good faith efforts to comply with the concerns of the United States. For example, in 1995, the United States reached a historic agreement with China on the enforcement of Intellectual Property Rights, particularly copyrights, trademarks, and improved market access for United States copyright industries ranging from computer software and motion pictures to publishing and sound recordings. China has also made commitments to strengthen the enforcement at its borders and to close plants engaged in piracy.

The people of Hong Kong strongly support a full one-year extension of MFN. If China loses MFN, Hong Kong would lose a colossal amount of business. United States economic growth in international trade would be halved and our unemployment would be doubled. Also, business confidence would be hit hard. If the United States is concerned about the handover, then the best thing is to assure the community by making sure that nothing happens to Hong Kong. The fundamental question for renewing MFN treatment to China is, if China's trade status were denied, would the impact in the long run be good or harmful for the Chinese and American people and, in particular, for improving China's human rights?

My fellow colleagues, I have debated long and hard over this issue, and while I do have reservations about providing MFN treatment to China while they continue to engage in abusive actions, I believe that the most efficient way to combat these abuses is to ensure that the grassroots of the Chinese population is exposed to Western ideals and financial stability. I urge my colleagues to vote in favor of extending MFN treatment to China.

Mr. VENTO. Mr. Speaker, I rise today in support of House Joint Resolution 79, and in opposition to the extension of most-favored-nation [MFN] status to China. The failure of current policies to yield significant improvements in Chinese behavior, both at home and abroad, signals the need for Congress to chart a new course. MFN may not be the ideal vehicle but it is the most powerful mechanism we have to move China into compliance with internationally accepted norms. The United States represents 40 percent of China's export market, an amount equal to 2 or 3 percent of its gross domestic product. U.S. markets and purchasing power are irreplaceable. Because trade is the only weapon in our arsenal that China still pays attention to, we must use our economic power and influence as leverage to positively impact Chinese behavior and to advance fundamental United States interests in China.

As the world's most populous country, China boasts one of the most rapidly growing markets in the entire world. Yet despite MFN status, China remains a dictatorial society governed by a Communist oligarchy hardly a monolith but China uniformly continues to deny market access to the majority of American goods and products. Countries that do not abide by universally accepted rules and regulations forfeit privileges and rights in the global trading arena. MFN would grant Chinese goods the normal level of access and protection afforded to members of the World Trade Organization [WTO]. With rights and privileges come responsibilities, particularly the need to abide by international norms. China's behavior—whether through the abuse of human rights or worker protections or through the erection of trade barriers—has indicated that it fails to merit a normal trading relationship with other members of the WTO. Regular trade with the United States is not the right of a nation that violates basic economic and human rights standards.

However, the numbers bear witness to the fact that our trading relationship with China is anything but normal or reciprocal. The average United States MFN tariff on Chinese goods is 3 percent while the average Chinese MFN tariff on United States goods is a staggering 35 percent. Granting MFN year after year has unfortunately produced no reciprocity in trade policy. It has however, produced an enormous trade deficit, that is on target to surpass our trade deficit with Japan sometime this year. China has argued that as a developing country it should be granted special exemptions and allowances; however, a developing country that registered a $40 billion trade surplus with the United States in 1996, should not be the recipient of such markedly underserved charity, especially in consideration of their total behavior.

China's one-way trade policy and the accelerating trade deficit highlight that the promise of future massive payoffs is a mirage. In 1996, the United States exported fewer goods to China than it did to relatively small markets such as Belgium and the Netherlands. Our exports are increasing at a more rapid rate in the stagnant economies of the European Union than they are in the dynamic Chinese economy. The situation in Japan has shown how difficult overcoming protectionist policies and reducing trade deficits can be. It is in our interest to avoid similar problems with China,

which potentially will represent a far larger market than Japan.

America businesses are being forced to offer major concessions to Chinese state planners, often technology and investment, in order to gain access to potential Chinese customers. By supplying China with state-of-the-art technology, United States firms are shipping jobs overseas that would otherwise remain at home if China were to allow the unfettered entry of foreign goods. Through the extension of MFN we are exporting to China the capability to develop domestic industries establishing export platforms of what are today United States products will be sent around the world.

The technologies of American business partners, means that even the limited United States goods and products will be abandoned in favor of indigenous enterprises that are being made in China. Trade policy should be facilitating the export of goods, not jobs, and a fundamental message policymakers must bear in mind, is that the current trade phenomena threatens the job security of American workers and means that United States investment in China receive the safe harbor treatment, positive trade status insures and encourages yet more United States investment to the point that action to counter isn't possible.

All workers and members of Chinese society should equally share in the profits of economic growth in China. However, the reality is that the benefits are reserved for the few in order to suppress the freedoms of the many. Accordingly, human rights violations have actually increased—not decreased—since we have adopted the policy of constructive engagement. China continues to deliberately and consciously deny its citizens basic human rights. Virtually all dissidents are either in exile, in jail, or under house arrest. Workers still cannot form an employee union of their own choosing, nor undertake any legal action to challenge abysmal working conditions. Instead of investing in its people, the Chinese Government is using the added income from the burgeoning United States-China trade surplus to consolidate its stronghold on the diverse cultures of the Chinese people. China's $40 billion trade surplus has enabled the Government to increase national defense spending by 40 percent since 1990. As the United States and Russia are cutting military expenditures, China is pursuing efforts to purchase new generations of high-technology weaponry and exporting outside their borders to terrorist countries helping such as Iran to realize its dreams of nuclear capabilities. Only China has nuclear missiles aimed toward the United States, yet we continue to reward the Chinese Government committed to building military capabilities rather than individual liberties with MFN status.

In the race for the fabled profits of the Chinese market, we have cast away both United States national interests and principles. Trade policy without conscience has not satisfied the Chinese population's hunger for personal and civil liberties. There is no question that granting China MFN status will benefit larger American companies; however, it will adversely impact small businesses and accelerate the decline of the United States manufacturing base. United States economic and trade policy clearly is the ugly American theme revisited in China. And at home no amount of profit can replace a job lost or restore the damage done to U.S. communities. We need a trade strategy with China that balances the interests and values of companies, workers, families, and communities. We must solidify our commitment to upholding democracy and human rights and abandon policies that assume the interests of international corporations are identical to the U.S. national interest as a whole.

Many lament that trade policy alone will not bring about the changes sought that it is inadequate, but we must try to isolate and lead, unless the United States of America. The global leader is ready to led others will fall into our economic shadow of indifference.

Trade relations with China are so complex that they understandably defy easy solutions. In order to craft an effective and comprehensive trade policy with China, we need more options and flexibility than the yes/no decision being made today. Extending MFN for a year sends to China the dangerous signal of business as usual: That there are no consequences for irresponsible, inhumane, and unfair behavior. Denial of MFN trade status is a dramatic step, on the other hand, could result in the reciprocal and humane treatment that past policies have failed to produce. The most effective way to forcefully advance United States interests and to embark upon a new era of United States-China relations is to vote ''yes'' on this resolution and not extend normal trade status to China and then back that up with action not rhetoric.

Mr. SKAGGS. Mr. Speaker, I want to see China change. I am tired of waiting for China to improve its human rights record, to stop repressing the people of Tibet, to allow civil liberties and public dissent, and to stop persecuting religious minorities. I'm deeply disturbed by China's arms sales to Pakistan and Iran. If I could, I would push a button, cast my vote, and make the Chinese Government change its ways.

So I understand the appeal of voting for this resolution. It would be very satisfying, for a few minutes, to feel that I did something, that the Congress did something, to make China change.

But I have to step back and ask whether revoking most-favored-nation [MFN] trading status to China would have the desired effect, and if not, what will. I don't think passing this resolution will make China change.

This cannot be just a one-sided debate. We must consider not only the areas where we have real and heartfelt disagreement with the Chinese Government's actions and policies, but also those often complex areas where Chinese cooperation with the United States has had and will have enormous consequences. And there are important areas where China has cooperated with us: Working with us to stop North Korea's nuclear weapons development; helping us in the U.N. Security Council on the war against Iraq and subsequent sanctions; and assisting United States efforts to implement the nuclear test ban and extend the nuclear nonproliferation treaty. In these areas, cooperation and engagement with China made all the difference in policies that are vital to our national security.

In just 1 week, Hong Kong will be transferred from British to Chinese sovereignty. We in the Congress have pressed China to live up to its promise of ''one country, two systems'' for Hong Kong. I have joined with other Members of Congress in calling on the Chinese Government to respect the political and economic freedom of the citizens of Hong Kong. Yet, once Hong Kong is under Chinese rule, trade with Hong Kong would also be subject to stiff tariff increases if MFN trading status is revoked. So, at the very time the Congress is pushing China to safeguard freedoms in Hong Kong, Congress would be undermining Hong Kong's independence and autonomy by severely damaging its economy. It's estimated that revoking MFN would cut Hong Kong's economic growth in half, reduce trade by $30 billion, and cost 85,000 Hong Kong workers their jobs—making Hong Kong dependent on the Chinese regime during this critical transition period.

I have long advocated improved human rights in China. After the 1989 massacre in Tiananmen Square, I organized a protest march of more than two dozen Members of Congress who walked across Washington from the United States Capitol to the Chinese Embassy, where we met with the Chinese Ambassador and presented in the strongest possible terms our views that the Chinese Government needed to change its ways.

I have also been very concerned about the persecution of Christians, and other religious minorities in China. Yet activists working to stop the persecution of Christians are of two minds on this issue. Many, including Rev. Billy Graham and a number of Chinese Christians, have said that they feel engagement with China is the better course.

Revoking MFN trading status means in effect that the United States would be imposing a huge unilateral increase in tariffs on Chinese goods. No other country is expected or likely to join us in raising tariffs, and that means revocation of MFN would be a unilateral economic sanction. Given the particular culture of the Chinese, I do not believe that this kind of sanction will be any more successful against China than unilateral trade sanctions have been against any other country. And many of our international competitors are quite ready to take over the United States share of the Chinese market.

The debate suffers from semantics, the misunderstandings of ''most favored nation'' as implying something special and concessionary. Actually, of course, ''most favored nation'' trading status is just ''normal'' trading status—it is the tariff schedule that applies to almost every other nation we trade with, even countries with human rights records far from our liking. There are only five countries to which we deny MFN status: Afghanistan, Cuba, Laos, North Korea, and Vietnam. Even the ''rogue states'' of Iran, Iraq, and Libya, although subject to other economic sanctions, are technically eligible for MFN. Countries like Syria or Indonesia, whose human rights records we often decry in the Congress, have MFN trading status.

Cutting off MFN status would mean that we would lose the opportunity to expose China to free market principles and values. I spoke recently with a constituent who has worked with Chinese mining companies. He told me that China has averaged 10,000 deaths per year in mining accidents. Yet to work with this American company meant that the Chinese had to accept American standards of worker safety that tolerate virtually no worker fatalities. This seems a most basic lesson—that workers should not have to risk their lives to earn a living. American business men and women,

interacting with their Chinese counterparts, will be able to expose the Chinese to many such standards and principles. Over time, it will make a difference, not just in economics, but in human dignity and human rights.

The globalizing world economy and the revolution in information exchange and technology offers an unprecedented set of circumstances that will tend to push all but the most isolated of nations toward integration with the international community. To finance expanding trade, China needs foreign capital and investment. With that investment comes exposure to internationally recognized values and freedoms. With advances in information technology, such as the Internet, electronic mail, and fax machines—most of which are essential for doing business today—repressive governments like China's are fast losing their ability to control what people can read, learn, and think.

There are other, more positive, levers we can use to encourage China to loosen its repressive policies. One of those levers is Chinese accession to the World Trade Organization [WTO]. I expect our negotiators to drive a hard bargain for market access and improved business practices before we can agree to China joining the WTO, a body China feels is essential for its trade expansion policies.

Engagement will take time, and it is hard to be patient. It will take time for trade, investment, and foreign enterprise to break the iron grip the Chinese regime has over its people. But American trade, products, and most importantly exposure to American values and people carry the seeds of change. Ultimately, China cannot sustain the economic liberalization supporting its trade with the United States without seeing an inevitable erosion of its political isolation and its authoritarian regime.

Mr. PORTMAN. Mr. Speaker, I rise today in support of renewing most-favored-nation [MFN] trading status to China. MFN status is extended to virtually every country in the world and permits a normal trading relationship with China. There's nothing ''special'' or ''favored'' about MFN.

I believe that continuing this normal trading relationship is critical to advancing U.S. interests. First, of course, revoking MFN, would significantly raise tariffs on Chinese imports—costing United States consumers more of their hard earned money. Failure to extend MFN would also hurt our exports which has been steadily growing every year and support thousands of U.S. jobs. The Chinese would undoubtedly retaliate, putting our jobs and exports at risk. We would be giving our global competitors an open shot at the one of the world's biggest markets.

But even more important, if we are to disengage from China and walk away from the table, the very problems we have with China will worsen—especially in the important area of human rights.

Because we engage with China does not mean that we approve of its practices. As an example, I have grave concerns about its human rights record. But the question is how disengaging will help. Instead, we should want the Chinese to become increasingly familiar with American ideals through our contact with them.

Mr. Speaker, renewal of MFN has been supported by every President who has faced this issue, and is supported throughout Asia, including in Hong Kong, Taiwan, and Japan. I strongly urge my colleagues to oppose the disapproval resolution and support renewing most-favored-nation trading status to China. Simply put, continued engagement with China is the only way to help China become a constructive force for stability and prosperity in Asia, and advance important American interests.

Mr. BISHOP. Mr. Speaker, I rise today to support House Joint Resolution 79, disapproving most-favored-nation status for China. While I am an ardent supporter of free trade, and have voted consistently for continuation of MFN for China, my recent trip there has changed my position on this issue as it provided me with first-hand information on what is really going on in China. I left that country with the overwhelming impression that the Chinese do not care what the United States thinks about their behavior. I have voted on four previous occasions to give China the benefit of the doubt about its intention to open its markets to United States businesses and farmers but the Chinese continue to thumb their noses at the United States. While I would like to support a policy aimed at opening markets and expanding trade, there has to be a level playing field for such a policy to work. Instead, China continues to raise artificial barriers and place high tariffs on American goods and commodities, including United States-grown peanuts. The trade deficit last year alone with China was $40 billion.

In addition, China's human rights record, particularly against Tibet and Taiwan, is abysmal. Along with its disregard for human rights, the Chinese strategically ignore numerous international treaties they have signed on arms proliferation. We have seen numerous well documented reports where China is selling highly sophisticated nuclear technology to Iran. Additionally, it continues to transfer advanced ballistic missile technology to Syria and Pakistan.

The business community genuinely hopes to influence positive change in China but I did not see that during my visit. There is no American-style democracy, free enterprise, or human rights. Rather, I saw a government that controlled every aspect of life. The Chinese consistently violate workers' rights with many workers laboring under slave-like conditions. American companies that wish to sell their products in China must locate production in that country and share ownership with the Chinese Government. We are currently transferring very sophisticated technology to China who hen turn around and use our technology against us.

It's time to send China a message by withholding MFN status for China. I would be derelict in my duty to ignore neglect, which I do not believe is benign neglect.

Each year when I voted for MFN for China I did it with the hope that this is the year the Chinese will pay some attention to our concerns more specifically, stop violating the provisions of the general agreement on tariffs and trade, and be shamed into improving its human rights record. Sadly, this has not been the case and I have no choice but in clear conscience to vote NO for MFN for China.

Mr. PAUL. Mr. Speaker, as a physician, I know that what, at first, might seem to be a cure for a particular ailment is, in actuality, not a cure at all. In fact, going with a gut reaction to prescribe a treatment can do more harm than the original ailment may have. The same can be true for matters of government. The initial reaction to a problem in society, or the world will often lead us to make a conclusion about a course of action. Unfortunately, that first reaction can be wrong, even though guided by the best of intentions.

We have such a case before us now. It is the dilemma of whether or not China should be granted the same trade relationship granted to almost every other nation of the world, a status misleadingly referred to as most favored nation, or MFN. We all know the charges: The Chinese Government violates basic human rights of its citizens, it is hostile towards Christianity, and its system of government runs contrary to our most fundamental beliefs, therefore MFN status should be denied. The initial reaction of our collective national psyche is to oppose MFN, to be tough, and say, ''No way, no special deals for China.'' But is this the proper solution?

To clear up a misconception, MFN is not a special status at all. In fact, MFN status granted to a country simply means that U.S. citizens can trade with citizens of that nation without erection of extraordinary government barriers to entering our marketplace. Free trade is not something to be lightly dismissed. And MFN is nothing more than an attempt, albeit imperfect, to move towards free trade by lowering tariffs.

Eliminating MFN status for China does not hurt the Chinese Government. But it does hurt Americans in two ways. First, by imposing what is essentially a tax on our people. It is a tax because it is the American consumer who will pay higher prices on goods coming from China. This means higher prices on many items and not just items which come directly from China. If the tariffs on Chinese goods increase, people will be forced to find replacement products. As the demand for those products increase, so will prices of those goods.

The second means by which eliminating MFN status hurts Americans can be found in the reciprocal barriers China will likely erect. It will become much more difficult for farmers and businessmen in the United States to sell their products in China. Nearly every farmer and every agricultural group I have heard from supports MFN status for China.

But the critics of MFN for China do not address the free-trade aspect of the debate, or the very real cost eliminating MFN would impose upon the American people. Instead, they focus on the real persecution of religious minorities' often practiced by the government in China. And for that I defer to those who are on the ground in China: the missionaries.

According to Father Robert Sirico, a Paulist priest who recently discussed this topic on the Wall Street Journal's opinion page, Americans in China working to help the Chinese people are very frightened of what ending MFN might do to their efforts and the people to whom they minister. After all, ending MFN will not bring about the freedoms we hope China may confer upon its people, nor will ending MFN mean more religious freedom or fewer human rights violations. In fact, those working in China to bring about positive change fear only the worst if MFN is withdrawn.

''As commercial networks develop, Chinese business people are able to travel freely, and Chinese believers have more disposable income with which to support evangelistic endeavors,'' Sirico writes. Even worse, the missionaries have been reporting that ''such action would endanger their status there, and

possibly lead China to revoke their visas. It would severely limit opportunities to bring in * * * religious materials. These missionaries understand that commercial relations are a wonderfully liberating force that allow not only mutually beneficial trade but also cultural and religious exchanges.''

And so the critical question remains: MFN, or no MFN? Idealogically, revoking MFN is a step in the wrong direction, a step away from free trade. It is equally clear that revoking MFN is harmful to our people, and likely to be harmful to the Chinese. The ones to suffer will be the very individuals we seek to help, not the powerful elite in Beijing.

I have long held that governments do not solve problems. Rather, governmental action often creates more problems than existed previously. It is the individual people who are able to bring about positive change in this world; it is individuals who solve problems. China's government is indeed a concern: for us and its people. But it is a problem we can only resolve by changing the hearts of the Chinese leaders. And whether we like it or not, the way we can do that is through trade with China.

By rushing quickly for the ''pills'' of government-enforced sanctions, we may have the best of intentions to cure the Chinese Government of its persecution of human rights. But unfortunately, those pills will only harm the patient. We must swallow our pride and admit that perhaps the best remedy is not the first solution.

It is only through the open dialogue of individuals that the Chinese Government will ever be convinced it is wrong. By closing the door now, when we have the opportunity to allow to grow the seeds of change which have been so firmly planted in China, we will be damning that nation's people to a return to their darker days.

We will lose the patient if we act hastily or imprudently and that cannot be the correct option. It is never an option when I have a patient on the operating table, and it cannot be an option when dealing with the situation in China.

Mr. CUNNINGHAM. Mr. Speaker, China is a rogue nation, ruled by totalitarians and Communists. It oppresses its people, and denies them basic freedoms and religious liberty. It fails to abide by standards of good citizenship in the community of nations. Its officials have been tied with attempts to influence the 1996 elections in the United States through contributions to the Democratic National Committee.

In this environment, now Congress must decide whether continuing or essentially canceling regular American commerce with China will advance or damage America's national interests. These interests include national security, human rights and religious liberty, and commerce and American jobs.

I take a back seat to no one as a defender of liberty, and as an opponent of communism and tyranny. I understand that this issue generates well-considered and strongly held opinions on all sides. I believe that the Clinton administration has badly mishandled our relationship with China, and that Congress has no choice but to fill the vacuum of leadership left by the President.

With very few measures have I so deeply struggled with determining the best course of action, and with identifying what is right and wrong for America. After having carefully considered all of the facts, and reviewed all of the notes and letters and calls from my constituents, I conclude that our best hope for progress of American national interests in China is best fulfilled by extending China's regular trade status, and taking further actions that demonstrate a more robust American policy in that part of the world. I further conclude that blocking the renewal of MFN for China would damage America's national interests, in national security, human rights and religious freedoms, and American commerce and jobs.

History and recent experience tells us that MFN gives the United States some leverage to advance our interests in China—but not a great deal of leverage. But if we cancel MFN, America's small leverage will become zero leverage. And China will turn away from America, and have no incentive to heed any of America's desires and interests.

Let me first address the matter of American national security. Beijing has exhibited poor citizenship in the world. It tested missiles in the Taiwan Straits on the eve of free elections in Taiwan in 1996. It sold weapons and nuclear and other weapons materials to rogue terrorist nations. It attempted to expand its maritime presence in former United States military facilities, as in the case of COSCO at Long Beach Naval Station, and has effectively established beachheads at both ends of the strategically important Panama Canal through governmental industry subsidiaries. It smuggled AK–47 rifles into the United States, bound for Los Angeles street gangs. It increased its defense budget 40 percent over the past couple of years. In light of this current and emerging national security interest, it becomes clear that only by extending MFN for China can we hope to preserve the American interest and the American presence in China and East Asia. For this reason, several of our recent United States Secretaries of Defense have agreed to support continuing China's MFN status.

Having nearly lost my life fighting communism in Vietnam, this matter of what action best represents America's national security interests is a matter I take very seriously. I assure you that I am under no illusion that extending MFN for China will work miracles in the advancement of our national security. It will not.

But the penalty for terminating MFN for China is slightly greater than its reward. Terminating MFN with China simply drives the Beijing regime away from the United States, away from the community of law-abiding countries, into the arms of the world's terrorist nations.

Let me address the matter of human rights and religious liberty in China. Again, Beijing's record in this field is repugnant to the cause of freedom. The bill of particulars goes on and on. Beijing oppresses the Buddhist people of Tibet, and the Muslims of Xinjiang. It practices a population policy that includes forced abortions. It has detained, jailed, and killed its dissidents. It severely restricts the activities of Christians and other people of faith, and imprisons priests and ministers, and closes house churches that attempt to teach the Gospel free from the reach of the Beijing regime.

What action advances America's national interest in this area? Extending MFN continues the reach of Americans, through commerce and other outreach, into the lives of Chinese citizens. I recognize that the Christian Coalition and other United States family organizations strongly oppose extending MFN for China. But United States organizations that support Christian missionaries in China are supporting MFN for China. One of the titans of the Christian faith supports extending MFN trade status: Rev. Billy Graham. He says that ''I am in favor of doing all we can to strengthen our relationship with China and its people. China is rapidly becoming one of the dominant economic and political powers in the world, and I believe it is far better for us to keep China as a friend than to treat it as an adversary.''

Continuing MFN for China, again, does not work miracles for the people of China. Continuing it thus far has not freed opponents of China's communist government from prisons, according to the United States State Department. However, American commerce with China has given the Chinese people a taste of economic freedom, and economic freedom may pave a path toward more political and religious freedom.

Again, the penalty for terminating MFN for China exceeds its reward—particularly for China's oppressed people. If we terminate MFN for China, China will have no reason whatsoever to improve the human rights and religious freedom of its people, or to accommodate American visiting missionaries to China.

Last, I would like to address the matter of commerce and American jobs. Extending China's MFN status simply continues regular commerce with the world's most populous nation. Companies in San Diego engage in significant exports in China. Among these are Solar Turbines, power plants, Cubic, mass transit systems, Jet Products, manufacturing, and many others. Furthermore, many American jobs are dependent on imports from China. These include hundreds of thousands of retailers. And American consumers regularly purchase goods made in China.

Once again, the risks associated with terminating China's MFN status exceed their reward. If we terminate MFN for China, American jobs are endangered, and China will simply approach the employers of other nations to fulfill its market of 1.3 billion people.

Following the continuation of MFN for China, and the failures and vacillations of the Clinton administration's China policy, I believe Congress has a responsibility to exercise leadership in the United States relationship with the world's most populous country.

We can begin this by enacting the China Human Rights and Democracy Act, a measure soon to be introduced by Rep. JOHN EDWARD PORTER and others. Chairman PORTER formerly opposed China's MFN status, but is supporting it this year in hopes that we can make real progress in other areas. Chairman PORTER described this measure in today's Wall Street Journal to increase funding for Radio Free Asia and the Voice of America, expand democracy-building activities through the National Endowment for Democracy, require additional United States State Department report on human rights violations and political prisoners in China, and greater disclosure of Chinese companies' ties to the People's Liberation Army.

As we did with the USSR and Eastern Europe, we can blanket the Chinese people, and all freedom-loving peoples of Southeast Asia, with broadcasts about freedom and democracy in the outside World. We can also pursue

other aggressive initiatives to stand tall and strong for freedom in East Asia—initiatives which thus far have not been part of the Clinton administration's weak American policy toward China.

Congress can and should take further action to send China powerful signals of our intention to advance our interests. The fiscal year 1998 national defense authorization includes the Hunter-Cunningham language from H.R. 1138, prohibiting the leasing of former U.S. military facilities to foreign state-owned enterprises. Specifically, this will block COSCO, the maritime arm of the communist Chinese regime in Beijing, from leasing a large beachhead at the former Long Beach Naval Station.

And the House has already voted to establish direct United States ties with Hong Kong, which reverts from British to Chinese control in just a few days.

Extending China's regular MFN trade status does not work miracles. We should extend MFN because it helps advance our national interests in China in freedom and religious liberty, in national security, and in commerce and jobs. We should extend China's MFN status because blocking MFN would hurt, not help, our national interests in China.

But we cannot stop there. Congress has a responsibility to take the sure and strong actions that implant backbone into United States-China relations, a spine that is thus far missing from the Clinton administration's own policy. We can act. And we will.

Mr. LIPINSKI. Mr. Speaker, I rise today in support of House Joint Resolution 79, a resolution to disapprove most-favored-nation [MFN] treatment to the People's Republic of China.

Our trade deficit with China in 1996 was $40 billion. By the end of 1997, the trade deficit is projected to be $53 billion, which averages out to the staggering sum of $1 billion a week. A large part of this is due to the fact that China charges American products with extremely high tariffs. For instance, China levies a 50 to 120 percent tariff on imported cars, a 50 percent tariff on imported athletic shoes, a 60 percent tariff on imported leather shoes, and a 40 percent tariff on imported toys. In all instances, United States tariffs on Chinese imports are substantially lower. China sells millions and millions of bikes in the United States, because we only levy a 11 percent tariff, while China charges us 50 percent. On average, the United States levies a tariff rate of 2 percent on Chinese goods. The Chinese have levies a 35 percent tariff rate on United States goods. We hear so much about free trade, but our trade relationship with China certainly isn't free, and it certainly isn't fair. It costs American jobs. It's just plain wrong for the American working men and women.

We constantly hear from China and the administration that trade and foreign policy should be separate issues. They should not be linked. That is a very interesting argument coming from China considering they are one of the most skilled practitioners of such a policy. They reward friends and punish enemies with economic carrots and sticks in the form of huge government contracts.

Moreover, the use of trade sanctions is not without precedent. It has been a vital component of U.S. foreign policy. We sanctioned the Soviet Union by the restriction of technology transfers, denial of MFN under the Jackson-Vanik amendment, and embargoes on Soviet purchases of American wheat. We maintain a trade embargo against Cuba. We deny MFN to North Korea and Afghanistan. We will soon impose sanctions on Burma. Why should we treat China and different? The answer is that we shouldn't. We should treat China a totalitarian regime in every sense, as we have treated totalitarian regimes in the past. We must not coddle them. We must not appease them. We must not assist them.

Mr. Speaker, a vote for this resolution will be a vote for democracy it will be a vote for the ideals that founded this Republic. The ideals that make this Nation truly great. As the sole remaining superpower in the world, we must send a strong message to the totalitarian regime in Beijing that her actions will not be tolerated any longer. Enough is enough. I strongly urge my colleagues to support House Joint Resolution 79.

Mr. ROHRABACHER. Mr. Speaker, I am submitting for the RECORD an article by Frank Gaffney, executive director of the Center for Security Policy, that appeared in today's Washington Times, titled ''Dealing with China.'' I believe that this insightful article should be read by all Members of Congress and American citizens who are concerned that the United States Government develop a comprehensive strategy to deter aggression by Communist China.

[From the Washington Times, June 24, 1997]

DEALING WITH CHINA

(By Frank Gaffney, Jr.)

As the House of Representatives prepares to vote on President Clinton's decision to renew Most Favored Nation (MFN) status for China, it is being flooded with free advice. Lobbyists representing firms doing business with the People's Republic—or hoping to do so—are aggressively warning Congress of the economic costs of failing to ''re-up''; human rights and religious groups are emphasizing the costs in terms of freedom and religious tolerance for the Chinese people if the United States continues to turn a blind eye to Beijing's repressive policies.

Yesterday, five of the finest public servants I have had the privilege of knowing—Jeane Kirkpatrick, Jack Kemp, Lamar Alexander, Steve Forbes and Donald Rumsfeld—weighed in with their own take. Much of what they say should be done with respect to U.S. policy apart from the question of MFN I find compelling, as I am sure, will many members of Congress. I think we could agree, for example, that the following sorts of steps should be taken irrespective of one's views about renewing China's Most Favored Nation status:

Intensify efforts to provide truthful information and encouragement of those resisting communist repressing (including greatly expanding the operations of Radio Free Asia; enforcing the existing bans on importing slave-labor-produced goods; imposing penalties for religious intolerance, etc.). After all, how a nation treats its own people is a good indicator of how it is likely to deal with those of other states.

Such steps can help make clear that the United States is not an enemy of the Chinese people, but that it steadfastly opposes the totalitarian government that brutally rules them. It can also help undercut the nationalist xenophobia that the Chinese leadership promotes in its bid to retain power.

Deny front companies and banks associated with the People's Liberation Army and other inappropriate Chinese borrowing entities the opportunity to sell bonds in the U.S. market. This step can be taken in a non-disruptive fashion (for example, by creating a security-minded screening mechanism for these prospective bond issues) without fear of jeopardizing U.S. exports, jobs or ''people-to-people'' contacts unaffected by such cash transactions.

Block Chinese access to strategic facilities—in the United States and elsewhere in the Western Hemisphere, notably at the eastern and western ends of the Panama Canal.

Prohibit the sale of American military production facilities and equipment to China.

Terminate the ''anything goes'' policy with respect to the export of dual-use technology to Chinese end-users. In the interest of obtaining maximum pressure for change in China, U.S. allies should be offered the same choice they are currently given under the D'Amato legislation on Iran and Libya—foreign companies and nationals must decide whether to export militarily-sensitive equipment and technology to China or risk losing their unfettered access to the American marketplace.

Develop and deploy effective global missile defenses to counter China's own growing ballistic missile capabilities and those Beijing is transferring to rogue states like North Korea, Iran and Syria.

Rigorously enforce existing U.S. laws penalizing those who engage—as the Chinese government and its ostensibly private companies have been doing—in the proliferation of weapons of mass destruction and various menacing conventional arms.

And increase significantly the resources dedicated to uncovering and thwarting Chinese espionage, technology theft and influence operations in the United States.

Where I must respectfully disagree with my friends from Empower America, however, is about the reason why such steps are needed. They declare we ''should not demonize China'' and assert ''there is no new Cold War, and China is not a new Cold War enemy.'' The truth is that the reversion of Hong Kong next week to communist control may prove to be the first battle lost by the force of freedom in a new and far more difficult phase of what Winston Churchill once called ''the Twilight Struggle.''

In any event, as noted in this space two weeks ago, it is not entirely up to us whether China becomes an enemy. The critically acclaimed book ''The Coming Conflict with China'' observes: ''Before, Beijing saw American power as a strategic advantage for the PRC; now it has decided that American power represents a threat, not just to China's security but to China's plans to grow stronger and to play a paramount role in the affairs of Asia.''

What is more, if it is true, strictly speaking, that ''China is not a new Cold War enemy,'' it may not be good news. The level of engagement with China—the many billions of dollars in bilateral trade, the hundreds of PLA companies operating in this country, the tens of thousands of Chinese students and unknown numbers of Overseas Chinese with families still subject to Beijing's control—make the challenge of countering, let alone containing, the PRC infinitely more difficult that any we faced in dealing with the Soviet Union during the Cold War. We disregard or discount this problem at our peril.

The bottom line is the bottom line: The massive trade surpluses that MFN status is allowing the PRC to accrue are directly underwriting activities that will enable Beijing to become an even more formidable threat to the United States and American interests down the road. Despite its drawbacks, revoking China's Most Favored Nation status is the only measure now on the table that is fully responsive to this reality—and proportionate to the magnitude of the problem it presents.

Mr. MATSUI. Mr. Speaker, attached is a letter from the Business Council for United States-China Trade which I would like included in its entirety in the appropriate section of the CONGRESSIONAL RECORD.

BUSINESS COALITION FOR
U.S.-CHINA TRADE,
Washington, DC, June 23, 1997.

Hon. NEWT GINGRICH,
House of Representatives, Washington, DC.

DEAR MR. SPEAKER: We urge Congress and the President to work together on a bipartisan basis to renew China's MFN status for one-year without conditions. We strongly oppose legislation which would impose new conditions on MFN, impose targeted trade sanctions, or result in anything less than a full one-year extension of MFN, or otherwise disrupt U.S.-China commercial ties.

Unconditional renewal of China's MFN trading status is in America's interest. MFN is the cornerstone of stable U.S.-China commercial relations. It is also the foundation for continued dialogue and cooperation between the United States and China over such vital concerns as security, human rights, and Hong Kong's transition.

In the next century, America's prosperity will be even more closely tied to our leadership in international trade and the Asia-Pacific region.

China is the world's largest emerging market. It is at the center of a vibrant Asia-Pacific regional economy, which will support continued growth of American trade and jobs for decades to come.

In 1996, the United States sold over $14 billion of goods and services to China. U.S.-China trade already supports over 200,000 export-related jobs, as well as tens of thousands of jobs in American retail establishments, ports, services companies, and transportation firms. It ensures American consumers a wide choice of quality goods.

China is the sixth-largest market in the world for American agriculture, and has by far the most potential. in 1996, China bought over $3.6 billion of U.S. farm products, such as wheat, grains, vegetable oil, poultry, corn, soybeans, and meat.

American trade with China helps to promote values we cherish. Ending MFN would harm the very Chinese entrepreneurs and workers whose prosperity and jobs depend on trade and access to the outside world. China's private enterprises and joint ventures are beachheads of free enterprise, which have driven the sweeping economic and political reforms of the last decade. We should support, not isolate, the segments of Chinese society which offer the best hope for further progress toward greater freedom and the rule of law for all of China.

Revoking or conditioning MFN would be a devastating blow to Hong Kong, whose economy depends on its role as the economic gateway to China and as a financial and commercial center for companies doing business in Asia. The United States should strive to bolster confidence in Hong Kong and to maintain it as a vibrant model of entrepreneurial capitalism and political freedom, as it faces an historic reversion to Chinese sovereignty.

While renewal of MFN is an important task, an equally important challenge is continuing a fundamental restructuring of U.S-China commercial relations that is essential to open new markets for American products, subject China to the rules and disciplines of the World Trade Organization (WTO), and end the destructive annual battles over MFN renewal. We urge the Administration, in close consultation with Congress, to push ahead with negotiations over China's accession to the WTO under a commercially sound market access protocol which expands sales of American goods, services, and farm products; locks in free market reforms, and advances long-term economic and political change. We look forward to working with the Congressional leadership and the Administration to achieve all of these vital goals.

Sincerely,

A & C Trade Consultants, Inc., A & D Precision Manufacturing, Inc., A. Eddy Goldfarb & Associates, A.A.A. Aircraft Supply Co., Inc., A.N. Deringer, Inc., A.O. Smith Corporation, A–1 Signal Division, ABB, Inc., Abbotec Inc., Abbott Laboratories, ABC Companies, Inc., The, ACCEL Graphics, Inc., ACCEL Technologies, Inc., ACI Int'l, Acme Foundry, Acme-Monaco Corporation, Action Instruments Inc., Action Products International Inc., ACTS Testing Labs, Inc.

Adams Air & Hydraulics, Inc., Adaptec, Inc., ADC Technologies, Inc., Adidas America, Advanced Data Management, Inc., Advanced Hardware Architectures, AEA Credit Union, AEA International, Aerex Manufacturing Inc., Aero Comm Machining, Aero Gear Inc., Aero Machine Co., Inc., Aerochem, Inc., Aeroelectronics Incorporated, Aerospace Dynamics International, Inc., Aerospace Industries Association of America, Inc., Aerospace Manufacturing Corp., Aerospace Products, Aerospace Services & Products, AETNA, Inc., Agrifos, L.L.C., AIMCO, Air Capitol Plating Inc., Air Conditioning & Refrigeration Institute, Air Industries Corporation, Air Products and Chemicals, Inc., Air Structures, Inc., Aircraft Tool Inc., AirNet Communications Corp., AirSep Corporation, Akro Fire Guard, Albany International Corp., Albemarle China Corporation, ALCOA, Alcone Marketing Group, Alexander Doll Company, Inc., ALJO Precision Prod., Allen's Concrete, AlliedSignal Inc., AlliedSignal-General Aviation Avionics, AMCO Brokers & Forwarders, Inc., Amer-China Partners, Ltd., American Association of Exporters and Importers, American Association of Port Authorities, American Automobile Manufacturers Association.

American Building System Inc., The American Chamber of Commerce in Hong Kong, The American Chamber of Commerce in New Zealand, The American Chamber of Commerce in Singapore, The American Chamber of Commerce PRC in Beijing, American Commercial Lines, Inc., American Crop Protection Association, American Electronics Association, American Electronics Association—Texas Council, American Electronics Group, Inc., American Express Company, American Farm Bureau Federation, American Feed Industry Association, American Forest & Paper Association, American Home Products Corporation, The American Import Co./Taico Trading Corp., American International Foods, American International Group, Inc., American League for Exports and Security Assistance, American Pacific Enterprises, American Racing Custom Wheels, American River International, American Seed Trade Association, American Standard Companies, Inc., Ameritech International, Amersham Corporation, Ames Department Stores, Inc., AMF Bowling Products, AMI Metals Inc., Amicale Industries, Inc., AMOCO, Amoco Chemical, AMP Incorporated, AmPro Corp., AMS Industries Inc., AMT—The Association for Manufacturing Technology, Amway Corporation, Andreae, Vick & Associates, Anheuser-Busch Companies, Inc., Anjar Co., Anwo Machine and Tool Co. Inc., APL Limited, Apparel Unlimited, Inc., Apple Computer, Inc., Applied Materials, Inc.

Applix, Aquafine Corporation, Arcadia Supply Inc., ARCO, ARCO Chemical Company, Arizona Coalition for US/China Trade, Armstrong Global, Armstrong Holdings, Armstrong World Industries, Inc., ARR–MAZ Products, Arrow Electric, Inc, Arthur Andersen LLP, ASI Aerospace Group, Asian Strategies Group, Asset Intertech, Inc., Associated Company, Inc., Associated General Contractors of America, Associated Industries, Associated Industries of Missouri, Associated Merchandising Corporation, Association of American Railroads, Association of National Advertisers, Inc., AT & T, Athens Industries, Atlas Aero Corporation, Atsco Footwear Inc., Autozone, Avco Financial Services, Inc, AVO International, Avon Products Inc., Award Software International, Inc., B & B Machine & Tooling, B & F Sales Corp., B & J International Supply, B & S Steel of Kansas, Inc., B.G. Imaging Specialties, Inc., B.J. Rocca Jr. and Co., Babcock Mfg. Co., Bachmann Industries, Inc., Baker & Daniels, Bakery Crafts, BalcoMetalines, Ball Hortculture Company, Bank of America NT & SA, Bank of New York.

Bank of Oklahoma, Barbara Franklin Enterprises, Barbis International, Barringer Technologies, Inc., Barron Transworld Trading Ltd, Barton Solvents, Inc., Bartow Chamber of Commerce, Bartow Steel, Inc., BCI Engineering Group, Inc., BCI Engineers & Scientists, Bechtel Corp., Bedford Sportswear, Inc., Beijing Development Area (USA) Inc., Belkin Components, BellSouth Corporation, Benecor Honeycomb Corp., Benner China & Glassware, Inc., Bennett Importing, Inc., Berger & Eiss, Berger Company, Beta Shim Company, BFGoodrich Company, BGW Systems, Inc., Bien Internationale Corp., Bindicator Company, Bivar, Inc., BJG Electronics, Black & Veatch, The Blackstone Group, Blistex Inc., Blue Box Toys Inc., Boca Research, Inc, The Boeing Company, Boston Technologies, Inc., Boullian Aviation Services, BP America, BP Chemicals Inc., Bradbury Co., Inc., Bradford Novelty Co., Inc., Bradlees, Inc., Bradley Machine, Inc., Brass Key, Inc., Braun Intertec Corporation, Breslow Morrison Terzian & Assoc., Brimms Inc.

Brisa, Inc., Bristol-Myers Squibb Company, Brooklyn Chinese-American Association, Brooklyn Goes Global, Brown Group, Inc., Budd Company, The, Budney Industries, Inc., Bunge Corporation, Burlington Northern & Santa Fe Railway, Burnett Contracting & Drilling Co., Inc., Burnham Products, Burson-Marsteller, Burton Co., Business Research Institute, Inc., Buxton Co., C.J. Bridges Railroad Contractor, Inc., Cactus Mat Manufacturing, Co., Cadaco, Inc., Caleb Corporation, California Chamber of Commerce, California Instruments Corp., California Mop Mfg. Co., California Portland Cement Company, California R&D Center, California Sunshine Inc., Caltex Petroleum Corp., Cambridge Specialty Company, Cange & Associates International, Capital Region World Trade Council, Capps Machines, Inc., Capstone Electronics Corp., Carco Electronics, Cardinal Industries, Inc., Career Explorers, Inc., Cargill Fertilizer,

Inc., Cargill Flour Milling, Cargill, Inc., Carl Cox & Associates, Inc., Carrier Corporation, Catalina Lighting, Inc., Caterpillar Inc., CBIA, CDI Corporation Midwest, Cedar Rapids Chamber of Commerce, Celestaire, Inc.

CENEX, Inc., Center Industries Corp., Centigram Communications, Central Purchasing Inc., Century Bank, Cerion Technologies, Cessna Aircraft Company, CF Industries, Inc., Chaco International, Chance Industries, Charles Engineering, Inc., Charming Shoppes, Inc., The Chase Manhattan Corporation, Chemical Manufacturers Association, Chemifax, Division of Namico, Inc., Chevron Corporation, Chicago Council on Foreign Relations, China Books & Periodicals, Inc., China Human Resources Group, China Products North America, Inc., China Trade Development Corp., Chrysler Corporation, Chubb & Son, Inc., Chubb Corporation, The, CIGNA Corporation, CIT Group/Commercial Services, Inc., Citicorp/Citibank, Citifor Inc., Citizens for a Sound Economy, Claire's Stores Inc., CLARCOR, Clark Companies, N.A., The, Clark Manufacturing, Claude Mann & Associates, Inc., Cliffstar Associates, Inc., Coastal Corporation, The, Coastal Power Company, Coastcom, Cobra Electronics Corporation, Coca-Cola Company, The, Coffeyville Sektam, Inc., Coiltronics, Inc., Cole Haan, Coleman Company, Inc.

Collum International, Inc., Colorworks, Columbia 300 Incorporated, Columbus McKinnon Corporation, COMET INT'L, Commercial Bank of San Francisco, Commonwealth Toy & Novelty, Compaq Computer Corporation, Compressed Air Products, Inc., Computalog, Computer & Communications Industry Association (CCIA), Computing Devices International, Comtech Communications, ConAgra, Inc., Concept Resources, Inc., Concurrent Computer Corp., Conductive Rubber Technology, Inc., CONECT-Coalition of New England Companies, CONMED Corporation, Connections International, Conoco, Consolidated Industries Inc., Consumers for World Trade, Continental Grain Company, Continental Machine Inc., Continental-Agra Equipment, Inc., Contour Aerospace Inc., Coopers & Lybrand L.L.P., Corning Incorporated, Corporation for International Trade, Cox Machine, Inc., CPC International Inc., Creative Computer Solutions, Inc., Creative Production Resources, Crowley Sales & Export Inc., Crown Cork & Seal Co., Inc., CSX Corporation, CTL Distribution, Inc., Cubic Corp., Cutter & Buck, Cyberkom, Dale C. Rossman, Inc., Darling Abrasive & Tool Co., Data Instruments, Inc., Dataforth Corp.

Davis Wright Tremaine, De La Rue Giori, Decora Industries Inc., Deere & Company, DEKALB Genetics, Delagar Division Belcam, Inc., Delson International, Inc., Des Moines Chamber of Commerce, Dexter Aerospace Materials Division, DeYoung Mfg., Inc., DF Corporation, Diamond V Mills, Digital Equipment Corporation, Digital Recorders, Digital Transmission Systems, Inc., DIGIVISION, Diversified Computer Remarketing, Dixon Area Chamber of Commerce, D-J Engineering, Dodge City Chamber of Commerce, Don's Leather Cleaning, Inc., Doron Precision Systems, Inc., Dover Technologies, Dow Chemical Co., The Dow Corning Corporation, Dowty Aerospace, Dresser Industries, Inc., DS Technologies, Inc., DSC Communications Corp., DSP Technology, Inc., DuPont, Duracell, Dynamic Systems, Inc., E & O Mari, Inc., E.E. International, E.S.T. International, Easter Unlimited/Fun World, Eastern Sea Consulting, Eastman Chemical Company, Eastman Export Corporation, Eastman Kodak Company, EBM Tours, Eck & Eck Machine Co., Inc., Ecology and Environment, Inc., Economy Forms Corp.

Econo-Power International Corp., EDAWN, Edelman Public Relations, Eden, LLC, Edison Electric Institute, EDS, Educational Design, Inc., Educational Hindsights, Inc., Edutainment for Kids, Inc., Efratom Time & Frequency Products, Inc., Eikon Strategies, Inc., Elan-Polo, Inc., Electro Scientific Industries, Inc., Electromedical Products International, Inc., Electronic Industries Association, Elkay Plastics Co., Inc., Ellanef Manufacturing Corporation, Ellicott International, Elliot Kastle, Inc., Ellsworth Adhesive Systems, Emergency Committee for American Trade, Emerson Electric (Asia) Ltd., Emerson Electric Co., Empire Industries, Inc., Endgate Corp., Endicott Johnson Corporation, Energy-Onix Broadcast Equipment Co., Enertech, Engineered Machine Tool Co., Enron Corp., Enron Oil & Gas, Inc., Epperson & Company, Essex Group, Inc., ETEC Systems, Inc., Excel Manufacturing, Inc., Executive Aircraft, Expeditors International, The Exporter, EXXESS Electronics, Exxon Corporation, F.H Kaysing, Family Dollar Stores Incorporated, Farmland Hydro, L.P., Farmland Industries, Inc., Fastenair Corporation.

FaxTrieve, Inc., Federal-Mogul Corporation, The Fertilizer Institute, Feuz MFG, Inc., Fiberite Inc., Fieldcrest Cannon, Inc., Fiesta, Fife Florida Electric Supply, Inc., Fila-USA Inc., Firstar Banks, Fisher-Price, Inc., Fleet Bank, Fleet Street Ltd., Flight Safety International—Cessna, Flight Safety International—Raytheon, Flight Safety International—Learjet, Florida Handling Systems, Inc., Florida Phosphate Council, Florida-China Trade Task Force, Fluke Corporation, Fluor Corporation, FMC Corporation, FMI, Inc., Footstar, Inc., Ford Motor Company, Forte Cashmere Co., Inc., ForTrade International, Foster Design, Foster Pepper & Shfelman, Foster Wheeler Energy International, Inc., Four Dimensions, Inc., Four Star Distribution, The Foxboro Company, FPA Customs Brokers, Inc., Frank Russell Company, Freeport-McMoRan, Inc., Fulfillment Systems International, Funopolis, Gaines Metzler Kriner & Co., Galamba Metals, Galoob Toys, Inc., GAYLA Industries, Inc., Gaymar Industries, Inc., GEC Precision Corporation, Genecar International, Inc.

Genemed Biotechnologies, Inc., Genemed Synthesis, Inc., General DataComm Industries, Inc., General Electric Company, General Motors Corporation, Genesco Inc., Georgia-Pacific Corporation, Gillette Company, The, Global Business Systems, Global Group, Globe Engineering, GM Nameplate, Inc., Goldsmiths, Goodyear Tire & Rubber Company, The, Grand Imports, Inc., Granny's Kitchens, LTD., Grant Thorton, Granton Shoo Imports, Graphic Controls Corporation, Graybar Electric, Great American Incentives, Great Lake Group, The, Great Plains Industries, Great Plains Manufacturing, Great Plains Ventures, Greater Austin Chamber of Commerce, Greater Bristol Chamber of Commerce, Greater Dallas Chamber of Commerce, Greater Hartford Chamber of Commerce, Greater Kansas City Chamber of Commerce, Greater North Dakota Association, Greater Philadelphia Chamber of Commerce, Greater Plant City Chamber of Commerce, Greater Topeka Chamber of Commerce, Greater Waterbury Chamber of Commerce, Greenfield Industries, Greer Auto, Grocery Manufacturers of America, Inc., GT Sales & Manufacturing, GTE Corporation, Guardian Industries Corp., Guerra Press, The, Guess Leather—Jones New York Leather—Avanti, Gund, Inc., H&H Tool.

H.O. Mohr Research & Engineering, Inc., Haight, Gardner, Poor and Havens, Halliburton Co., Halliburton Energy Services, Hallmark Cards, Inc., Hallum Tooling, Inc., Hamilton Standard, Hannay Reels, Inc., Hard Manufacturing Co., Inc., Harlow Aircraft Manufacturing, Harris Corporation, Harry B. Gudsley & Associates, Harry Sello & Associates, Harsco Corporation, Hartford Despatch Int'l, Harwood Capital Incorporated, Hasbro Interactive, Hasbro, Inc., Havens Steel Company, Heart to Heart International, Hedstrom Corporation, HEICO Corporation, Heilig-Meyers Company, Hermach Machine, Inc., Hewlett-Packard Company, Hill's Pet Nutrition, Inc., Hills & Company, HiRel Labs, Hirsch Pipe & Supply, HMS Productions, Inc., Hoechst Corporation, Holland Pump Manufacturing, Inc., Honeywell Asia Pacific, Honeywell Inc., Hong Kong City Toys, The Hongkong and Shanghai Banking Corporation Limited, Horton International Inc., Howden Fan Company, The, HSQ Technology, Hub Tool & Supply, Hudson Pump and Equipment Associates, Inc., Hughes Electronics, Hydroform USA, Inc., HYI, I&J Machine Tool Company.

Ibberson Inc., IBM Corporation, Ice Holdings, Inc., IES Industries, Inc., Illinois Beef Association, Illinois Coalition to Support US-China Commercial Relations, Illinois Farm Bureau, Illinois Manufacturer's Association, Illinois Pork Producers, Illinois State Chamber of Commerce, Imaging and Sensing Technology, Inc., IMC Global Inc., IMC Global Operations Inc., IMC Kalium, IMC-Agrico Company, IMCO Recycling Inc., IMPAC International, Imperial Toy Corporation, Indoor Air Professionals, Inc., Inductor Supply, Inc., INET Corporation, Infinity Financial Technology, Inc,. Ingersoll-Rand Company, Innotec Group Inc., Innovative USA, Inc., Integrity Technology Corporation, Intel Corporation, Intelidata, Interex, Inc., Interface Consulting International, Inc., Inter-Global Inc., Intermetrics, Inc., International Business Development, International Components Corp., International Dairy Foods Association, International Development Planners, International Mass Retail Association, International Paper, International Trade Services, Inc., Inter-Pacific Corporation, Intertrade Ltd., Intool Incorporated, Intrust Bank, Iowa Association of Business & Industry, Iowa Beef Packers.

Iowa Business Council, Iowa Department of Economic Development, ITT Corporation, ITT Industries, J.F. Fredericks Tool Co., Inc., J.H. Ham Engineering, Inc., J.R. Custom Metal Products, Jacobs Engineering Group, Inc.,

Jacobs Vehicle Systems, Jade Enterprises, Inc., Jamestown Container Companies, Jamie Brooke, Inc., Janco Corp., Janex Corporation, JBC International, Jenoptik Infab InTrak, Inc., Jensen Technology Development, Inc., Jerry Eisner Co., Inc., Jewett Refrigerator Co., Inc., John Hancock Financial Services, John Weitzel, Inc., Johnson & Johnson, Johnson and Higgins, Jones and Company, Inc., Joseph Krow Fur and Leather Co., J-Tec Associates, Juans (USA) Corp., Juno Industries, Inc., K.Swiss, Kagie/Newell Inc., Kaifa Technology, Inc., Kairos Consultants, Kaman Aerospace Corporation, Kamen Wiping Materials, Kane Industries Corp., Kansas Association for Small Business, Kansas Chamber of Commerce & Industry, Kansas City, KS Chamber of Commerce, Kansas Dry Stripping, Inc., Kansas Farm Bureau, Kansas Livestock Association, Kansas Plating, Inc., Kansas World Trade Center, Kasper Machine Company, Kavinoky & Cook, LLP.

Kent Audio Visual, Kimoto & Company, Custom Brokers, Kingsbury, Inc., Kirk's Suede Life, Inc., Kmart Corporation, KMG Too & Machine Company, Knipp Equipment, Knowledge Universe, L.L. C., KOA Speer Electronics, Inc., Koch Industries, Koch Materials, Kohler Co., Koogier & Assoc. Environmental Services, KPI/Heurikon Corp., Kraft Foods, Inc., K-Sport, Ltd., L & M Enterprises, L & S Machine Co., LD Supply, Inc., LA Gear, Inc., Laird Ltd., Lamar Electro-Air, Lampton Welding Supply Company, Latin American Pacific Trade Association, Leach International Corporation, Leading Edge Concepts Inc., Learjet, Learning Curve International, Leather Apparel Association, Inc., Leathercraft Process, Leawood Export Finance, Inc., Ledford Machine-Gage Labz, LeFebure Corp., Leon Cohen Sales, Inc., Leonard's Metal, Inc., LGB of America, Liberty Classics, Inc., Liberty International, Licata Associates, Inc., Liquidynamics, Inc., Liz Claiborne, Inc., LJO, Inc., L–M International, LOBOB LABORATORIES, Inc., Lockheed Martin.

Logical Services, Inc., Louis Dreyfus Corporation, Louis Lau AsianInfo Holdings, Lucent Technologies, Lucid Corp., Luis Alvear, Lyons Manufacturing Co., M. Hidary & Co., Inc., M.A. Hanna Company, Maersk Inc., Maisto International, Inc., Malichi International, Ltd., Mallinckrodt Inc., Mans & Mans Machine & Tool Co., Manufacturing Development, Inc., Manufacturing Tool & Supply, Manzella Productions, Inc., Marco Polo, MarketSource Direct, Mary Kay Inc., Matrix Integrated Systems, Mattel, Inc., Maurer Metalcraft Inc., Maury Microwave Corporation, Maytag Corporation, McDermott, Inc./Babcock & Wilcox, McDonald Construction Corporation, McDonnell Douglas Corporation, McFerrin Engineering & Manufacturing Company, McGinty Machine Company, The McGraw-Hill Companies, Inc., MCI, McStarlite Co., McWilliams Forge Company, Measurement Specialties, Inc., Medexel, Inc., Medtronic, Inc., Meeks & Sheppard, Meldisco A. Footstar Company, Melloor-Puritan-Bennett Corporation, Memorial Health System, Merck & Co., Inc., Meredith Corporation, Meritus Industries, Inc., Metal Forming, Inc.

Methode Electronics, Metholatum Company, The, Metratek, MetroBank, Metropolitan Milwaukee Association of Commerce, Metropolitan Tulsa Chamber of Commerce, Mezzullo & McCandlish, Miami Valley Marketing Group, Inc., Michigan-China Coalition, Michigan Retailers Association, Microscan Systems, Inc., Microscript Corp., Mid-America International Trade Services, Mid-America Overseas, Mid-America, International Agri-Trade Council, MidAmerican Energy Corp., Mid-Central Manufacturing, Inc., Mid-Continent Fire & Safety, Middle East Rug Corporation, Midwest of Cannon Falls, Inc., Midwest Plastic Supply, Inc., Mighty Star, Inc., Milford Fabricating Company, Inc., Milling Precision Tool, Inc., Mine & Mill Supply Co., Minnesota Agri-Growth Council, Inc., Mires Machine Company, Mize & Company, Mobil Corporation, Monde Group, L.L.C., Monitor Aerospace Corporation, Monogram Aerospace Fasteners, Monogram Sanitation, Monsanto, Motor & Equipment Manufacturers Association, Motorola, Inc., Moy, Cheung and Company, MRS Technology, Inc., MTS Systems Corp., Mulberry Corporation, Mulberry Motor Parts, Inc., Mulberry Railcar Repair Co., Multipoint Networks, Inc., Mustang International Groups, Inc., Mutual Travel.

MVE, Inc., Nadel & Sons Toy Corp., Naico, Nantucket Distributing Co., Inc., National Association of Manufacturers, National Association of Purchasing Managers, National Concrete Masonry Association, National Foreign Trade Council, National Grain and Feed Association, National Institute for World Trade, National Marine Manufacturers Association, National Oilseed Processors Association, National Plastics Color, National Retail Federation, Nations Bank, Natural Science Industries, NBBJ, NCAI, NDE, Inc., Network Computing Devices, Inc., New England Financial Group, New Planet Sourcing, New York City Partnership and Chamber of Commerce, New York for US-China Trade, Newman Government Services, NextWave Design Automation, Niagara Lubricant, Nike, Inc., Nikko America, Inc., Nimbus Water Systems Inc., Nintendo of America Inc., Noon International, Norand Corporation, NORBIC, Nordstrom, Inc., Norman Krieger, Inc., Norris Education Innovations, Inc., Nortel, North American Export Grain Association, Inc., Northrop Grumman Corporation, Northwest Horticultural Council, Norwest Banks, Nottingham Co., Nuclear Energy Institute, NuDimensions.

Number Nine Visual Technology, Nylint Corporation, O'Keefe's Incorporated, Occidental Chemical Corporation, Octel Communications, Octus, Inc., ODS Networks, Inc., Off Shore Consulting, Ohio Alliance for U.S.-China Trade, The Ohio Art Company, Olem Shoe Corp., Open Engineering, Inc., Optek Technology, Inc., Optical Coating Lab, Optima Technologies Group, Inc., Oracle Corporation, OrCAD, Inc., The Oriental Rug Importers Association, Inc., Oshman & Sons, Otis Elevator Company, Otis McAllistar, Inc., Outboard Marine Corporation, Overhead Door Company, Overland Park Chamber of Commerce P.T. Express International Inc., PAC AM INTERNATIONAL, PACCAR Inc., The Pacific Basin Economic Council, U.S. Member Committee, Pacific Market International, Pacific Northwest Advisors, Pacific Rim Resources, Inc. PackAir AirFreight, Inc. PASCO scientific, Paul Davril Inc., Payless ShoeSource, Inc., PCI Newco, PCS Phosphate—White Springs, Pella Corporation, PEPBOYS, PepsiCo, Inc., J.C. Penney Co., Inc., Petroleum Equipment Suppliers Association, Pfizer Inc, Pharmacia & Upjohn, Philip Morris International Inc.

Philips Electronics, Phillips Petroleum Company, Phoschem Supply Co., PhRMA, Phsio-Control Corp. Pic'n Pay Stores, Inc., Pico Design Inc./Motorola, Pillowtex Corporation, Pioneer Balloon Company, Pioneer Hi-bred International, Inc., Pizza Hut, Plastic Fabricating Co., Plastic-View A.T.C., Playing Mantis,Play-Tech Inc., Plesh Industries, Inc., Polaroid Corporation, Polk Equipment Company, Inc., Polk Pump and Irrigation Co., Inc., Pollard Dental products, Inc., Polotec, Inc., Poolmaster Inc., Port of Houston Authority, Port of Seattle, Port of Tacoma, Portman Holdings, Portman Overseas, Post Glover Resistors, Power Link, Inc., Power Process Controls, PPG Industries Asia/Pacific Ltd., PPG Industries, Inc., Praegitzer Industries, Inc., Pratt & Whitney, Precious Kinds/Activatoys, Precision Filters, Inc., Precision Machining, Inc., Precision Products, Inc., Precision Profiling, Inc., Preco Industries, Pressman Toy Corp., Price Brothers Company, Price Waterhouse LLP, The Principal Financial Group, Printronix, Inc.

The Pro Trade Group, Processed Plastic Company, The Procter & Gamble Company, Professional Machine & Tool, Progressive, Inc., Pro-Mill Company, PTX-Petronix, Inc., Pulizzi Engineering, Inc., Puritan Industries, Inc., Puritan-Bennett Aerospace Systems, Quaker Oats Company, Quality Petroleum Corporation, Quality Tech Metals, QUANTUM DYNAMICS, Inc., QuickLogic Corp., Quinnipiac Chamber of Commerce, R. Dennis & Associates, R.A. Hanson Company, Inc., R.A. Lalli Company, Raco Machine, Inc., Rae Manufacturing Inc., Ragen & Cromwell, P.S., Rainfairn, Inc., Ralee Eng. Co., Ray World Trading, Ltd., Raytek Corp., Raytheon Aircraft Company, RB International, The Reader's Digest Association, Inc., Recognition Systems, Inc., Recoton Corporation, Recreation Vehicle Products, Reebok International, Reed Sportswear Manufacturing Co., Reeves International, Inc., Regal Plastics Company, Reliable Manufacturing Inc., Reliance Metalcenter, RENDER, Revell-Monogram, Inc., RF Group, Inc., Richard Manufacturing Company Inc., Richmont, Riggs Tool Company, Inc., Right Stuff, Inc.

RJM2 LTD, RNS Healthcare Consultants, Inc., Roanoke Companies, Inc., The, Robinson Fans Florida, Inc., ROCKPORT, Rockwell, Rockwell Collins, Inc., Rohm and Haas Company, Rolls-Royce North America Inc., Roof Coatings Manufacturers Association, Roundhouse Products, Inc., RRE Investors, LLC, RSI, Inc., Rubber & Accessories, Inc., Russ Berrie & Co., Inc., RxL Pulitzer, Ryan International Airplines, S.M.S. Group Incorporated, S.R.M. Co., Inc., S.R.M. Toys, Ltd., Saitek Industries, Salant Corporation, Saline Area Chamber of Commerce, Samsonite, Santana Ltd., Sauder Custom Fabrication, Inc., The Savings Bank of Rockville, Saxony Sportswear Co., Scarbroughs, Schenker International, Schottenstein Stores Corporation, Scientific Technologies, Inc., Scope Imports, Seafirst Bank, Sea-Land Service, Inc., Sears, Roebuck & Co., Securities Industry Association,

Security Chain Co., Sellers Tractor Co., Semiconductor Industry Association, Sensormatic Electronic Corp., Separation & Recovery Systems, Integration, Service Merchandise Co., Inc., Shamash and Sons, Inc., Shanghai Industrial Consultant, Inc.

Shelcore Toys, Shelter Bay Leathers, Inc., Shoe Corporation of America, Shonac Corporation, Shultz Steel Company, Siebe Environment Controls, Siemans Corporation, Siemens Medical Systems, Inc., Sierra Machinery, Inc., Sierra Semiconductor Corp., SIFCO Industries, Inc., SigmsTron International, Inc., Sijo Enterprises, Inc., Sikorsky Aircraft Corporation, Silicon Graphics, Simco Electronics, Simmons and Simmons, Simmons Machine Tool Corporation, Skarda Equipment Co., Skyway Luggage Company, SLJ Retail LLC, SmarTrunk Systems, Inc., Soletek, Corp., Solid State Measurements, Inc., Soundprints (TMC), Southern Tier World Commerce Association, Southwest Manufacturing, Southwest Paper Co., Specialty Tool Company, Spectrum Associates Inc., SpeedFarm International Inc., Sperry Sun Drilling Services, Sporting Goods Manufacturers Association, Standard Parts & Equipment, Star Cutter Company, StarBase, Starbucks Coffee International, Starter-Galt Sand Co., State Fish Co., Stearman Aircraft Products Corporation, Sterling International, Sterling Machine Company Inc., Stern International, Inc., Stetron International, Inc., Stratedge Corp.

Stride Rite Corporation, The, Stride Tool, Inc., Strippit, Inc., Strombecker Corporation, Summit Financial Strategies, Sun Microsystems, Inc., Sundstrand Corporation, Sundstrand Fluid Handling Corp., Sunkist Growers, Sunshine Metals, Superior Boiler Works, Inc., Superior Coatings, Inc., Sutlu Imports Int'l Inc., Sweepster Inc., Sy Quest Technology, Inc., Symbios Logic, T.L.I. International Corporation, Talarian, Tampa Armature Works Inc., Tampa Electric, Tampa Port Authority, Taplin Design Group, Inc., Target Stores, TD Materials, Inc., Team Concepts North America, Ltd., Technitrol, Inc., Ted L. Rausch Co., Tegal Corp., Tektronix, Inc., Teleglobe International, Telemind Capital Corporation, TeleProcessing Products Inc., Temcor, TENNECO, Tennessee Association of Business, Tens Machine Co., Inc., Terra-Mar Resource Information Service, Texaco, Texas Association of Business & Chambers of Commerce, Texas Coalition for U.S.-China Commercial Relations, Texas Farm Bureau, Texas instruments Incorporated, Textron Inc., 3–G Inernational, Inc., 3M Company

Thornley & Pitt, Inc., Three Way Pattern, Inc., Tierney Metals, Time Warner Inc., The Timken Company, TMR Materials Co., Inc., Toledo Area International Trade Association (TAITA), Tomy America, Inc., Tone Commander Systems, Topline Imports, Inc., Toy Manufacturers of America, Toys 'R' Us, Inc., Tradehome Shoe Stores, Inc., Tramco, Inc., Transammonia, Inc., Trans-Ocean Import Co., Inc., Trans-Phos, Inc., Triangle Coatings, Inc., Trident Microsystems, TRIG, Trio Machine, TRW Inc., TSC Engineering Co., TSI, Inc., Tube Sales, Inc., Tucker MFG., Turner Electric Works, Twin Cities Airports Task Force, Tyco Preschool Inc., U.S. Agri-Chemicals Corp., U.S. Association of Importers of Textiles and Apparel (USA–ITA), U.S. Bank, U.S. Chamber of Commerce, U.S. Council for International Business, U.S.-China Industrial Exchange, Inc., U.S.-China People's Friendship Association, UNC Aerostructures, Uncle Milton Industries, Inc., UNIAX Corp., Union Camp Corporation, Union Carbide Asia Ltd., Unirex, Inc., Unisource, Unisys Corporation, United Airlines, United Machine Co., United Parcel Service, United Silicon, Inc., United States Council for International Business, United Technologies Corporation, Unitek Miyachi Corp., Universal Marketing Group, Unocal Corporation, US Export, Inc., US Trade Center, US Trading and Investment Company, US West, Inc., US-China Business Council, V7S Corporation, Valve Manufacturers Association, Varian Associates, Vector Corp., Vector Products Inc., Venture Search, Vermillion, Inc., Viewlogic Systems, Inc., Virco Mfg. Inc., Vtech (OEM), Inc., Vtech Industries, LLC, VXI Electronics, WACCO, Wacker Sitronic Corp., Wagman Construction, Inc., Warner-Lambert Corporation, Washington Council on International Trade, Washington Public Ports Association, Washington State China Relations Council, Water Magic International, Watkins-Johnson Company, The Weathervane, Weaver Manufacturing, The Westchester City, NY County Chamber of Commerce, Western Bank/Bellevue, Western Resources, Westinghouse Electric Corporation, Westvaco, Weyerhaeuser Company, Whirlpool Asia, Inc., Whirlpool Corporation, White Cap International, Whittaker Aerospace, Wichita Area Chamber of Commerce, Wichita Machine Products, Wichita Tool, Wichita Wranglers, Wicon International Ltd., Wilcox Brothers Sign Co., William Kent International, Wind River Systems, Inc., Windmere-Durable Holdings, Inc., Wm. F. Hurst Co., Inc., Wm. Wrigley Jr. Company, Woolworth Overseas Corp., World Association of Children and Parents (WACAP), World Trade Center Denver, World Trade Council, Worldports Inc., Worldwide Contacts Connections Contracts, Xerox Corporation, XILINX, Inc., YES! Entertainment Corporation, Zak, Incorporated, ZB Industries, Inc., Zellweger Analytics, Inc., Zycad Corp., Zymed Laboratories, Inc.

Ms. DELAURO. Mr. Speaker, we are considering the important matter of whether the United States should extend China's most-favored-nation trading status.

I want to build a strong relationship between the United States and China—a relationship under which American businesses and workers can prosper, a relationship which will encourage China to embrace international norms and human rights. But the MFN status China enjoys has done little to build a strong mutually beneficial relationship between our two nations.

Under MFN, China has engaged in unfair trade practices, pirated intellectual property, spread weapons and dangerous technology to rogue nations, suppressed democracy, encroached on democratic reforms in Hong Kong, and engaged in human rights abuses. Many sing the praises of MFN, but as we consider this issue, we must focus on the facts.

China has gladly profited from MFN while continually flaunting international agreements and standards of conduct. China sends one-third of its exports to the United States while only 1.7 percent of American exports can crack the Chinese market. The result: We now have a $40 billion trade deficit with China which is expected to reach a staggering $50 billion by the end of this year.

And this trade deficit will not go away as long as China rigs its laws to block goods from the United States. Chinese goods enter our country at an average tariff rate of 2 percent while our exports face an average tariff of 35 percent. Worse, China extorts technology and expertise from American firms as the price of doing business in China.

Congress has limited means to address our many and serious concerns regarding China. But China's exports to the United States of more than $50 billion per year give us leverage that we must use to further American interests—interests affecting trade, foreign policy, and American workers.

The United States must not give China a pass on the tough issues. We need to use our trade laws to pressure China for greater access for American companies and goods. We need to take action when China knowingly aids in the proliferation of weapons and weapons technology. And we need to take steps to shield American workers from unfair and inhumane prison labor.

I am voting against MFN for China because we need to let China and our trade leaders know that more of the same from China is not acceptable. If our Government wants support for free trade, then it must insist on fair and equal standards and compliance with our trade laws. When that happens there will be broader support for MFN.

Mr. BALLENGER. Once again, Mr. Speaker we find ourselves debating the renewal of most-favored-nation status for the People's Republic of China. It has become an annual exercise, one that exposes the deep division in our Nation over our relationship with the most populous nation in the world.

I am reluctantly going to vote against the resolution of disapproval, House Joint Resolution 79, authored by my esteemed colleague from New York, Mr. SOLOMON. I am reluctant because China is governed by an authoritarian regime which represses its people and brutally cracks down on dissent. I, like so many of my colleagues, want to take action to force China to change, to become democratic and to ensure that all the people of that nation have the opportunity to participate fully in economic social, political, and religious freedom. But, how do we accomplish this? Will terminating MFN status achieve these ends? I must reluctantly conclude that it will not.

I believe that the United States can do more to advance the cause of human rights and foster religious, economic and political freedom if we continue to engage the Chinese in economic cooperation. Social freedoms—like freedom of religion—are a direct result of economic liberalization. If we remove all of China's trade privileges, we are not only isolating that country, but we are losing any opportunity to improve human rights there. Let's not forget that many of the students that took to Tiennamen Square to protest against their Government were educated in the United States. Termination of MFN status would curtail the education of Chinese students in the United States and thus hinder future democratization in China.

I also believe that by terminating MFN we will hurt the American worker and consumer.

Perhaps as much as $9 billion in United States exports to China might be affected by removing MFN privileges. In one company alone in my congressional district, 500 jobs would be at risk.

However, we must continue to pursue human rights in China and around the globe as an important foreign policy objective. Currently, some of my colleagues are drafting positive steps to influence more directly the domestic situation in China. An expansion of Radio Free Asia and other democracy-building efforts in China are among United States policy options. In addition, Congress is discussing the restriction of visas for Chinese nationals involved in Human rights violations and/or arms proliferation. It is my believe that these aggressive efforts to promote human rights are more likely to encourage constructive change in China.

Mr. Speaker, we must stay engaged with China to effect the economic and political situation there. Terminating MFN status will only be a useless gesture that will hurt the American worker. I urge my colleagues to vote down House Joint Resolution 79.

Mr. PACKARD. Mr. Speaker, I rise today in support of an issue that is of grave importance to me and to our Nation as a whole—most-favored-nation [MFN] status for China. Continuing normalized relations with China is not an affirmation of their record on human rights. It is, however, our best hope of maintaining a channel of democratic ideals and principles of freedom to China's citizens. Ending MFN would be a terrible loss for those fighting for freedoms in China.

If MFN were revoked, manufactured goods from China would be subject to high tariffs upon entering the United States, possibly triggering a retaliatory response. If we close our door, they will close theirs. That means American farmers and manufacturers will pay the price. For every product we sell, there is a supplier in Europe or Asia that can quickly pick up our discarded opportunities. We would literally be handing our global markets to our competitors.

Mr. Speaker, there has been a lot of speculation concerning the possible repression of freedom in Hong Kong when China reclaims its authority. I too am concerned and will be watching closely. But I am hopeful that Hong Kong's free and prosperous economy will actually further market reforms in mainland China. Revoking MFN now would be tragic for Hong Kong and would destroy any hopes for positive results.

Democratic and Western values often ride on the heels of American goods and products. Cutting our economic ties with China would turn the clock back and strengthen the hands of extreme nationalists and those who wish to repress freedoms. I strongly encourage all of my colleagues to support the continuation of MFN status for China.

Mrs. MINK of Hawaii. Mr. Speaker, I rise today to oppose the renewal of the most-favored-nation [MFN] trade status of the People's Republic of China because China continues to deny the greater part of its citizenry the most basic human rights; engages in the worst kinds of religious, political, and ethnic persecution; bully neighboring countries; and undermines international stability by exporting missiles and nuclear technology to some of the world's leading rogue nations.

Every year, we are told that MFN promotes continued economic growth and human rights in the People's Republic of China. While MFN has helped China expand its economy, and improve the living standards of a relatively small number of its citizens, I believe it is an absolute leap of faith to argue that China's economic growth has benefited the vast majority of its 1.4 billion citizens who continue to be denied—sometimes forcibly—the freedom to think, speak, read, worship, and vote as they wish.

I simply cannot agree with those who argue that MFN will one day—some day—result in improved human rights in China as the Government of that vast nation continues to violate human rights on a massive scale.

For example, the people of Tibet have been subject to especially harsh treatment by the Chinese Government. Why? Because their culture and religion are inseparable from the movement that seeks full Tibetan freedom from China—a movement that has been brutally suppressed by the Chinese Government since the late 1940's, when armed Chinese forces drove the Dalai Lama, the head of Tibet's ancient theocracy, into exile.

Since then, the Chinese Government has stepped up its efforts to discredit the Dalai Lama as well as its campaign to eradicate the ancient culture and traditions of Tibet. In May 1994, a new ban on the possession and display of photographs of the Dalai Lama, resulted in a raid of monasteries in which Buddhists priests were brutally beaten by Chinese military personnel.

The child recognized by the Dalai Lama, but rejected by the Chinese Government, as the Pansen Lama, the second highest individual in the Tibetan Buddhist hierarchy, is currently being held in ''protective custody'' by Chinese authorities.

Since 1996, all religious institutions in China must register with the state. The failure to do so results in the closure of such institutions—or worse. For example, Human Rights Watch—Asia reports that unofficial Protestant and Catholic communities have been harassed, with congregants arrested, fined, sentenced, and beaten.

The sad fact is that after two decades after the United States and China normalized relations, China has persisted—no, insisted—on following policies that threaten to make it an increasingly disruptive force among the family of nations. China's continuing and growing practice of selling advanced weapons and nuclear technology to Iran, Iraq, and other rogue nations is already a threat to world peace.

Supporters of continued MFN for China argue that continued economic development in China will lead inevitably to a more open Chinese society and polity. Unfortunately, the current Chinese leadership seems willing and able to delay what MFN proponents insist is the inevitable.

It should be remembered that like China today, the old South Africa had a growing economy, a growing—albeit racially limited—middle class, a significant United States business presence, and a repressive government. And, just like the arguments supporting continued and increased trade with China, it was argued that continued and increased United States trade with the old South Africa would bring about the economic, social, and political reforms that would inevitably force the South African Government to dismantle apartheid—the policy of segregation and economic and political discrimination against non-European groups.

As we all know, the Government of the old South Africa continued—in fact, stepped up—its campaign of repression and terror, including kidnaping, torture, jailing, and murder, to maintain apartheid until 1987—that is, the year the Western World finally lost patience with the promises of progress made by the South African Government.

Just as constructive engagement failed to reform the old South Africa, continued MFN will fail to reform China. Because I believe only the strongest trade sanctions, including a worldwide trade embargo on China, will encourage China's leaders to change the policies that promise to transform China into the world's leading rogue nation, I will continue to work to suspend China's MFN status.

Mr. COYNE. Mr. Speaker, I rise in support of House Joint Resolution 79, the resolution of disapproval and against most-favored-nation status for China.

The Country Reports on Human Rights Practices for 1996 issued by the Department of State states that: ''The Government—of China—continues to commit widespread and well-documented human rights abuses in violation of internationally accepted norms, stemming,'' among other reasons from ''* * * the absence or inadequacy of laws protecting basic freedoms.'' And the report continues: ''No dissidents were known to be active at year's end.''

Every year when MFN is before the Congress for renewal we are told that it is only through engagement with China that conditions will improve and every year the State Department's report seems to indicate that conditions, engagement to the contrary notwithstanding, have changed little.

Further, the United States' trade deficit with China was close to $40 billion in 1996. And it is only recently and with an absence of enthusiasm that the Government of China has moved to protect the intellectual property rights of United States citizens. Also, the Chinese markets are not entirely open to United States exports and trade barriers prohibit the full flow of trade.

In summary, continued human rights violations, failure to protect intellectual property rights, and failure to permit United States goods greater access to China's markets leads me to conclude that renewal of MFN for China at this time is not warranted.

Mr. POMEROY. Mr. Speaker, I rise in opposition to House Joint Resolution 79, a resolution to revoke most-favored-nation [MFN] for the People's Republic of China.

First, it is important to be clear about the terms of this debate so it is well understood what is proposed by this resolution. Most-favored-nation is not preferential treatment, rather, it is the normal trade status that the United States extends to all but eight nations in the world. Revocation of MFN, on the other hand, is not the withdrawal of special trade concessions but the imposition of economic sanctions that would potentially sever our ties with the world's most populous nation.

With that understanding, we can have an honest debate about whether employing unilateral sanctions and ending our trade relationship with China will bring about the changes in Chinese behavior that we all wish to see—greater respect for human rights, adherence to trade agreements, and support for nonproliferation controls. In my view, revoking MFN in an attempt to isolate China is highly

unlikely to induce positive change in China and is certain to harm United States economic and strategic interests.

Since China's opening to the West in the late 1970's, the political and economic conditions of the Chinese people have improved significantly. Through trade and contact with American business partners, individuals and communities in China, especially in the coastal regions, have gained substantial freedom from central government planners in Beijing. Severing those contacts would reverse that progress and have the effect of increasing Beijing's authority over the lives of the Chinese people.

Mr. Speaker, not only would revoking MFN fail to advance human rights in China, it would seriously injure United States economic interests. I am especially concerned about the effect revoking MFN would have American agriculture. China is expected to account for 37 percent of future growth in United States agriculture exports, making it the most important growth market for United States commodities. In last year's farm bill, Congress eliminated the safety net and told family farmers they would have to earn their income solely from the marketplace. It would be unfair to the farmers in my State and around the country to now close down perhaps their most important export market.

Mr. Speaker, I ask my colleagues to join me in advancing the interest of both the people of the United States and the people of China by opposing the resolution and continuing normal trade relations with China.

Mr. BARRETT of Nebraska. Mr. Speaker, I rise in strong opposition to this resolution which would end normal trade relations with China.

Trade with China is about trading goods and trading ideas—ideas of religious freedom, free speech, and a free-market economy. Ending trade means an end to this exchange of ideas, and an end to the freedoms we hope the Chinese people may one day have.

While the biggest losers of ending trade with China may be the Chinese people, we here at home also stand to lose. And this is so clearly illustrated in agriculture trade.

We will lose our sixth biggest agriculture export market and $2.6 billion in annual trade. Our farmers here at home would lose more than $4 billion in income in the next 3 years. While we would have to work doubly hard to expand our markets elsewhere, the average Chinese citzens would end up having to pay a higher price at the store for food.

And that's what this debate is about today—how can we help improve the living conditions of the average Chinese citizen. We can cease trade, cease our exchange of ideas and know that the practioners of abhorrent human rights abuses will use this vote as an excuse to further punish supporters of trade with America.

Or we can stand tall and know that trade with China is the biggest opportunity we have to move China in the direction we want. I encourage my colleagues to vote against this misguided resolution.

Mr. MARKEY. Mr. Speaker, I wish to convey my strong support for the disapproval of most-favored-nation status for China.

Six days from now, China will gain considerable strength nationally and internationally with the inclusion of Hong Kong. By approving most-favored-nation status, we will be using the power of the United States of America to condone their misbehavior not only in China, but its extension into Hong Kong as well. Let's just review China's record.

First on nonproliferation, in the 1980's, we received information that China was covertly assisting Pakistan's shadowy nuclear program. China promised it would mend its ways, and in return we signed a Nuclear Cooperation Agreement in 1985—an agreement which has never been implemented throughout its 12 year existence because no U.S. President has ever been able to certify that China is being a responsible member of the international nonproliferation community.

In the 1980's, the Chinese National Nuclear Corporation secretly built a nuclear reactor in Algeria. After a multitude of denials, China finally admitted its involvement in the reactor construction—only after aerial photographs identified it in 1991. Another lie exposed.

In 1994, after China had signed the Nuclear Nonproliferation Treaty, press reports indicated that the Chinese National Nuclear Corporation was building a secret military reactor in Pakistan, as well as two reactors and a uranium facility in Iran. More promises broken.

In 1996, the transfer of 5,000 ring magnets from the Chinese National Nuclear Cooperation to Pakistan for use in a uranium enrichment facility was leaked to the press. China promised that it wouldn't do it again, and the Clinton adminsitration chose to believe those promises, despite the years of deception that should have called the nature of China's assurances into question.

In the area of missile proliferation, a press report published just last week described a new short-range missile being developed by Iran with the help of technology and assistance from the China Precision Engineering Institute New Technology Corporation. China has been selling M–11 missiles to Pakistan for 5 years, according to a June 30 article in Time magazine, and recent satellite photos indicate that not only are missiles being transferred, but that an entire missile factory is being built. This latest information comes after the all too familiar series of promises Beijing made in 1994 not to do it anymore.

Years of lies, years of broken promises—what we have here is a proliferation pathology. China is as hooked on selling weapons of mass destruction as an alcoholic is to his scotch. We need to prescribe the appropriate therapy, and as with alcoholism, it will take more than a 12-step self-help program at a proliferators anonymous group. The alcoholic will first promise to cut down on his drinking. When he gets caught, he'll make the same promise. If he keeps getting caught, he'll up the ante and promise to stop cold turkey. When does the alcoholic really stop drinking? When an intervention take place. When his family and friends tell him that they will no longer support, accept, or tolerate his behavior, and he is forced to confront his addiction honestly in order to regain their love and trust. Mr. Speaker, what we need to do with China is undertake a proliferation intervention.

On trade, every year we are told that renewing China's most-favored-nation status would help reduce our trade deficit with China; however, we have seen that trade deficit rise from $2.8 billion in 1987 to $39.5 billion in 1997.

Supporters claim that MFN is normal trade relations. These so-called normal relations produce a 2-percent tariff on Chinese goods, but the Chinese levy a 35-percent average tariff rate on United States goods.

In 1996, Chinese piracy of United States intellectual property cost our economy over $2.3 billion.

The Chinese have continually used this status to their advantage, including the most recent development of Chinese military owned business' selling enormous amounts of goods to the United States, all because we allow it.

These normal trade relations produce nothing but negative effects on our economy, and we can no longer stand idly by and let our country move further into debt.

Finally on human rights, we have an obligation to promote human rights throughout the world. To support China in its practice of suppressing democracy, and encouraging slave labor would be a contradiction of everything our country stands for.

The State Department Country Report on Human Rights from this year states that the Chinese Government continued to commit widespread and well-documented human rights abuses, in violation of internationally accepted norms, stemming from the authorities' intolerance of dissent, fear of unrest, and the absence or inadequacy of laws protecting basic freedoms.

Mr. Speaker, we can not continue to support the abhorrent practices in China, economically or abstractly.

We are told to wait and see what happens when Hong Kong changes hands, but the players have already moved to centerfield. Already the hand picked legislature for Hong Kong has given the police broad new powers to ban even peaceful demonstrations, and any group wishing to hold a protest march or rally must get prior approval from the police.

Granting MFN status to China now would be like buying your 16-year-old a Porshe for flunking out of high school. It only reinforces bad behavior and leads to big trouble down the road.

China is speeding up down the runway, ready to take off with Hong Kong. There is no justification for renewing China's most-favored-nation status until they have proven to abide by international standards and practices. We should not be handing them MFN on a silver platter, they must earn it.

Every year on the day after we grant China MFN status, the Chinese Government votes to grant the United States MFN for most-foolish-nation status for being duped again on nonproliferation, trade, and human rights.

Mr. Speaker, I rise in opposition to granting China most-favored-nation status.

Back in the 1980's, we received information that China was covertly assisting Pakistan's shadowy nuclear program. China promised it would mend its ways, and in return we signed a nuclear cooperation agreement in 1985—an agreement which has never been implemented throughout its 12 years existence because no United States President has ever been able to certify that China is being a responsible member of the international nonproliferation community.

In the 1980's, the Chinese National Nuclear Corporation secretly built a nuclear reactor in Algeria. After a multitude of denials, China finally admitted its involvement in the reactor construction—only after aerial photographs identified it in 1991. Another lie exposed.

In 1994, after China had signed the Nuclear Nonproliferation Treaty, press reports indicated that the Chinese National Nuclear Corporation was building a secret military reactor

in Pakistan, as well as two reactors and a uranium facility in Iran. More promises broken.

In 1996, the transfer of 5,000 ring magnets from the Chinese National Nuclear Cooperation to Pakistan for use in a uranium enrichment facility was leaked to the press. China promised that it wouldn't do it again, and the Clinton administration chose to believe those promises, despite the years of deception that should have called the nature of China's assurances into question.

In the area of missile proliferation, a press report published just last week described a new short-range missile being developed by Iran with the help of technology and assistance from the China Precision Engineering Institute New Technology Corporation. China has been selling M–11 missiles to Pakistan for 5 years, according to a June 30 article in Time magazine, and recent satellite photos indicate that not only are missiles being transferred, but that an entire missile factory is being built. This latest information comes after the all too familiar series of promises Beijing made in 1994 not to do it anymore.

Years of lies, years of broken promises—what we have here is a proliferation pathology. China is as hooked on selling weapons of mass destruction as an alcoholic is to his scotch. We need to prescribe the appropriate therapy, and as with alcoholism, it will take more than a 12 step self-help program at a proliferators anonymous group. The alcoholic will first promise to cut down on his drinking. When he gets caught, he'll make the same promise. If he keeps getting caught, he'll up the ante and promise to stop cold turkey. When does the alcoholic really stop drinking? When an intervention takes place. When his family and friends tell him that they will no longer support, accept, or tolerate his behavior, and he is forced to confront his addiction honestly in order to regain their love and trust.

Mr. Speaker, what we need to do with China is undertake a proliferation intervention. We need to exercise some tough love, and tell China that we have had enough of the empty assurances and broken promises. Let's get China onto the nonproliferation wagon—vote to revoke MFN status.

Mr. COSTELLO. Mr. Speaker, I rise today in support of the resolution to disapprove most-favored-nation status for China. Last year, I opposed efforts to grant this privilege to China, and following a trip I made to China earlier this year, I continue to have reservations about extending this status.

Since the 1989 Tiananmen Square massacre, concern in Congress about the United States-China relationship has focused on three areas: China's violations of our trade agreements, proliferation of weapons of mass destruction, and human rights abuses. During last year's debates on China MFN status, a resolution was passed urging the appropriate House committees to hold hearings and offer recommendations on these areas. While congressional hearings and commissions have met and many reports been issued, in each of these areas where Chinese violations have occurred, it is clear that our national policies of constructive engagement have failed. In fact, there has been marked deterioration, not improvement, under recent policies.

Looking from the economic perspective, the United States deficit with China has steeply climbed from $3 billion at the time of the Tiananmen Square massacre in 1989 to over $50 billion projected for 1997. Less than 2 percent of United States exports are allowed into China, while over 33 percent of China's exports come into the United States. China's high tariffs and nontariff barriers limit access to the Chinese market for most United States goods and services and violate the GATT agreement. We must take action to assure that from the economic standpoint we have a level playing field.

Second, I am concerned about Chinese efforts to transfer nuclear, advance missile, chemical, and biological weapons technology to nations like Iran and nonsafeguarded nations like Pakistan. China is the largest nuclear power in the world and the only nation which produces long-range nuclear missiles. The United States spends billions to promote Middle East peace, and Iran is a threat to that peace. We cannot continue to ignore China's transfer of dangerous technology to that region. Such activity threatens to destabilize not only our Nation but other regions of the world.

Most importantly, human rights issues continue to concern me. The State Department's most recent issue of the Country Reports on Human Rights reveal that Chinese authorities have increased efforts to curtail public protests or criticism of the government. There has been increased persecution of evangelical Protestants and Roman Catholics in China who choose to worship independently of the government-controlled church. In addition, officials there ruthlessly enforce laws limiting families to having one child. It is well-documented that individuals who gave birth to a second child there experienced loss of job or government benefits, fines and in some cases forced sterilization. The freedoms we often take for granted in America are what makes this Nation such a wonderful place to live. As a national policy, I do not support offering economic incentives to a nation which discourages and disallows the freedom for individuals to express themselves.

Our Nation has a responsibility to use its leverage to act on behalf of fairness and must insist on a reciprocal relationship with China. It is my strong desire that once and for all these three issues can be addressed so that both countries can have a satisfactory trade relationship. However, this will not happen by once again overlooking the serious problems that are occurring in China. A recent poll by *Business Week* magazine shows that 67 percent of the American people oppose MFN for China. Let's do what the American people want and deny MFN status for China.

Mr. METCALF. Mr. Speaker, today I will cast one of the most difficult votes during my tenure in Congress when I vote to grant most-favored-nation status to China. ''Most-favored-nation status'' is a misnomer, the vote is actually whether or not to continue a normal trading relationship with China.

There are many reasons to deny even a normal trading relationship with China. The lack of respect for the sanctity of human life, the lack of free speech or assembly, and the targeting and persecution of Christians are all good reasons to deny a normal trading status.

But there is another side. To stop trade with China will further isolate and remove any pressure the United States has to improve their system. The vote on a normal trading status with China is a decision that will dictate how the United States chooses to support and help bring the citizens of China out of the oppressive world they are born into and show them the light of democracy. It is a decision that will affect the stability of Asia for the foreseeable future. This decision is a choice between supporting the economic miracles in Taiwan and Hong Kong or walk away from the situation entirely. It is a decision to protect American jobs in Puget Sound or threaten their very existence.

I will cast my vote in favor of a normal trade relationship with China for many reasons including the ones detailed below.

WASHINGTON STATE

Washington State is the most trade dependent State in the United States. Recent studies have concluded that 1 out of every 4 jobs in Washington State are dependent on trade. In fact, trade between Washington State and China represented over 20 percent of the total trade between the two countries. The economic well being and continued growth of the State economy are closely linked to a continuation of trade with China.

Mr. Speaker, over 30,000 employees work in my district for the Boeing Co. Many on this floor have targeted the Boeing Co. as a reason to deny MFN from China. In a letter that I requested from Boeing asking the hard questions about the welfare of American workers in Puget Sound, I was informed that in this year alone over $1 billion in contracts for American-made Boeing aircraft have been solidified with China. Further, 70 percent of all commercial sales of Boeing aircraft are sold overseas.

However, impressively over 85 percent on average of the contents of these aircraft are from the United States and they are all assembled in the Puget Sound region. These are impressive statistics and I intend to follow through on these numbers—and Mr. Speaker, I include the letter for the RECORD.

RELIGIOUS FREEDOM

Finally, religious freedom demands the continuation of a normal trade relationship. China is guilty of the persecution of Christians and I condemn their behavior. However, to walk away from the success that Christian missions have enjoyed in China will not help curb this practice. The Reverend Billy Graham has stated that he is ''in favor of doing all we can to strengthen our relationship with China and its people.'' He continues, ''nations respond to friendship just as much as people do.''

The China Service Coordinating Office, an organization that represents more than one hundred Christian organizations in China believes that the revocation of MFN will threaten Christian outreach to the mainland. I must look to those missionaries who are carrying out their Christian ministry every day on the ground, in the trenches and trust they understand what is best for the persecuted Christian minority in China. They support the continuation of a normal trading relationship with China.

OUR FUTURE RELATIONSHIP WITH CHINA

The United States of America must pursue a new policy with China. In order to effect real change, we must end this yearly debate on a normal trading relationship and pursue a pragmatic policy that reacts swiftly and certainly against Chinese infractions against its citizens and the global community.

We must enact legislation to prohibit business with Chinese companies tied to the Chinese Red Army. We must deny visas to human rights abusers in China to enter the

United States. We must increase funding to democratic institutions dedicated to bringing the message of democracy to the Chinese people. We must react swiftly to any violation of trade agreements by enacting targeted sanctions against China. Only through bringing about change such as these will we support real change in China.

THE BOEING COMPANY,
Arlington, VA, June 20, 1997.

Hon. JACK METCALF,
Longworth House Office Building, U.S. House of Representatives, Washington, DC.

DEAR CONGRESSMAN METCALF: I want to take the opportunity to respond to your recent inquiry concerning the Boeing Company and how our relationship with China affects jobs at our Everett, Washington facility.

We are an American company with a global presence competing in a global market. We sell our products worldwide and support hundreds of thousands of American aerospace jobs. Today, about 70% of our sales are international. In the future, $3 out of every $4 we make will be from customers outside the United States.

The Boeing Company considers China to be the single most important international market for commercial airplane sales in the next 20 years. China has need for about 1,900 new airplanes, valued at $124 billion. This year alone we've signed orders for over a billion dollars worth of airplanes to China, including five 777s and two 747s—all made at our Everett facility.

We have 32,000 employees working in Everett, including engineers, machinists, pilots and technicians. Their jobs are dependent on our ability to sell airplanes. The Boeing Commercial Airplane Group also has approximately 5,000 U.S. suppliers who help contribute to building our airplanes. A small percentage of our suppliers are located outside the United States, including six in China.

While Chinese suppliers are responsible for a portion of the work done by our international suppliers, the majority of the work on our airplanes occurs here in the United States. In fact, 86% of the dollar value (parts, tools and labor) of Boeing commercial aircraft in 1996 was provided by Boeing and U.S. aerospace suppliers.

It is important to note that Boeing will retain the key engineering, design and product-integration expertise that has made us the world's leading producer of commercial jetliners. We will not transfer any technologies or core competencies that would help a supplier become a competitor.

A stable relationship between China and the United States will directly affect our ability to sell airplanes in China—which in turn affects jobs at Boeing.

Beyond jobs, trade is a powerful force for human progress, representing the free exchange of goods, services and ideas. MFN extension will help to assure that we can remain engaged and competitive in China, and will also lay the groundwork for concluding World Trade Organization (WTO) negotiations that will help lock in China's economic reform process, improve the rule of law and improve market access for U.S. workers and farmers. In our view, trade is the best tool we have for promoting American values in China.

I want to thank you for the opportunity to address some of your questions, and your continued interest and efforts on behalf of the Boeing Company and its employees.

Sincerely,

CHRISTOPHER W. HANSEN,
Vice President,
U.S. Government Affairs.

Mr. CONDIT. Mr. Speaker, I rise today to cast my vote against most-favored-nation trade status for China. We have hoped that a policy of trade engagement with China would lend to greater democracy in China and greater responsibility from the Chinese government. It has not.

China's human rights record leaves much to be desired. There is clear evidence of persecution of religious belief, persecution of the people of Tibet, use of prison labor, and a restricted press. Additionally, our dialogue and willingness to engage China in trade has made no discernible impact in the area of human rights.

China continues to engage in predatory trade practices that have led to our $40 billion trade deficit with China. China refuses to enforce laws against the piracy of intellectual property and patents, continues to ship products made with prison labor, evades United States restrictions on China textile exports by transshiping pieces through Hong Kong, and effectively prohibits thousands of foreign products from entering the Chinese market through a maze of regulations which run counter to the General Agreement on Tariffs and Trade. Our trade deficit with China has been rising at a faster rate than that of any other major trading partner. How many more American jobs are we going to let China's repressive government destroy?

It is clear that countless extensions of the MFN trading privilege—a privilege China needs more than we do—have not worked. Our yearning for friendship and our attempts to persuade Beijing to conform to international norms have been met with failure.

China continues to increase spending on the military, and seems intent on developing an offensive military capability—financed by billions of dollars the regime makes through its managed trade with us. Beijing refuses to join international efforts to stem the proliferation of nuclear arms, continues to transfer advanced ballistic missile technology to Syria and Pakistan, provides nuclear and chemical weapons technology to Iran, and refuses to comply with the Nuclear Non-Proliferation Treaty.

The United States has a responsibility to use whatever leverage it has—military, diplomatic, or economic—to send this message. We have a responsibility to speak out for democracy wherever possible. For in the end, the argument over MFN is not just about what kind of country China is, it is about what kind of nation we are. China needs to be sent a loud, unequivocal message—a message that can only be delivered by revoking Beijing's MFN status.

Mr. FRELINGHUYSEN. Mr. Speaker, I rise in support of MFN for China. I rise in support of the common sense proposition that we continue to normalize trade relations with the People's Republic of China.

We live in a global economy and it simply makes no sense to turn our back on a nation of 1 billion people. It is in our national security interests as well as our economic interest that we have normal relations.

We are all concerned about human rights and individual freedom, but the best way to promote those causes is to be present in China with our values and our products.

In my district alone, I have heard from large and small companies whose future for products and jobs largely depends on new markets.

I can think of no more important export to China than each and every example of the American success story.

Mr. Speaker, I agree with the statements of the President in his letter to Congress of June 11, 1997:

Our engagement with China does not mean that we endorse all of its policies. Where China has acted contrary to our interests and the standards of international behavior, we have made clear our differences. We successfully pressed China to end its assistance to unsafeguarded nuclear facilities in third countries. We insisted that it take strong steps to protect the intellectual property rights of American videotape and compact disc makers from piracy. When China carried out provocative military exercises in the Strait of Taiwan, we sent our aircraft carriers to the region as a reminder of our commitment to stability and a peaceful resolution to the Taiwan issue. And repeatedly, we have stood up for human rights in China—at the United Nations Human Rights Commission in Geneva; through the State Department's unvarnished annual human rights reports; in our meetings with China's leaders. We will continue to use all the tools at our disposal—cooperation, diplomacy, targeted sanctions, when appropriate—to narrow our differences.

Ending normal trade treatment for China would end our strategic dialogue—blocking cooperation on issues important to America's interests and destroying our ability to promote China's fuller observation of international norms. Rather than advancing human rights, revocation would cut off our contact with the Chinese people. It would eliminate, not facilitate, further cooperation on preventing weapons proliferation, promoting stability on the Korean peninsula, and combating transnational threats to both our countries. It would close one of the world's emerging markets to our exports and endanger an estimated 170,000 American jobs. It would make China more isolated and less likely to play by the rules of international conduct.

Most of the opponents of normal trade treatment for China seek goals that I share—respect for human rights and religious freedom in China; fair and open trade; responsible policies on weapons proliferation. But I am convinced the path they have chosen to advance those goals is the wrong path. Further change in China is necessary and inevitable, but it will not come overnight. It most assuredly will not come if we isolate ourselves and cut off our relationship with one quarter of the world's population.

I urge my colleagues to oppose this resolution and support MFN for China.

Mr. RYUN. Mr. Speaker, I rise today to address a very difficult issue that we've been wrestling with for some months now. As a freshman, this is my first vote on most-favored-nation status for China. And I have listened very carefully to both sides on this matter.

This has been a very healthy debate. It is a debate about religious freedom and human rights in China as well as about how to promote democracy and economic freedom throughout the world.

I agree with the many missionaries in China who have told me personally that denying MFN status to China would only isolate that country, pushing it further from our ideals of religious freedom and democracy. I do not believe that slamming the door to freedom and trade would improve human rights in China. Instead, it would close off the avenues of greater Western influence.

In a recent memo, a group opposing the renewal of MFN to China quoted an editorial from the Economist which stated:

If you hear your neighbor beating up his children, do you give a shrug and say it is none of your business?

My answer is absolutely no. And I hope that all of us here would go next door and try to stop the abuse. That's how the United States should deal with China. To deny MFN would be to shrug and say that the human rights abuses are not our problem. Some have argued that we should ignore the violations, pull up our drawbridge, put on our blinders and turn inward, leaving China to continue its policies of persecution and population control. We have been down that road. And what did it produce? A decade-long terror called the Cultural Revolution.

I believe the best way to affect change in China—morally, economically and politically—is through interaction with the Chinese. We should demonstrate the American way of integrity, honesty, and openness.

Today, United States exports of goods and services to China total about $14.4 billion and support over 200,000 jobs. Kansas exports to China in 1996 were $53.2 million, up from $6 million in 1990. And China is my State's 13th largest trading partner.

Let's make sure that in our zeal to rap the knuckles of the Chinese Government, that we do not slam the American farmer and manufacturer with a 2 by 4 and cause the loss of thousands of American jobs. We need only be reminded of the Soviet grain embargo imposed by President Carter in the 1980's. I can assure you that Kansas wheat farmers have not forgotten it.

I believe there are more effective ways to foster freedom and curb human rights abuses in China. We should: First, ban companies controlled by the Chinese military from commercial activity in the United States; second, deny visas to Chinese officials involved in human rights abuses, religious repression or population control or who engage in selling high-tech weaponry; and third, increase exchange programs for Chinese students to come to the United States.

So, by renewing MFN status, we choose to go next door and persuade our neighbor to treat his children lovingly. The United States should remain a positive influence on its neighbor by keeping our doors open to demonstrate how families in a free and prosperous nation live together in peace.

Let us remember the words of President Reagan in his last State of the Union Address:

One of the greatest contributions the United States can make to the world is to promote freedom as the key to economic growth. A creative, competitive America is the answer to a changing world, not trade wars that would close doors, create great barriers, and destroy millions of jobs . . . Where others fear trade and economic growth, we see opportunities for creating new wealth and undreamed-of opportunities for millions in our own land and beyond. Where others seek to throw up barriers, we seek to bring them down; where others take counsel of their fears, we follow our hopes.

After much prayerful thought, I will vote in favor of extending most-favored-nation status to China.

I urge my colleagues to support normal trade relations with China in hopes of continuing our influence of religious and economic freedom.

Mr. SMITH of Oregon. Mr. Speaker, I rise in opposition of House Joint Resolution 79, a resolution of disapproval of most-favored-nation [MFN] status for products from China. I believe that it is in the best interest of United States agriculture to continue, and eventually expand, the current trading relationship with China.

United States agriculture exports to China were $2 billion last year, a significant increase over 1993 United States exports of less than one-half of $1 billion. China represents an agriculture market that is vital to the success of our farmers and ranchers. Our agriculture trade with China can strengthen development of private enterprise in that country and bring China more fully into world trade membership.

There are few countries that do not have unconditional MFN status with the United States. MFN status allows a country's products to enter into the United States at the same tariff rates that apply to other trading partners. In fact, MFN provides no special treatment. It allows us to treat all countries' imports in the same manner. Failure to do so often has a serious negative impact on American agriculture, the first to feel the impact of embargoes and retaliation.

It is my intention to work toward the goal of ensuring regular and ongoing trade with China. In fact, the committee has been working closely with the Secretary of Agriculture and the United States Trade Representative on matters related to China's accession to the World Trade Organization. Several issues related to nontariff trade barriers must be resolved prior to any accession.

International trade is important for American agriculture and for the success and prosperity of American farmers and ranchers. I urge my colleagues to reject House Joint Resolution 79.

Mr. KIM. Mr. Speaker, I rise in strong opposition to the resolution.

Earlier this year, I traveled to China, Hong Kong and Taiwan with Speaker GINGRICH and a dozen of my colleagues. At each stop, it was impressed on us how important MFN for China is. People in both Taiwan and Hong Kong pleaded with us not to cut off trade with China. It is extremely important to them.

Why? Because they have billions of dollars worth of investment in China and Hong Kong. So do we.

What do we gain by denying trade with China? Yes, some countries don't have MFN—such as Iran, Iraq, Libya, North Korea and Cuba—countries that the State Department has listed as sponsors of international terrorism.

Do we want to include China in the same category? Maintaining strong relations with China is of great importance to providing long-term stability to the Asia-Pacific region. MFN is not a privilege, it is to maintain normal trade relations.

The SPEAKER pro tempore (Mr. LAHOOD). All time has expired.

Mr. DREIER. Mr. Speaker, I ask unanimous consent that if proceedings on the Journal resume immediately after an electronic vote on another question, then the minimum time for any electronic vote on agreeing to the Speaker's approval of the Journal may be 5 minutes.

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

There was no objection.

The SPEAKER pro tempore. Pursuant to sections 152 and 153 of the Trade Act of 1974, the previous question is ordered on the joint resolution.

The question is on the engrossment and third reading of the joint resolution.

The joint resolution was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the joint resolution.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

RECORDED VOTE

Mr. BUNNING. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. Pursuant to the order of the House of earlier today, the Chair announces that he will reduce to a minimum of 5 minutes the period of time within which a vote by electronic device, if ordered, will be taken on the question of the Speaker's approval of the Journal.

The vote was taken by electronic device, and there were—ayes 173, noes 259, not voting 3, as follows:

[Roll No. 231]

AYES—173

Abercrombie	Gilman	Owens
Aderholt	Gonzalez	Pallone
Barcia	Goode	Pappas
Barr	Goodling	Parker
Bartlett	Gordon	Pascrell
Barton	Graham	Paxon
Berman	Gutierrez	Payne
Bishop	Hall (OH)	Pelosi
Blunt	Hastings (FL)	Pickering
Bonior	Hefley	Pombo
Bono	Hefner	Rahall
Borski	Hilleary	Riley
Brown (OH)	Hilliard	Rivers
Bunning	Hinchey	Rogan
Burr	Hobson	Rogers
Burton	Horn	Rohrabacher
Cardin	Hostettler	Ros-Lehtinen
Carson	Hoyer	Rothman
Chambliss	Hunter	Royce
Chenoweth	Hyde	Sabo
Clay	Inglis	Sanchez
Clayton	Jackson (IL)	Sanders
Clyburn	Jones	Sanford
Coburn	Kaptur	Scarborough
Collins	Kasich	Schaffer, Bob
Condit	Kennedy (MA)	Scott
Cook	Kennedy (RI)	Sensenbrenner
Costello	Kildee	Sisisky
Coyne	Kilpatrick	Smith (MI)
Crapo	King (NY)	Smith (NJ)
Cubin	Kingston	Smith, Linda
Cummings	Klink	Solomon
Danner	Klug	Souder
Davis (IL)	Kucinich	Spence
Deal	Lantos	Spratt
DeFazio	Lewis (GA)	Stark
Delahunt	Lewis (KY)	Stearns
DeLauro	Lipinski	Stokes
Dellums	LoBiondo	Strickland
Diaz-Balart	Maloney (CT)	Stupak
Dickey	Markey	Taylor (MS)
Doolittle	Mascara	Thompson
Duncan	McCarthy (NY)	Tiahrt
Ehrlich	McInnis	Tierney
Engel	McIntyre	Torres
Ensign	McKinney	Traficant
Evans	Menendez	Upton
Everett	Miller (CA)	Velazquez
Forbes	Mink	Vento
Fowler	Molinari	Visclosky
Frank (MA)	Mollohan	Wamp
Ganske	Myrick	Waters
Gejdenson	Nadler	Watt (NC)
Gephardt	Norwood	Watts (OK)
Gibbons	Obey	Waxman
Gillmor	Olver	

Weldon (FL)
Wexler
Weygand
Wolf
Woolsey
Wynn

NOES—259

Ackerman
Allen
Andrews
Archer
Armey
Bachus
Baesler
Baker
Baldacci
Ballenger
Barrett (NE)
Barrett (WI)
Bass
Bateman
Becerra
Bentsen
Bereuter
Berry
Bilbray
Bilirakis
Blagojevich
Bliley
Blumenauer
Boehlert
Boehner
Bonilla
Boswell
Boucher
Boyd
Brady
Brown (CA)
Brown (FL)
Bryant
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Castle
Chabot
Christensen
Clement
Coble
Combest
Conyers
Cooksey
Cramer
Crane
Cunningham
Davis (FL)
Davis (VA)
DeGette
DeLay
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Dreier
Dunn
Edwards
Ehlers
Emerson
English
Eshoo
Etheridge
Ewing
Farr
Fattah
Fawell
Fazio
Filner
Flake
Foglietta
Foley
Ford
Fox
Franks (NJ)
Frelinghuysen
Frost
Furse
Gallegly
Gekas
Gilchrest
Gingrich
Goodlatte
Goss
Granger
Green
Greenwood
Gutknecht
Hall (TX)
Hamilton
Hansen
Harman
Hastert
Hastings (WA)
Hayworth
Herger
Hill
Hinojosa
Hoekstra
Holden
Hooley
Houghton
Hulshof
Hutchinson
Istook
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (WI)
Johnson, E. B.
Johnson, Sam
Kanjorski
Kelly
Kennelly
Kim
Kind (WI)
Kleczka
Knollenberg
Kolbe
LaFalce
LaHood
Lampson
Largent
Latham
LaTourette
Lazio
Leach
Levin
Lewis (CA)
Linder
Livingston
Lofgren
Lowey
Lucas
Luther
Maloney (NY)
Manton
Manzullo
Martinez
Matsui
McCarthy (MO)
McCollum
McCrery
McDade
McDermott
McGovern
McHale
McHugh
McIntosh
McKeon
McNulty
Meehan
Meek
Metcalf
Mica
Millender-McDonald
Miller (FL)
Minge
Moakley
Moran (KS)
Moran (VA)
Morella
Murtha
Neal
Nethercutt
Neumann
Ney
Northup
Nussle
Oberstar
Ortiz
Oxley
Packard
Pastor
Paul
Pease
Peterson (MN)
Peterson (PA)
Petri
Pickett
Pitts
Pomeroy
Porter
Portman
Poshard
Price (NC)
Pryce (OH)
Quinn
Radanovich
Ramstad
Rangel
Redmond
Regula
Reyes
Riggs
Rodriguez
Roemer
Roukema
Roybal-Allard
Rush
Ryun
Salmon
Sandlin
Sawyer
Saxton
Schaefer, Dan
Schumer
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Skaggs
Skeen
Skelton
Slaughter
Smith (OR)
Smith (TX)
Smith, Adam
Snowbarger
Snyder
Stabenow
Stenholm
Stump
Sununu
Talent
Tanner
Tauscher
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Thurman
Towns
Turner
Walsh
Watkins
Weldon (PA)
Weller
White
Whitfield
Wicker
Wise
Young (AK)
Young (FL)

NOT VOTING—3

Cox
Schiff
Yates

□ 1550

Mr. GILCHREST, Ms. PRYCE of Ohio, and Messrs. SUNUNU, LARGENT, TAUZIN, LEWIS of California, and BECERRA changed their vote from ''aye'' to ''no.''

Mr. BURTON of Indiana, Mrs. MCCARTHY of New York, and Mr. TORRES changed their vote from ''no'' to ''aye.''

So the joint resolution was not passed.

The result of the vote was announced as above recorded.

PERSONAL EXPLANATION

Mr. TAYLOR of North Carolina. Mr. Speaker, I ask permission to speak out of order. On rollcall vote 231, House Resolution 79, to disapprove most-favored-nation treatment to the products of the People's Republic of China, I was recorded as voting ''no'', it was my intention to vote ''yes'', to deny MFN to China. I ask that this statement be printed in the CONGRESSIONAL RECORD immediately after rollcall vote 231.

THE JOURNAL

The SPEAKER pro tempore (Mr. LAHOOD). Pursuant to clause 5 of rule I, the pending business is the question of the Speaker's approval of the Journal.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. UPTON. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 369, noes 59, not voting 6, as follows:

[Roll No. 232]

AYES—369

Ackerman
Aderholt
Allen
Andrews
Archer
Armey
Bachus
Baesler
Baker
Baldacci
Ballenger
Barcia
Barr
Barrett (NE)
Barrett (WI)
Bartlett
Barton
Bateman
Becerra
Bentsen
Bereuter
Berman
Berry
Bilbray
Bilirakis
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Boswell
Boucher
Boyd
Brady
Brown (FL)
Bryant
Bunning
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Capps
Cardin
Carson
Castle
Chabot
Chambliss
Chenoweth
Christensen
Clement
Clyburn
Coble
Coburn
Collins
Combest
Condit
Conyers
Cook
Cooksey
Coyne
Cramer
Crane
Crapo
Cubin
Cunningham
Danner
Davis (FL)
Davis (IL)
Davis (VA)
Deal
DeGette
Delahunt
DeLauro
DeLay
Dellums
Deutsch
Diaz-Balart
Dickey
Dicks
Dingell
Dixon
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
Eshoo
Etheridge
Evans
Ewing
Farr
Fattah
Fawell
Flake
Foley
Forbes
Ford
Fowler
Frank (MA)
Franks (NJ)
Frelinghuysen
Frost
Furse
Gallegly
Ganske
Gejdenson
Gekas
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Goodling
Gordon
Goss
Graham
Granger
Greenwood
Gutierrez
Hall (OH)
Hall (TX)
Hamilton
Hansen
Harman
Hastert
Hastings (WA)
Hayworth
Herger
Hill
Hilleary
Hinchey
Hinojosa
Hobson
Hoekstra
Holden
Hooley
Horn
Hostettler
Houghton
Hoyer
Hunter
Hutchinson
Hyde
Inglis
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (WI)
Johnson, Sam
Jones
Kanjorski
Kaptur
Kasich
Kelly
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kim
Kind (WI)
King (NY)
Kingston
Kleczka
Klink
Klug
Knollenberg
Kolbe
LaFalce
LaHood
Lampson
Lantos
Largent
Latham
LaTourette
Lazio
Levin
Lewis (CA)
Lewis (KY)
Linder
Lipinski
Livingston
Lofgren
Lowey
Lucas
Luther
Maloney (CT)
Manton
Manzullo
Markey
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McDade
McGovern
McHale
McHugh
McInnis
McIntosh
McIntyre
McKeon
McKinney
Meehan
Meek
Menendez
Metcalf
Mica
Millender-McDonald
Miller (CA)
Miller (FL)
Minge
Mink
Moakley
Molinari
Mollohan
Moran (VA)
Morella
Murtha
Myrick
Nadler
Neal
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Obey
Ortiz
Owens
Oxley
Packard
Pappas
Parker
Pastor
Paul
Paxon
Payne
Pease
Pelosi
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pomeroy
Porter
Portman
Price (NC)
Pryce (OH)
Quinn
Radanovich
Rahall
Rangel
Regula
Reyes
Riggs
Riley
Rivers
Rodriguez
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Rothman
Roukema
Roybal-Allard
Royce
Ryun
Salmon
Sanchez
Sanders
Sandlin
Sanford
Sawyer
Saxton
Scarborough
Schaefer, Dan
Schumer
Scott
Sensenbrenner
Serrano
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Adam
Smith, Linda
Snowbarger
Snyder
Solomon
Souder
Spence
Spratt
Stabenow
Stearns
Stenholm
Stokes
Stump
Talent
Tanner
Tauscher
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Thurman
Tiahrt
Tierney
Torres
Towns
Traficant
Turner
Upton
Vento
Walsh
Wamp
Watkins
Waxman
Weldon (FL)
Weldon (PA)
Wexler
Weygand
White
Whitfield
Wise
Wolf
Woolsey
Wynn
Young (AK)
Young (FL)

NOES—59

Abercrombie
Borski
Brown (CA)
Brown (OH)
Clay
Clayton
Costello
Cummings
DeFazio
English
Ensign
Everett
Fazio
Filner
Foglietta
Fox
Gephardt
Gibbons
Green
Gutknecht
Hastings (FL)
Hefley
Hefner
Hilliard
Hulshof
Johnson, E. B.
Kilpatrick
Kucinich
Lewis (GA)
LoBiondo
Maloney (NY)
McDermott
McNulty
Moran (KS)
Oberstar
Olver
Pallone
Pascrell
Pickett

Pombo	Sessions	Visclosky
Poshard	Stark	Waters
Ramstad	Stupak	Watt (NC)
Redmond	Sununu	Watts (OK)
Rush	Taylor (MS)	Weller
Sabo	Thompson	Wicker
Schaffer, Bob	Velazquez	

NOT VOTING—6

Bass	Leach	Strickland
Cox	Schiff	Yates

□ 1559

The Clerk announced the following pairs:

So the Journal was approved.

The result of the vote was announced as above recorded.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1998

The SPEAKER pro tempore (Mr. LAHOOD). Pursuant to House Resolution 169 and rule XXIII, the Chair declares the House in the Committee of the Whole House on the State of the Union for the further consideration of the bill, H.R. 1119.

□ 1600

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 1119) to authorize appropriations for fiscal years 1998 and 1999 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal years 1998 and 1999, and for other purposes, with Mr. YOUNG of Florida in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee of the Whole rose on Monday, June 23, 1997, the amendments en bloc offered by the gentleman from South Carolina [Mr. SPENCE] had been disposed of.

It is now in order to debate the subject matter of United States forces in Bosnia.

The gentleman from South Carolina [Mr. SPENCE] and the gentleman from California [Mr. DELLUMS] each will control 30 minutes.

The Chair recognizes the gentleman from South Carolina [Mr. SPENCE].

(Mr. SPENCE asked and was given permission to revise and extend his remarks.)

Mr. SPENCE. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, today Congress will cast its first significant votes on our United States policy in Bosnia since the President extended deployment of our United States ground troops to that war-torn land last winter.

Today's votes will not be an expression of support for the mission, although our troops are doing well and we surely all support them. Nor will today's votes express the sense of the House or sense of the Congress. Rather, today's votes will call for the withdrawal of U.S. ground troops from a peacekeeping operation of growing expense and seemingly unending duration.

Our Armed Forces have done all that they can to help bring peace to Bosnia and in the Balkans. With consummate professionalism under trying circumstances, our troops and NATO troops have enforced the military provisions of the Dayton peace agreement. As a result of their efforts, the military tasks required by the Dayton accord, the separation of the warring parties, the collection and destruction of heavy weapons, and the transfer of territories have all been completed.

But the remaining tasks, the civilian, humanitarian and political reconstruction of Bosnia, are beyond the capabilities of our troops, unless we are prepared to remain in Bosnia for decades. In recent months, our military commanders have added tanks to the stabilization force in Bosnia and have made plans to postpone the transition to the smaller, lighter deterrent force that was supposed to take over when the United States ground mission ended in fiscal year 1998.

Just last month, a top NATO commander told the New York Times, and I quote: ''It would be a mistake to say that there is peace in Bosnia. We have only the absence of war. We gave the civilian officials the time and the space it carry out the Dayton agreement, but they failed. Nothing has been accomplished.''

This is a startling and frank admission. But we have not failed for want of effort. Since the United States military involvement in Bosnia and the Balkans began with the imposition of Operation Sharp Guard blockade back in 1992, more than 100,000 American soldiers, sailors, airmen and marines have seen duty in that theater of operations. That is the largest deployments of our forces since the Gulf War.

Not only have we deployed tens of thousands of troops, we have spent a lot of money in doing it. By the end of the year, fiscal year 1998, the Department of Defense will have spent at least $7.3 billion on Bosnia and supporting operations. That is $7.3 billion over and above normal operating and personnel budgets. And $7.3 billion that has been and will continue to be diverted from already underfunded modernization, quality of life, readiness and training programs.

I suspect, of course, that the true costs of our Bosnian involvement have been much larger. And based upon the highly optimistic political and operational assumptions that underlie the President's budget request for fiscal year 1998 in Bosnia, the cost will continue to rise dramatically.

By any measure, Bosnia is too large an issue for our United States foreign policy to be decided exclusively by Presidential fiat. This would be true even if the administration's Bosnia policy were not marked with broken promises about the duration the mission, its scope, and its cost.

The administration has lost the confidence of the American people when it comes to Bosnia. Nearly 2 years ago the Chairman of the Joint Chiefs of Staff, General Shalikashvili, said that he could not, and I quote, ''imagine circumstances changing in such a way that we would remain in Bosnia.''

More than 1 year. Just 2 months ago, Secretary of Defense Cohen stated, and I quote, ''It is very clear that by June of 1998 we will be on our way out.'' I hope both of these gentlemen's statements have taken especially into account the administration's proclivity to say one thing one day and change its tune the next day.

And the President is at it again. When he announced extension of the Bosnia mission following last November's elections, he said that he would propose to our NATO allies that by June of 1998 the work would be done and the forces would be able to be withdrawn.

Yet last month, the President began to reverse himself again, as anticipated, when he said, and I quote: ''We just can't sort of hang around and then disappear in a year. . . I want to stop talking about what date we're leaving on.''

The time is long overdue for Congress to express its will on behalf of the American people. It is important that the Clinton administration be held accountable for the Nation's foreign policy and in this case for Bosnia policy, a policy initiated without the consent or even support of Congress and predicated on the early withdrawal of United States ground troops. In my opinion, the sooner our ground troops are withdrawn, the better.

But the withdrawal of our ground troops from Bosnia need not and should not mean the end of NATO operations in and around Bosnia. The United States has an obligation to support alliance operations. But I believe that our support should be focused on providing those capabilities which we alone possess or can best provide, things such as logistics support over large areas in long distances, intelligence, communication and a list of all kinds.

No one should characterize our U.S. contributions as undermining the alliance, for these contributions will continue to involve thousands of troops at a cost to our taxpayers of billions of dollars. I am not suggesting that the Nation revert to isolationism; rather, a more practical and proper sharing of responsibilities and burdens of what appears to be a long-term NATO peacekeeping operation.

I do not disagree with the approach that our allies call ''in together, out together'' when it comes to NATO operations in Bosnia. But unless we can take a more nuanced approach to that policy, one that allows the United States to participate without performing each and every task, our allies will simply continue to hold us hostage.

If the withdrawal of our ground troops from Bosnia is followed by the collapse of the NATO mission, as the administration asserts will occur, then

the alliance will have proven itself far more fragile than anyone anticipated, perhaps too fragile for the stresses of post-Cold War missions and certainly too fragile for NATO expansion.

I urge my colleagues to study both amendments very closely. More fundamentally, I urge all Members to vote in favor of withdrawing our ground troops from a Bosnia mission with no end in sight.

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

Mr. DELLUMS. Mr. Chairman, I yield 5 minutes to my distinguished colleague, the gentleman from Indiana [Mr. HAMILTON].

Mr. HAMILTON. Mr. Chairman, I thank the gentleman from California [Mr. DELLUMS] for yielding me the time.

Mr. Chairman, I rise in opposition to both the Hilleary and the Buyer-Skelton amendments. The primary difference between the two amendments, as I understand it, is the date of withdrawal. The concept is the same, but so are the defects.

Both amendments I think are unwise, for several reasons. First all, these amendments pose a risk to the United States troops in Bosnia. That is not my judgment. We should pay attention to the military commanders and to the Secretary of Defense. They have said that if we have a statutorily mandated requirement of redeployment, then that will jeopardize the safety of our personnel. Why would anybody in this Chamber want to jeopardize the safety of our troops by mandated date of withdrawal?

Second, these amendments threaten the Bosnia peace process. When United States troops leave Bosnia, our allies are sure to go. They have said that loud and clear. If NATO-led peacekeepers leave too soon, Bosnia will likely return to chaos and to war. That is precisely what Bosnian President Izetbegovic says and thinks.

These amendments send the opponents of the peace process the message they want to hear: Just wait; the U.S. troops are going to go. And we are going to be playing into the hands of the hardliners and the warmongers. Whether we like it or not, we are the key to stability in Bosnia. We are the central player. We are the leader. If we mandate a date certain for withdrawal, we help the opponents of peace and we make it more difficult to fulfill the promise of the Dayton accords.

□ 1615

We cannot build stability in Europe by simply walking away from U.S. commitments.

Third, these amendments threaten the cohesion of NATO. The peace process in Bosnia has always been about more things than just Bosnia. It is also about the future of NATO and the stability of Europe.

The NATO-led operation in Bosnia is the largest, most complex military mission that NATO has ever undertaken. Our allies have looked to us for leadership and we have supplied it. Both of these amendments tell the President to withdraw U.S. troops by a fixed date, without prior consultation, without agreement. The message is, we are pulling out. It does not matter what our NATO allies think. We are leaving, no matter what.

If we act unilaterally in Bosnia, it undercuts United States leadership in NATO. This is the very moment of the most momentous change in NATO, enlargement, and we are saying by these amendments, NATO be damned, we are leaving when we want to without consulting them. What kind of an alliance partnership is that?

Fourth, these amendments shut out the options and deny the President flexibility. That is obvious. It does not need to be elaborated on.

Instead of locking ourselves in by passing either amendment, let us keep the options open. There are many ways that can be done. I do not have time to go into that.

And, fifth, these amendments undermine the credibility of U.S. leadership because they cast a serious doubt on our ability to keep our commitments. We made a political commitment to the parties in Dayton that we would try to help them form a unified, decentralized Bosnia. We have lived up to that commitment. We have spent about $6 billion or $7 billion, and brave Americans have risked their lives. So far, let it be noted, not one American soldier has been killed by hostile fire.

We knew that peace in Bosnia would not come easy. What does it say about American steadfastness, American reliability, American credibility if we mandate a pullout before the job is done? Congress should not, I think, force the President's hand.

I understand the President considers a legislatively mandated withdrawal date from Bosnia a veto item. No one in this Chamber can predict today what the circumstances in Bosnia will be on a date in the future. That being the case, it is folly to require American forces to be out of there by a date certain.

I urge my colleagues to vote against both of these amendments.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from Colorado [Mr. HEFLEY].

Mr. HEFLEY. Mr. Chairman, I do not recall the gentleman from Indiana [Mr. HAMILTON] when the President set a date certain when we went into Bosnia that we would be out by November of 1996 saying, ''Mr. President, that is folly for you to set that date.'' We all accepted that date. The President assured me we would be out by that date. That was our commitment. We would be there until November and get the shooting stopped, get the killing stopped, and then we would come out.

We also had a commitment to spend $1.2 billion at that time. I want to refer my colleagues to this chart here. By 1998, we will be at $7.3 billion. So do not talk to me about us backing down on our commitments. We have kept our commitments.

Recently, at a meeting of the North Atlantic Assembly, it was quite clear to me that all of our allies sitting out there at the assembly were convinced that we were there for the duration; that we were going to be there forever, if necessary; that we were going to have another Korea, if necessary. Fifty years later, we might still be in Bosnia as we are still in Korea.

I told them then as I tell Members now, so far as I am concerned, we are bringing our troops home from Bosnia, and we need to set a date certain to do that so that we can do it in an orderly kind of fashion, so it is not precipitous, so that our European allies know that this is what is going to be done, so that they can make preparations.

Most of us felt this is primarily a European problem, but we wanted to be helpful. We still want to be helpful. As the gentleman from South Carolina [Mr. SPENCE], the chairman, enumerated, and I will not go over it, there are many things we can continue to do without having our ground troops on the ground in Bosnia. My colleagues can decide what is the right date, whether the date is December, whether the date is next June, but we need to set a date certain and say at that date our troops are out of there and we are bringing them home.

Mr. DELLUMS. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from Ohio [Mr. KUCINICH].

(Mr. KUCINICH asked and was given permission to revise and extend his remarks.)

Mr. KUCINICH. Mr. Chairman, Branjevo Farm in eastern Bosnia was an ordinary livestock farm. Then, in the course of war, this ordinary place became extraordinary. The banality of evil reared its ugly head in July 1995 when more than 1,000 Muslims were bused to the farm, shot in groups of 10, and then bulldozed over. Months later when then U.N. Ambassador Madeleine Albright visited the mass grave, as she walked along this mass grave area, the bones crunched underneath her feet.

This chart, Mr. Chairman, of the mass burial at Branjevo Farm in the Donje Pilica area in Bosnia and Herzegovina shows Members the general area of the farm where livestock was raised and the area where the bodies were put into a pit and then covered over. Some of my colleagues have seen photos of that in the papers.

Today the ghosts of Branjevo and the ghosts of Srebrenica and other places soar and drop over our consciousness and they challenge our sensibilities and they ask us, where we were when, did we take a stand, did we speak out, did we come forward to say no more killing, do we say no more killing today? Do we say the United States will continue to share the burdens of keeping the peace in the world as the most powerful Nation in the world, stepping up to our responsibility?

Let us remember why we sent troops to Bosnia in the first place. Exactly 50 years after the Nazis and their atrocities, another genocide occurred in Europe as a result of nationalism, racial and religious hatred, and the obsession to create ethnically pure states. The international community stood silently by as more than 2 million people were displaced and more than 200,000 human beings were killed, and horrendous acts of torture, systematic rape, and similar expressions of barbarity ensued. There is universal consensus that to protect human beings against gross violations of their basic human rights is no longer considered interfering with the internal affairs of the state. It is no longer a European problem, it is a world problem, it is a world responsibility and as the most powerful Nation in the world it is also our responsibility.

If incidents like these can continue, albeit on a drastically reduced scale, where for example in Mostar recently, a 70-year-old woman's door was kicked in, she was torn from her bed, killed, wrapped in sheets and dumped in a field along the highway. Within days, a soldier and his family moved into her apartment. No charges filed. No arrests made.

If incidents like these can continue, what will happen if we pull out of an area? What will happen to the peace? What will happen to our troops? What will happen to the survivors of genocide? The ghosts of Branjevo are watching. The ghosts of Srebrenica are watching.

Mr. SPENCE. Mr. Chairman, I yield 3 minutes to the gentleman from Indiana [Mr. BUYER] who is the chairman of the Subcommittee on Military Personnel and the author of one of the amendments today.

Mr. BUYER. Mr. Chairman, on October 30, 1995, the House overwhelmingly passed House Resolution 247, a nonbinding resolution which urged the President to obtain prior authorization for any deployment of United States forces to Bosnia and that the Dayton peace agreement should not be predicated on United States ground troops but really focus on the parties so that they can discuss about the real reasons they are killing each other.

On November 21, 1995, the House passed H.R. 2606 offered by the gentleman from Colorado [Mr. HEFLEY] which would deny funds for the Bosnian mission unless specifically appropriated by Congress. The bill passed 243 to 171, but the measure failed in the U.S. Senate.

Finally on December 13, 1995, the House passed the Buyer-Skelton measure which reiterated the body's opposition to the deployment of ground troops. At that time the President indicated that the Bosnian deployment would last about 1 year. On September 15, 1996, the Committee on National Security heard testimony from former Assistant Secretary of Defense John White who stated, ''IFOR will complete the withdrawal of all troops in the weeks immediately after December 20, 1996 on a schedule set by the NATO commanders.''

As we now know, immediately following the Presidential election, the President extended the mission in Bosnia until June of 1998 and renamed from IFOR to SFOR which stands for sustainment force.

On November 22, 1996, I attended a hearing of the Committee on International Relations. At that hearing the administration officials testified concerning the lack of progress in the civilian reconstruction efforts that have been experienced since the Dayton accords were signed. IFOR and now SFOR has accomplished the military mission of ceasing hostilities in the region. However, a May 1997 GAO report indicates that ''while the task of implementing the civil aspects of the Dayton agreement has begun, transition to an effective multi-ethnic government has not occurred.''

The report goes on to say that Bosnia remains politically and ethnically divided. The limited progress to date has been due principally to the failure of the political leaders of Bosnia's three major ethnic groups to embrace political and social reconstruction and to fulfill their obligations under the Dayton agreements.

IFOR and SFOR has accomplished their mission, but the civilian leadership of the region and the international community in general have failed to make sufficient progress on reconstruction and reconciliation. The time is near for the United States to withdraw its ground forces from the region. Likewise, the time has come for the European nations to meet the challenge of rebuilding the Balkans.

We in Congress have a dual responsibility. We must ensure the support of the peace process with the military forces and what I envision we will discuss here this afternoon is the over-the-horizon case. We want to work with our European allies to do exactly that.

Mr. Chairman, I want to share with all my colleagues that I believe some of the problems that we are facing today in fact was inked in the Dayton accords. When the Dayton accords were signed, we came in and we just separated the parties. Rather than focusing on some of the problems, we said, ''Well, we'll delay them, we'll deal with them later.'' The parties right now are hunkered down and they are in the posture of deny and delay. That is why the Dayton accords has set forth a problem that we are facing today. When it is ill-conceived, improperly defined, and highly dangerous, it leads to the open commitment of ground troops.

Mr. DELLUMS. Mr. Chairman, I yield 5 minutes to the distinguished gentleman from Pennsylvania [Mr. MURTHA].

Mr. MURTHA. Mr. Chairman, as most Members know, I have been involved in this issue for the entire length of time that the United States became aware of what was going on in Bosnia, and I realize there is an amazing difference between all of us about when troops should have been deployed and when they should not. I can remember vividly the debate on the floor of the House after the Dayton accord. There were predictions there would be American troops brought back in body bags. There were predictions that there would be a disastrous deployment for U.S. forces. When it started out, it looked like that was going to happen. President Clinton, against a lot of advice, made one of the most courageous decisions of his Presidency. He worked out an agreement, he put U.S. forces in conjunction with other forces under NATO on the ground.

I am not one that believes that U.S. forces could have stopped this fighting before an agreement. I believe we had to have an agreement. But the truth has been that everything that has happened since the agreement has been positive. We have not lost one single American soldier from hostile fire. We have not had one person come back in a body bag from hostile fire. What happened before was just unmitigated killing by both sides. They hated each other. Once the accord was done, they were worn out, they decided that the territory was settled by the war itself and they are trying to reassimilate themselves.

□ 1630

The last time I was there, more agriculture than we had ever seen before, unemployment was down 50 percent in Sarajevo. Employment is coming back. People are starting to renew their lives.

The day that I went in, one of the last times I went in, the Dayton Accord was just signed, and it was a quiet night, and I stayed in the hotel there because we could not get out of Sarajevo before dark. They said, well, only 4000 rounds were fired. Now that was the day before the Dayton Accord. Since that time there has not been any rounds fired, there has been nobody killed. It is almost at if some Members or some people wish something would happen.

And I know that I am not suggesting that anybody has that motive. I know that all of us are trying to protect American forces. The thing that worries me: If we put into place either of these amendments that we say firmly under the law we take away the flexibility of the President of the United States.

And we cannot argue with the results of what the President has done; the President has been successful. One of the reasons is because of the tremendous work of the troops. We have given the troops the responsibility to carry out their mission, we have not interfered. We do not want to interfere in this. Do they understand what they are doing? Do they appreciate what they are doing?

I went to an outpost, one of the foremost outposts in Bosnia, and I went into what they called the slaughter house, and they showed me a room where nothing but bodies was in when they first went in there. There had been a mass killing in that particular room. They had cleaned it up, they put whitewash on the walls, but they left one small bloody hand print on that porous wall, and they took every single soldier that came to that outpost to see that small bloody hand print because they wanted the soldiers to know why they were there.

I believe that the Europeans should be able to handle this themselves. I said it for 4 or 5 years while the fighting was going on. But they begged us to take a leadership position.

Nobody else has logistics capability, the administrative capability or the leadership and experience capability the United States has, and our military has done a marvelous job. I think we make a substantial mistake if we put any kind of a time limitation in law.

There is nobody wants to get them out more than I do. Nobody believes that the June date should be adhered to more than I do. I just do not believe we should put an arbitrary time limit, and I would request that the Members think very seriously, whatever motive we have, think very seriously about putting in law a time limitation, and I would ask the Members to vote against this time limitation.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from Tennessee [Mr. HILLEARY].

Mr. HILLEARY. Mr. Chairman, we have all heard about how difficult it is for Congress to get clear answers from the administration on the current situation or exit strategy in Bosnia. Congress needs to regain control of this situation. The compromise substitute amendment I am offering, the Hilleary-Condit-Kasich-Jones-Frank amendment, would accomplish three major objectives:

It commits the United States to leave Bosnia by December 31, 1997, unless the President requests and Congress approves a 180-day extension. Should that happen, and I find it likely that it would, frankly, the date for the final withdrawal of all U.S. Armed Forces would be June 30, 1998. It also prohibits DOD spending for law enforcement and related activities by U.S. troops. This averts the mission creep that caused heavy casualties against United States soldiers in Somalia. It also prepares the Europeans to assume the mission. Rather than accept the self-fulfilling prophecy that the Europeans cannot do the mission, the legislation will require the executive branch to report on steps being taken to restore the Europeans to their appropriate role, deficiencies in our allies' capabilities and steps being taken to remedy those deficiencies.

It is way past time, Mr. Chairman, for Congress to get a handle on this spending and to protect the men and women in the military who signed up to defend our national security, not police the world. Let us bring our troops home from Bosnia. I urge all my colleagues to vote for the Hilleary-Condit-Kasich-Jones-Frank bipartisan compromise amendment later this afternoon.

Mr. DELLUMS. Mr. Chairman, I yield myself 5 minutes.

Mr. Chairman, let us slow it down and think about what it is we are doing. There are 2 amendments before the body that call for a date certain of withdrawing Americans troops. The previous speaker in the well said we should not be the police officer to the world. I agree. Let us talk about where we are.

We are in a period that is so unique we have not come up with a name for it. We simply call it the post cold war era. But it is an era that is defined by change and difference and transition, and, as I have said on more than one occasion, both challenge and opportunity. In this period America has just begun to internalize and learn about, accept, play the role of peacekeeper, peacemaker, peace enforcer. This has not been part of the American lexicon: peacekeeping, peacemaking. This is all new to us. We are learning and evolving.

The first practical reality of setting a date, I would challenge anyone here: Does the human condition lend itself to a date certain? Does it?

What was happening that caused us to be in Bosnia in the first place?

I want to remind my colleagues 250,000 people were killed, 13,000 of them children, women raped, beaten and brutalized, and I said, Mr. Chairman, to many of my colleagues who did not want America to play the role of peacekeeper in Bosnia because it, A, was not in our national security interests, and I went back and looked at the record of the discussion and debate when 6 million Jews were being killed in the context of Nazi Germany. People were saying, ''There is nothing we should do; it's not in our national security interests.''

But Members who were on the floor in the context of this debate said, ''If I were there during that period of time, I would have stood up and challenged the murder of 6 million people.''

Well, do my colleagues know what that did? That let me know where my colleagues' moral compass is. If 6 million people die, one could be morally outraged. So now we are dickering at what the bottom line is; Five million? Three million? Two million? Can we get outraged morally because 250,000 people died and we are the major, the one, superpower standing?

So some of us said, yes, we have a moral obligation, that that is in our national interest to stop the killing and the maiming. At what point do human beings move beyond the folly of murdering and killing each other as a way of solving problems? At what point do we move beyond that bizarre and barbaric way of solving human problems as a civilized society?

So we said yes, peacekeeping. But remember we did not walk in. What happened? The parties to the killing and the maiming came to this country, in Dayton, Ohio, sat down around a table for days, and they worked out a peace agreement. Maybe not perfect; who am I to know? But these are people who were killing each other, maiming each other, murdering and raping each other, and they went to the table and they hammered out a peace agreement.

And then they came to us as the great superpower committed to compassion, human rights, justice and peace and all the things we write down, and they said, ''Look. Here is a peace agreement. It's not perfect, but we hammered it out in your country on your soil. But we don't quite still trust each other. This is because they killed my parents, I killed theirs; they killed my children, I killed theirs; we killed each others' neighbors. And so for a while we do not quite trust each other. So will you and other nations in the world help us to make the peace real? Be peacemakers? Peacekeepers? Keep us apart for a while? Let us begin to build the necessary conditions that would allow a warm peace, a real peace.''

As my colleagues know, as someone much more eloquent than this gentleman once said, the fascinating thing about peace is we do not have to make peace with our friends, we make peace with our enemies, and peace is hard because it is about making peace with somebody that killed and maimed people, and killed and maimed their children, their parents, their friends, their relatives, their neighbors. So we need some help.

So we stood up for this country, but if I remember the circumstances, my colleagues, this body did not. This body went on record, as one of my colleagues pointed out, saying that the President should come to the Congress for prior approval. As my colleagues know, I believe in that. I am a man of peace. I believe in peace. But I am a hawk when it comes to preserving Congress' prerogatives on the issue of the deployment of our troops.

I sued President Bush when he thought he could go to the Persian Gulf and violate the rights of the Congress to declare and to make war, rendering impotent 500,000 people that I represent. And thank God that Members joined with us and a decision was made, not in the court, but a ruling that made the President say maybe on sober reflection I ought to come to the Congress. Even the most incredible pundits in America said this was Congress' greatest moment when it stood up and debated whether we should or should not go. We did not do this on Bosnia; we let the President go, we passed the thing, a piece of paper that said we support the troops.

I believe that this is the wrong debate, it ought to be Congress militant

about congressional powers when it comes to the deployment of troops, but we ought to be there on the front end, have heart, have courage, stand up and say, yes, they ought to go; no, they should not go. But do not wait until they are there and then say date certain, withdrawal. That is on the tail-end of the discussion. Where is the courage in all of that?

I join my colleagues in standing here saying, ''Mr. President, whenever you're going to put troops out there in harm's way, you come to us. Article I, Section 8, the Constitution, gives us that right,'' and if that is not clear in the context of the post-cold war world, then let us pick up the War Powers Act, which I think is an impotent and incompetent instrument to guide us through the post-cold war era. Let us rewrite it so that it speaks to the reality of the world that we presently live in.

But this is not the way, at the end to pick out a date, to say we have got to withdraw. We did not have the courage to step up to it in the first place; that is where Congress should assert itself; that is the correct debate.

Now, Mr. Chairman, there are practical realities. This is not just a struggle between the President and the Congress. There are practical realities to our withdrawal. I cite one.

The Chair of the Joint Chiefs of Staff that many of us talk about, we want to speak about the troops. This is our highest-ranking military person who wrote with respect to date certain the following, and I quote in part from a letter, a joint letter, dated May of this year:

''We remain committed to a June 1998 withdrawal date. However we strongly oppose statutorily mandating withdrawal of United States forces from the NATO-led stabilization force by that date or indeed any specific date.''

I go further. ''A fixed withdrawal date will restrict U.S. commanders' flexibility, encourage our opponents, opponents meaning people who oppose the peace process who want to pursue violence and undermine the important psychological advantage U.S. troops enjoy. Our forces must be able to proceed with the minimum of risk to U.S. personnel. Legislating their redeployment schedule would completely change the dynamics on the ground and could undercut troop safety.''

Now we are in the wrong part of the debate; my colleagues want to micromanage the discussion, did not have the heart to step up to it in the first place and say they should go or they should not go. So now we want to take political shots.

I walked in the door, heard people saying that our foreign policy ought to be nonpartisan. Our foreign policy ought to be bipartisan. We fight here, but when we leave these shores, we join hand and we have a bipartisan foreign policy.

What is this? What is this? Our own military people are saying, ''You are micromanaging, you are putting troops in harm's way''; these are our own military saying this.

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We should debate it up front, go or do not go, but do not leave the micromanaging to the wrong side of the debate.

I would conclude with this. We went there on moral grounds, we went there to save human life. I thought that was a dignified, courageous and lofty thing to do. Now that we are there, they are going to go out in June of next year; I did not agree, the gentleman from Colorado said anybody who says we should not have a date certain, I did, because I knew that we were learning about peacekeeping. And that date certain may play a political game, but it does not deal with the reality. If one is about peace, one is about peace. If it takes 1 month, 1 year, 18 months, 2 years, we do it if we are committed to peace. Or if we are just committed to do a little political dance, then we walk away whenever we choose to walk away but not because we are committed to these ideals.

Mr. SPENCE. Mr. Chairman, I yield myself 20 seconds.

Mr. Chairman, I would like to try to see if we cannot put this whole thing in perspective, with all of the rhetoric on both sides of the issue here today in debating this question. The President of the United States set this date himself for withdrawal in the Dayton accords. Both of these amendments propose to give that same date as the date for withdrawal. One gives a different plan for getting up to the date.

Mr. Chairman, I yield 1 minute to the gentleman from North Carolina [Mr. JONES].

Mr. JONES. Mr. Chairman, United States troops in Bosnia have been forgotten. Clearly the saying, out of sight, out of mind, applies to our men and women in Bosnia. While many Americans were opposed to deploying U.S. troops to Bosnia, we found some comfort in knowing that our troops were to come home at the end of 1 year.

Well, Mr. Chairman, as we know, the President has broken his promise time and again and still will not commit to a withdrawal date. Enough is enough.

I am a supporter of national defense, and I believe our men and women in Bosnia are doing an extraordinary job under tough circumstances; but I am troubled by an operation with no congressional authorization, no congressional consultation. In fact, our only function is to pay the bill. It is time for Congress to play a role and support the Hilleary amendment to ensure the safe and orderly withdrawal of United States troops from Bosnia.

America has done its duty. Let us bring our troops home.

Mr. DELLUMS. Mr. Chairman, I yield myself 30 seconds.

I would simply yield myself 30 seconds to say that this is a debate that takes us beyond rhetoric, and I think to use the term rhetoric is not advisable in the context of this debate. We are talking about life and death here, and to demean anyone's comments as rhetoric I think does not bode well.

We are intelligent people here. Let us lift the level of the discussion and the debate. I am not prepared to challenge anyone on rhetorical grounds here. I am prepared to challenge any Member of Congress on substantive grounds, and I would hope that my distinguished colleague on the other side of the aisle would move beyond using the term rhetoric. It is demeaning and it is inappropriate in the context of the debate that ought to take us to a much higher level.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from Washington [Mr. METCALF].

Mr. METCALF. Mr. Chairman, I opposed sending the troops to Bosnia. There was no critical U.S. interest involved, or, if there was, it escaped the notice of the President. He was never able to state it clearly.

I said over a year ago, it is easy to send troops in but very difficult to accomplish stability and exit in a safe, honorable, and timely way.

The President promised the troops out by December 1996. Now he says June 30, 1998. Why should this Congress not set a date certain and hold him to it? I support bringing the troops home December 1997, that is the Hilleary amendment. If that fails, then I think we should set an absolute deadline of June 1998.

Congress must not continue to acquiesce to the President and allow him to leave our troops in Bosnia indefinitely. Both amendments give the President and our allies ample flexibility and notice that U.S. troops will be withdrawn.

I urge every one of my colleagues to support the Hilleary amendment, of which I am a cosponsor; and if that is unsuccessful, support the Buyer amendment.

There are many good reasons, but the cost alone, $7 billion already, demands that Congress do its duty, support the troops by bringing them home by a date certain.

Mr. DELLUMS. Mr. Chairman, I yield 3 minutes to the gentleman from New York [Mr. ENGEL], my distinguished colleague.

Mr. ENGEL. Mr. Chairman, I thank my colleague for yielding me this time.

I want to just say that I think that we ought not to tie the President's hands, and we ought not to say that beyond a certain date certain our troops ought to go home.

The people, our colleagues who are now saying that we ought to set a fixed date, are the same people who predicted dire disaster and dire consequences if the President sent troops to Bosnia. That has not happened. In fact, we can be proud of what our American troops have done in Bosnia. We have saved thousands upon thousands upon thousands of lives.

Until the United States got involved, people were killing each other, men,

women, children; there was no end to the carnage. Since the United States has been there, we have helped bring peace to the region. It was only when the United States got involved that peace came. When our European allies were doing it, peace did not come; it was elusive. It was only when the United States got involved that we put an end to the carnage.

I am proud of the role that we play. The United States is the leader of the free world, and sometimes we have to act like leaders of the free world. It does not mean that we need to be the policeman of the world or we need to rush to every incident in the world, but here, in Bosnia, it became crystal clear that, without United States help and intervention, the carnage was not going to end.

So my colleagues who are now saying, let us get out, let us pull people out, are the ones that did not want us to go there in the first place. They said that there would be many, many American casualties; they said that it would be a disaster; they said that we would not be able to do the job. We have proven them wrong. It has not been a disaster. Thankfully, there have not been tremendous amounts of American casualties, virtually no American casualties.

I went to Bosnia last year with then-Secretary of Defense Bill Perry; I saw firsthand how our troops were doing. I saw firsthand the precautions that were being taken to ensure the safety of American troops. I was proud to walk with our soldiers. I was proud to see the role we were playing and the job we were doing.

The naysayers said it could not happen. They were wrong. Let us leave it the way it is. The President has done a very good job. He is not going to let our troops stay 1 day more than they have to stay. He is thinning down the amount of troops that will be there. He is saying that we intend to get out by June 1998. But we cannot foresee the consequences of what might happen down the road.

Do we need to set a date certain to send a message to the parties there that we are definitely getting out come hell or high water? No. We cannot do that, and we should not do that, and it would be imprudent to do that.

I have letters here that I am sure my colleagues got from General Shalikashvili, from Secretary of Defense Cohen, from Secretary of State Madeleine Albright, and they all say the same thing: Do not tie our hands. We are thinning out the troops. There are going to be less American troops. Our allies in Europe are going to be playing a major role. This is not the time to do it.

I am proud of the role that the United States has played. Let us not tie the President's hands.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from Tennessee [Mr. BRYANT].

Mr. BRYANT. Mr. Chairman, I thank the gentleman for yielding me time on this very serious debate.

First of all, let me say that I join in all of my colleagues in this House in support of our troops, the 8,000-plus soldiers in Bosnia and for the outstanding job they are doing. We are hearing testimony to that today of the record they have there and the job they are doing, and again, without war-related casualties. That is great.

I think, though, that when many of us considered this debate in the beginning, we had great hesitancy and philosophical differences in sending our soldiers over there when we felt that America's national interests were not at stake. Many of us continue to have those doubts, but yet, we received some comfort when we made that vote and when ultimately our soldiers were sent over there that there would be deadlines. There would actually be goals to be accomplished with our troops over there, putting their lives and limbs at issue. But yet, we seem to be going down that path of open-endedness. We do not see that goal, that end in sight any longer.

We resist the idea that our soldiers ought not have that, especially when we are carrying the heavy weight there. We are carrying the water over there. At a time when we are having to downsize our military forces, our national defense; at a time when we are having to go back in and work on salvaging the morale of our soldiers and we have soldiers in some cases that are being paid so little they are on food stamps, and when they are training in this country, the training for the job they are supposed to be doing, not just being a policeman in Bosnia, but they are actually trained to do other jobs in case we have to defend ourselves. That is suffering. The equipment that we give these soldiers, we have to pay for that.

When we are having to divert money from those types of good things to support a police-keeping effort that seems to be endless in Bosnia, many of us have great concerns there. We believe it is the right thing to do at this point. We do not want to tie hands, but we want a definite date certain for our soldiers and our taxpayers.

Mr. SPENCE. Mr. Chairman, I yield 2 minutes to the gentleman from New Hampshire [Mr. BASS].

Mr. BASS. Mr. Chairman, I rise in support of the amendment offered by the gentleman from Indiana [Mr. BUYER] and the amendment offered by the gentleman from Tennessee [Mr. HILLEARY] concerning the need to set a schedule to get our troops out of Bosnia by a date certain. I just want to say that this position in no way diminishes my outrage at the alleged atrocities that have been committed in this region, as was so eloquently described by my colleague, the gentleman from California [Mr. DELLUMS], and it in no way diminishes my concern and commitment to ensure that our troops remain safe and secure as they defend our interests over in that area.

But let me just point out that the United States has never been able to successfully mediate civil wars around the world. I would only point out, for example, what happened to us in Bosnia, what happened to us in Lebanon and, as we all know, what happened to us in Vietnam. We are good at stopping incursions and defending countries and then leaving, but we are not good at mediating civil wars, and that is precisely what is going on in the Balkan region.

I know the President wants to get us out of Bosnia in a reasonable period of time, but it just is not going to be possible without the help and support of Congress. Now, the Buyer amendment gets us out in the middle of next year, which is when the President now says he is going to get us out of the area. The Hilleary amendment calls for a date certain at the end of this year with a congressional resolution thereafter. This will get us out of a situation that is costing us anywhere from $5 million to $10 million a day. We can work together with the President to end this incursion and do so in an orderly and successful fashion.

So I support both the Buyer amendment and the Hilleary amendment. I think that it is time for Congress to step forward and definitively provide an exit strategy for our troop involvement in the Balkan region.

Mr. SPENCE. Mr. Chairman, I yield 5 minutes to the gentleman from Ohio [Mr. KASICH], the chairman of the Committee on the Budget.

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Mr. KASICH. Mr. Chairman, I was in the Congress the weekend when the bombing of our barracks in Beirut took place. It was a sobering event for all the American people. I think it was during that period that we began to determine that we needed a good set of rules that the country could follow when it came to putting our people in harm's way.

Soon after the tragedy in Beirut, then-Secretary of Defense Casper Weinberger came out with more or less a set of rules that would guide the United States as they intervened around the world: Is there an achievable goal; is there an exit strategy; does it have public support; and is it in the direct, vital national interest of the United States? One thing he did not ask is what is the role of our allies. But in the post-cold war period, it is absolutely essential that we ask, what is the role of our allies?

First of all, in regard to Bosnia, is there an achievable goal? Let me maintain that I do not believe there is. In fact, when we study the region of Bosnia-Herzegovina, it is pretty clear that pre-19th century, the parties had engaged in warfare. The region has not been stable since before the 19th century. Pre-19th century all the way up to the end of the 20th century has indicated that the parties in that region

have not been able to create a stable environment. In fact, it was only under the brutal iron fist of President Tito that the parties were able to remain in some kind of a stable relationship.

I am uncertain as to whether there is a stable goal of being able to provide some kind of a Democratic environment in this region. But nevertheless, the United States intervened and separated the warring parties and stopped the slaughter that was going on, so the United States has done its job, the job it set out to do, to separate the warring parties. Many of us had a lot of questions about whether that was right at the time, but nevertheless, we went, we did our job. Now what remains to keep the peace is for our allies who we have protected for 50 years to continue to patrol the streets of Sarajevo and Bosnia.

If we worked with our allies for the last 50 years to put them in a position to be able to stop the advance of Soviet tanks across the Fulda Gap in a major armored invasion, is it not likely that our European allies would be able to patrol the streets of Sarajevo and keep the peace? I say yes. But I say they will not do it until we make sure that they are in the place of being forced to do it.

Of course they want us to do their job. The fact is, this is a vote on telling our allies to step up to the plate and do what they were intended to do, what we trained them to do over the course of the last 50 years.

Is it in the direct national interest? I have not heard that case made. I have not heard that case made by the administration, I have not heard that case made by any of our defense intellectuals as to how the United States being in Sarajevo today is in the direct national interest of the United States.

We want the President to have that opportunity. Under the Hilleary amendment he would be forced to make the case as to why we should be there. He should do it, he must do it, the same way George Bush made the case. As we got ready to go to war against Saddam Hussein, Secretary Baker called me at home and said, what is your view as to whether we should have a vote in the Congress? I said absolutely, we must have the vote. So if it is in the direct national interest, let us have the President lay it out and let us vote on it.

Now, what about the question of allies? I think they can do the job, Mr. Chairman. The United States under the Hilleary amendment is prepared to offer the logistical and technical support they need in order to do the job, for them to be able to accomplish their objective in Bosnia-Herzegovina.

Mr. Chairman, let me suggest I worry about our troops. I worry about the military being sent into a mission that is not well-defined, that I question is achievable, that is fuzzy.

Mr. DELLUMS. Mr. Chairman, I yield 2 minutes to my distinguished colleague, the gentleman from Maryland [Mr. HOYER].

Mr. HOYER. Mr. Chairman, I thank the ranking member, the gentleman from California [Mr. DELLUMS] for yielding time to me.

I understand the frustration the gentleman from Ohio [Mr. KASICH] had in trying to explain his position in 5 minutes. All of us are constrained by time, but we ought to be constrained by good judgment on this issue as well.

Yes, there was an issue as to whether or not we ought to deploy troops in Bosnia. There was concern. The President brought together at Dayton a new paradigm, if you will, to borrow from the Bush administration, and that paradigm was that we were going to be peacekeepers and peacemakers. We obviously have the ability to make war, but we were going to use our might to, yes, as Chairman KASICH has indicated, separate the parties, bring genocide to a close, and to, yes, put at risk some of our people.

We did so in the context of large force so our people would be protected. That, in my opinion, made sense. I believe, Mr. Chairman, however, that it would not make sense at this point in time to set dates certain. Many Members in this body have talked to General Joulwan and other leaders of our military in NATO and in our own forces.

They do not believe, as I think perhaps the gentleman from California [Mr. DELLUMS] and the gentleman from Pennsylvania [Mr. MURTHA] have already stated, that a date certain is in the best interests of the United States, of the date on peace accords, or the people of Bosnia-Herzegovina, or, in fact, the Serbska Republic.

I would urge my colleagues to continue to express their desires that we, as the President wants to do, extricate ourselves in a timely fashion, but let us not set a date certain so that we will in fact freeze in place the opponents of a Democratic, peaceful resolution of the conflict in the Balkans and simply try to outwait the United States.

Mr. Chairman, I again I thank the ranking member, the chairman in exile, for yielding me the time.

Mr. DELLUMS. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from California [Mr. DELLUMS] is recognized for 2 minutes.

Mr. DELLUMS. Mr. Chairman, if you believe in one of the notions that one of my colleagues asserted, that people cannot move to peace because for years they have been killing each other, then we would still believe in the divine right of kings and the right of people to buy and sell other human beings as chattel. We have moved beyond that. People can evolve. The human condition can evolve. People can grow. People can move, Mr. Chairman, and I believe that very sincerely.

Mr. Chairman, at one point war was the dominant paradigm on this planet. The great gift we can give to our children and our children's children is to move beyond that war-making paradigm. I believe that in the context of the post-cold war world, the scenarios we are more likely to encounter are the Somalias, the Haitis, the Rwandas, the Bosnias of the world. I believe right before our very eyes our warriors are transitioning to peacekeepers and peacemakers and peace enforcers.

It may be difficult for us to put our minds around that idea because our peacekeepers still look like warriors, they still dress as warriors, they still carry warriors' weapons, and in many ways they are trained like warriors. But this is a new world, a new day. We are moving beyond the paradigm of bombing and killing and maiming.

The world is more likely to be peacekeeping, peacemaking, peace enforcement. Because of that transition it is imperative that we as a major power on this planet learn about peacekeeping, peacemaking. Mr. Chairman, one thing we learned in our hearings, in looking at the question of peacekeeping in a post-cold war world, was that an important set of principles as a peacekeeper were make no enemies, take no sides. In Somalia we learned that the hard way. In Bosnia we have learned. No one has died.

I find it incredible that many of the same people who want to pull us out of peacekeeping would like, would be much quicker to carry us into war, where we really would harm and kill and maim. I do not understand that concept.

Mr. SPENCE. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I will sum up. This whole question of Bosnia comes down to this. If we look at history, this thing first got started, and our President said all along, on numerous occasions over a period of years, that we would put no ground troops in Bosnia. We were doing different things, as Members know, on and off in that effort. But he kept reiterating, we would not ever put ground troops in Bosnia.

Then, of course, he did, along with the Dayton accord, so-called, the agreement was made that we would go and send ground troops along with NATO troops to Bosnia. That was back in 1996. He said at that time that we would be out in a year, and that year passed, and then the election came about and he transferred it on out another year, and said we would be out then, this time, in June of 1998.

That is the date we are talking about in both of these amendments, as I was trying to say earlier. With the talk that we hear back and forth on both sides, the fact still remains we have two amendments to consider today. Both of them just hold the President to his own date to withdraw in June of 1998. One of them is just a plain vote on getting out in June 1998, with some follow-on efforts being made by our people after that time.

The other one starts back 6 months before June 1998 and it tells the President to tell us what your plans for withdrawal are during the next 6

months in getting our people out, so you have a withdrawal plan and we would know about it. But both amendments, I reiterate, hold the President to his own declared deadline.

The reason this comes up today, this issue, is because on so many occasions before, the President has set a deadline and then did not go by it. As a matter of fact, he went into Bosnia in the first place without the agreement of Congress and the American people. All the polls showed overwhelmingly that the American people were opposed to it. Congress was opposed to it. He did it anyway. This is the first meaningful vote we will have, the Congress will have, to express itself on this whole issue. In the meantime, we have spent a lot of money and a lot of effort, and we still have a real problem before us.

The CHAIRMAN. It is now in order to consider amendment No. 8 printed in part 1 of House Report 105–137.

AMENDMENT NO. 8 OFFERED BY MR. BUYER

Mr. BUYER. Mr. Chairman, I offer amendment No. 8.

The CHAIRMAN. The Clerk will designate the amendment.

The text of the amendment is as follows:

Amendment numbered 8 offered by Mr. BUYER:

Strike out section 1201(b) (page 373, line 4, through page 375, line 15).

At the end of title XII (page 379, after line 19), insert the following new sections:

SEC. 1205. UNITED STATES ARMED FORCES IN BOSNIA.

(a) LIMITATION.—Funds appropriated or otherwise made available for the Department of Defense may not be obligated for the deployment of any ground elements of the United States Armed Forces in the Republic of Bosnia and Herzegovina after——

(1) June 30, 1998; or

(2) such later date as may be specifically prescribed by law after the date of the enactment of this Act, based upon a request from the President or otherwise as the Congress may determine.

(b) EXCEPTIONS.—The limitation in subsection (a) shall not apply to the extent necessary to support (1) a limited number of United States military personnel sufficient only to protect United States diplomatic facilities in existence on the date of the enactment of this Act, and (2) noncombat military personnel sufficient only to advise the commanders North Atlantic Treaty Organization peacekeeping operations in the Republic of Bosnia and Herzegovina.

(c) CONSTRUCTION OF SECTION.—Nothing in this section shall be deemed to restrict the authority of the President under the Constitution to protect the lives of United States citizens.

SEC. 1206. LIMITATION ON SUPPORT FOR LAW ENFORCEMENT ACTIVITIES IN BOSNIA.

None of the funds appropriated or otherwise made available to the Department of Defense may be obligated or expended after the date of the enactment of this Act for the conduct of, or direct support for, law enforcement activities in the Republic of Bosnia and Herzegovina, except for the training of law enforcement personnel or to prevent imminent loss of life.

SEC. 1207. PRESIDENTIAL REPORT ON POLITICAL AND MILITARY CONDITIONS IN BOSNIA.

(a) REPORT.—Not later than December 15, 1997, the President shall submit to Congress a report on the political and military conditions in the Republic of Bosnia and Herzegovina (hereafter in this section referred to as Bosnia-Herzegovina). Of the funds available to the Secretary of Defense for fiscal year 1998 for the operation of United States ground forces in Bosnia-Herzegovina during that fiscal year, no more than 60 percent may be expended before the report is submitted.

(b) MATTERS TO BE INCLUDED.—The report under subsection (a) shall include a discussion of the following:

(1) An identification of the specific steps taken by the United States Government to transfer the United States portion of the peacekeeping mission in the Republic of Bosnia and Herzegovina to European allied nations or organizations.

(2) A detailed discussion of the proposed role and involvement of the United States in supporting peacekeeping activities in the Republic of Bosnia and Herzegovina following the withdrawal of United States ground forces from the Republic of Bosnia and Herzegovina pursuant to section 1205.

(3) A detailed explanation and timetable for carrying out the President's commitment to withdraw all United States ground forces from Bosnia-Herzegovina by the end of June 1998, including the planned date of commencement and completion of the withdrawal.

(4) The date on which the transition from the multinational force known as the Stabilization Force to the planned multinational successor force to be known as the Deterrence Force will occur and how the decision as to that date will impact the estimates of costs associated with the operation of United States ground forces in Bosnia-Herzegovina during fiscal year 1998 as contained in the President's budget for fiscal year 1998.

(5) The military and political considerations that will affect the decision to carry out such a transition.

(6) Any plan to maintain or expand other Bosnia-related operations (such as the operation designated as Operation Deliberate Guard) if tensions in Bosnia-Herzegovina remain sufficient to delay the transition from the Stabilization Force to the Deterrence Force and the estimated cost associated with each such operation.

(7) Whether allied nations participating in the Bosnia mission have similar plans to increase and maintain troop strength or maintain ground forces in Bosnia-Herzegovina and, if so, the identity of each such country and a description of that country's plans.

(c) STABILIZATION FORCE DEFINED.—As used in this section, the term ''Stabilization Force'' (referred to as ''SFOR'') means the follow-on force to the Implementation Force (known as ''IFOR'') in the Republic of Bosnia and Herzegovina and other countries in the region, authorized under United Nations Security Council Resolution 1008 (December 12, 1996).

Page 371, line 25, strike out ''(1)''.

Page 372, line 8, strike out ''(2) For purposes of this paragraph,'' and insert in lieu thereof ''(b) COVERED UNITED STATES FORCES.—For purposes of this section,''.

Page 372, line 15, strike out ''(3) and insert in lieu thereof ''(c) MATTERS TO BE INCLUDED.—''.

Page 372, beginning on line 16, strike out ''paragraph (1), for each activity identified in that paragraph'' and insert in lieu thereof ''subsection (a), for each activity identified under that subsection''.

Page 372, line 18, strike out ''(A)'' and insert in lieu thereof ''(1)''.

Page 372, line 20, strike out ''(B)'' and insert in lieu thereof ''(2)''.

Page 372, line 23, strike out ''(C)'' and insert in lieu thereof ''(3)''.

Page 373, line 1, strike out ''(4) The first report under paragraph (1)'' and insert in lieu thereof ''(d) SUBMISSION OF REPORTS.—The first report under subsection (a)''.

The CHAIRMAN. Pursuant to the rule, the gentleman from Indiana [Mr. BUYER] and a Member opposed each will control 10 minutes.

The gentleman from California [Mr. DELLUMS] will control the 10 minutes in opposition.

The Chair recognizes the gentleman from Indiana [Mr. BUYER].

Mr. BUYER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I have enjoyed the substance of this debate. I would like to comment to the ranking member when he made mention that people have the capacity to evolve and that the human condition can change. I agree. What we are trying to do here is change the way the United States and our allies in Europe have had a relationship over the last 50 years.

They are in a comfort zone. They like the United States' security blanket. They like that. What we are trying to do here and say, as the United States is the sole remaining superpower, I believe as a foreign policy that we should be there to provide regional stability, and our regional allies should be there to ensure stability within their region when there is no possibility of destabilizing that region.

We can debate whether or not Bosnia in fact would destabilize Europe. That is debatable. But what we are trying to do here is evolve that human change the gentleman is talking about: How do we get our allies to be major players in this one?

When I mentioned earlier about an over the horizon, 18 months ago when we had this debate I also wanted durable peace in Bosnia. We can get into the moral obligation and talk about the peace. There is not anybody who wants the killing or the ethnic cleansing.

□ 1715

What we want is for Europe to take the lead. We have learned, and the gentleman from Pennsylvania [Mr. MURTHA] was very articulate, that Europe was not able to take the lead there. They were there with the United Nations and they felt inept.

So when the United States exercised some leadership, compliments to Bill Clinton. But I find myself in a very awkward position. I led the debate on the House floor saying no to ground troops. Now I come to the House floor saying, Mr. President, I will move to codify his date to withdraw. There are some Members on this side of the aisle and on that side of aisle that say, let us get them out in December. I now have to come to the House floor and say, whoa, time out. I think what we should do is be rational here. We want to send a message to our European allies, keep our commitments to our international agreements, and how do we move toward the President's date of June 30,

1998? It is the President's date. It is not my date. But I want to back up the President with his foreign policy and his commitments, and I want our allies in Europe to take the lead. You say, this is NATO. You are right. But over the horizon what I mean is for the U.S. presence, for us to be there with our air power, our sea power, our logistics by air and sea to provide our intelligence through our architecture. We are right there in Hungary.

But when we talk about what will we envision, two things I wanted to ask of this President. First, I want his plan for withdrawal. And second, after June 30, 1998, what is his plan for the follow-on force? What is there after SFOR? And under Dayton, it asked for an international police force. Are the U.S. troops going to participate in that? That gets into the mission creep issues at hand.

So I have got some pretty strong concerns. That is why we want that plan, and that is what the Buyer amendment is about, codifying, and for those two reports.

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

Mr. DELLUMS. Mr. Chairman, I yield myself 30 seconds to respond.

The last comment the gentleman made, I totally agree. I think the report requirements here are important. I believe that there ought to be consultation. The President ought to be forthcoming with us about what is on the other side. What I am arguing is that we should not codify a date certain for both the political and the practical and the diplomatic reasons that I have already enunciated several different times.

I do not disagree with the gentleman's last statement. We ought to know what is on the other side of June 1998. I am simply saying, putting a date certain into legislation raises a number of significant and serious problems, but I think what the gentleman is trying to do is valid. I just think this particular vehicle is inappropriate. I am not challenging the gentleman at that level.

Mr. Chairman, I yield 4 minutes to the distinguished gentleman from California [Mr. LANTOS].

Mr. LANTOS. Mr. Chairman, I thank my friend for yielding the time to me.

I would like to put this debate in somewhat of a historic perspective. When the history of the 20th century will be written from the vantage point of 100 years from now, the Bush administration will deserve and will get a great deal of credit for its performance in the Persian Gulf. It represented American leadership at its best. And the Bush administration will get enormous blame for its pathetic failure in preventing this tragedy that has unfolded in Yugoslavia, following the great victory in the Persian Gulf war.

Publicly, publicly and privately, many of us cautioned the administration that what was called for in 1991 was to use the deterrent capability of NATO which would have prevented the death of a quarter million innocent human beings, the creation of 1½ million refugees, and material damage running into the tens of billions of dollars.

The Clinton administration, after a wobbly start, got it right. We are now in the process of destroying what has been gained since Dayton.

You do not telegraph your punches. This region is not inherently unstable. It is a misreading of history that these people have been at each other's throats for centuries. That is simply not the case. Throughout most of the period, there was stability and peace. There are ethnic complexities which create great difficulties, but it is a myth which is being perpetuated on the floor of the House today that these people simply cannot live together.

Just a few days ago, some of us advocated that one of the constituent republics of the former Yugoslavia, Slovenia, be admitted to NATO now. I look forward to the time that all of the former constituent republics of Yugoslavia will be admitted into NATO and they will be admitted into the European Union.

To telegraph our punch now, that on June 30, 1998, everything ceases, is guaranteed to undermine NATO cohesion, NATO solidarity, the participation of our friends and allies, and, the most likely, outbreak of violence, hostility, and bloodshed again.

Have we not learned enough from the tragedy of the last few years? Did we not see enough pictures on television of children being massacred in Yugoslavia in the very heart of Europe so as not to advocate neoisolationism, which this proposal is. It is obvious that all those who want to break the peace which exists in the region would love to see nothing more than every single American soldier withdrawn on June 30, 1998. That would be the guaranteed commencement of the new outbreak of hostilities. To tell our NATO allies that this is your job completely misunderstands the nature of NATO. NATO is a collective security system. We do not unilaterally tell our NATO allies what we will and will not do. We have assumed some obligations when we joined NATO. It is now our responsibility to carry through with our obligation.

Mr. BUYER. Mr. Chairman, I yield 3 minutes and 30 seconds to the gentleman from Missouri [Mr. SKELTON], a member of the committee and a co-author of this amendment.

Mr. SKELTON. Mr. Chairman, we have a very interesting and telling decision before us, the three choices that may be made in all of this Bosnia business today. The first is to adopt an amendment, which I oppose, to take our troops out by the end of December of this year. That would be wrong. No. 1, that is rushing to judgment. No. 2, that would be in violation of what our President has openly stated.

The other is to leave the commitment open. To do so raises the issue as to whether our European allies will be ready, will take up of gauntlet and perform the duties we have been urging them and wanting them to do and take care of the European problems themselves now that we have shown them the way and given them the leadership.

The other problem with the open-ended commitment is the operational tempo of our young troops, and I am immensely, immensely proud of them. But with the downsizing that we have already had of particularly the U.S. Army, the young soldiers will be meeting themselves going and coming.

The middle ground, I believe, is to accept the word of our President and to adopt the date that he suggested.

Mr. Chairman, over the past few years I have addressed this body no less than seven times regarding U.S. involvement in the region in southeast Europe. In March 1993, warning of the 1,000-year-old nature of tension in the region, I advocated American involvement in the form of organizing and leading a concert of nations for a regional peace. I called for a diplomatically focused coalition-building effort and advocated U.S. military involvement, involvement limited to the peripheral but essential roles of logistical support, intelligence, command and control, and communications; in the air and on the sea.

In December 1995, with the impending deployment of 20,000 American grounds troops to that region, I appealed to this body to remember the importance of impartiality. I quoted the U.S. Army Field Manual: ''Peacekeeping requires an impartial, even-handed approach.'' I voiced my angst that, as American peacekeepers, our sons and daughters posited themselves inside a centuries-old, three-sided conflict, just as America pledged to assist, train and equip one faction.

During the spring and summer campaigns of 1995, parity was reached between the armor-heavy Serbs and the infantry-heavy Croat-Muslim Federation. The combined forces of the Federation pushed the enemy from the Bihac region back towards the Sava and the Drina Rivers.

We have been fortunate. In 1997, we can be proud of our military personnel for their efforts and accomplishments. They have been professional and dedicated in their military duties. We have overseen a separation of the warring parties and a cessation of hostilities. We have allowed political reform to begin and refugee settlement to occur. We have led as no other Nation than America can.

Keeping our troops there until the end of June 1998 will be the best and correct thing.

Mr. DELLUMS. Mr. Chairman, how much time remains on both sides in the debate?

The CHAIRMAN. The gentleman from California [Mr. DELLUMS] has 5½ minutes remaining, and the gentleman from Indiana [Mr. BUYER] has 3 minutes

remaining. The gentleman from California [Mr. DELLUMS], has the right to close.

Mr. BUYER. Mr. Chairman, I yield the balance of my time to the gentleman from New York [Mr. GILMAN], chairman of the Committee on International Relations.

(Mr. GILMAN asked and was given permission to revise and extend his remarks.)

Mr. GILMAN. Mr. Chairman, I thank the gentleman for yielding time to me, and I rise in support of the amendment by the gentleman from Indiana [Mr. BUYER].

Mr. Chairman, in debating United States policy toward Bosnia, we have to begin with a candid assessment of where current administration policy is taking us. It is leading us apparently to another Cyprus.

Since 1974, U.N. peacekeepers have been deployed along the so-called green line in Cyprus, an artificial boundary separating Christian and Muslim communities that used to be able to live together as one nation. There is no end in sight of that peacekeeping operation.

Mr. Chairman, we do not want to be involved in another Cyprus, this time in the infamous tinderbox of Europe, the Balkan peninsula. As everyone knows, the President disregarded the deadline he initially set for the withdrawal of United States forces from Bosnia and predictably we now see signs that the second deadline is beginning to slip.

None of us should have any doubt that in the end the President may have to renege on his second deadline, just as he did on the first, unless we step in and hold him to his word. He will renege not because he is trying deliberately to mislead us but because he has become a prisoner of a policy that just will not work, a policy that can lead our Nation to only one place, to a Cyprus in the Balkans.

We need to help the President out of this quagmire. We need to help him remain true to his word. I know that some say that June 1998 is too far in the future. So the gentleman from Tennessee [Mr. HILLEARY] has offered a perfecting amendment to move the deadline up to January 1998.

While I am sympathetic to the Hilleary amendment, ultimately we must recognize that it is unrealistic. It is going to be very hard to enact any funding cutoff for United States forces in Bosnia. We do stand a reasonable chance of enacting the withdrawal date that the President himself has promised. An earlier date almost certainly could not be enacted.

□ 1730

We should not pick a fight that we cannot win. Instead, let us defy opponents of the June withdrawal date to explain to us today why the President must have flexibility to break for the second time his solemn commitment.

Accordingly, Mr. Chairman, I urge my colleagues to defeat the Hilleary amendment and approve the Buyer amendment.

Mr. Chairman, I rise in support of the amendment offered by Mr. BUYER, and I ask unanimous consent to revise and extend my remarks.

In debating United States policy toward Bosnia, we have to begin with a candid assessment of where the current administration policy is leading us. It is leading to another Cyprus.

Since 1974, U.N. peacekeeping have been deployed along the so-called Green Line in Cyprus, an artificial boundary separating Christian and Muslim communities that used to be able to live together in one country. Every day since 1974, soldiers from Britain, Austria, and other countries have patrolled the Green Line. Every day for the last 23 years, these soldiers have been exposed to great risks, and many have been killed.

Even though no U.S. forces have participated in this operation, American taxpayers have paid approximately $250 million over the years to keep the operation going. And worst of all, there's no end in sight. No one today can tell you when, if ever, the Cyprus peacekeeping mission will end.

Mr. Chairman, we not want to be involved in another Cyprus, this time in the infamous ''tinderbox of Europe''—the Balkan Peninsula—and this time involving a permanent commitment of United States ground forces.

Many of us in this chamber have struggled mightily for many years to avoid precisely this outcome.

Four years ago last month, in May 1993, I was proud to join the gentleman from Illinois, Mr. HYDE, as an original cosponsor of the first bill to end the unjust and illegal international arms embargo of Bosnia. We offered that legislation because we believed that the only way to stop the aggression and the violation of human rights that we were then witnessing in Bosnia was to create a military balance between the aggressors and the victims of aggression. We were confident that, in the absence of such a military balance, U.S. military intervention to stop the fighting would become inevitable.

For more than 2 years, we tried to pass that legislation. Finally, during the summer of 1995, we succeeded. Both we and the other body passed legislation ending the arms embargo, and in both bodies the legislation was approved by veto-proof margins.

So when the Congress left Washington for the August recess in 1995, the President had a problem. Congress had just repudiated his policy, and our legislation was sitting on his desk. Even though he had promised to veto it, he needed to do something to make sure that his veto would not be overridden.

His solution was to launch a simultaneous military and diplomatic offensive. NATO bombers were called into action in Bosnia, and Mr. Holbrooke was dispatched to bring the parties to the negotiating table.

The result was the Dayton Peace Accords.

The problem with the Dayton Accords was that they provided for precisely the result that so many of us had feared—a massive United States military intervention in Bosnia.

Many of us predicted that if our forces faithfully carried out their mandate under the Dayton Accords, they would end up in armed conflict with the parties and likely sustain significant casualties.

This prediction was never tested because in fact our forces never carried out those portions of their mandate that could have led to conflict with the parties, such as arresting war criminals and facilitating the return of refugees. Indeed, the failure to do these things, and similar things collectively referred to as ''civilian implementation'' of the Dayton Accords, is one of the main reasons why we are told that we cannot bring our forces home from Bosnia today.

Of course, many of us predicted at the time that once our forces went into Bosnia they would never get out.

The President solemnly assured us that we were wrong about this. He promised us that our forces would stay in Bosnia no more than 1 year. Indeed, in a letter to us dated December 13, 1995, he stated:

> IFOR's basic military tasks should be completed within six months. During the remainder of the year, IFOR will continue to facilitate implementation of the peace agreement while preparing for and undertaking an orderly drawdown of forces.

Of course, 1 year later, the President had to take all this back. In a letter to us dated November 27, 1996, he stated:

> . . . our achievements on the military side have not been matched by progress on the civilian side. It will take longer than we and our Allies anticipated for Bosnia's economic and political life to reach the point where an outside security presence is no longer required.

It would be necessary to extend the United States military presence in Bosnia by another 18 months, the President said, to June 1998. But this time he was serious about the deadline for withdrawing our forces. We know because he told us so in the letter: ''The new mission in Bosnia should end in June of 1998, and the remaining forces will completely withdraw from Bosnia quickly thereafter.''

We already see signs, of course, that this second deadline is slipping. The President's advisors are said to be in disagreement about whether and how to renege on the President's commitment. And none of us should have any doubt, that, in the end, the President will renege on his second deadline, just as he did on his first—unless we step in to hold him to his word.

He will renege, not because he is trying to deliberately mislead us, but because he has become a prisoner of a policy that will never work. A policy that can lead our nation to only to one place—to a Cyprus in the Balkans.

We need to help the President out of this quagmire. We need to help him remain true to his word, or at least his second word. That's what the Buyer amendment is about, and that's why I urge its adoption.

Now I know that some say that June 1998 is too far in the future. We would like to bring our forces home sooner than that. So the gentleman from Tennessee [Mr. HILLEARY] has offered a perfecting amendment to move up the deadline to January of 1998.

While I am sympathetic to the Hilleary amendment, ultimately we must recognize that it is unrealistic.

The fact is that we are embarked on a very difficult enterprise. Congress is understandably reluctant to impose mandatory deadlines on U.S. force deployments abroad. And the President is even more reluctant to accept them. This means that it is going to be very hard to enact any funding cutoff for United States forces in Bosnia.

We stand a reasonable chance of enacting the withdrawal date that the President himself has promised. Any earlier date almost certainly cannot be enacted.

We should not pick a fight that we cannot win. Instead, we should defy opponents of the June withdrawal date to explain to us today why the President must have flexibility to break for a second time his solemn commitment to withdraw United States from Bosnia by a date certain.

Accordingly, I urge my colleagues to defeat the Hilleary amendment and approve the Buyer amendment.

Mr. DELLUMS. Mr. Chairman, hopefully, using the same clock, I yield myself the balance of the time.

Let me make a very few observations, if I might have the attention of my colleague, the gentleman from Indiana [Mr. BUYER]. First of all, if we accept the argument by the previous speaker, then we would not be in the Sinai, we would not be in Korea. And if that is their position, step up to it and be real, step up to it and be consistent. But that argument is not a consistent argument. We are talking about keeping the peace, preventing war for tens of thousands of people not dying. That seems to me an appropriate role to play.

Now, Mr. Chairman, my position in this whole thing is we ought to stay there until the job is done. As Martin Luther King said, probably more eloquent than anyone, that peace is more than simply the absence of war, it is the absence of conditions that give rise to war. So our military people may only win a marginal role in the whole issue of peace, because peace is about economics and it is about human rights and it is about democracy and a whole range of things.

But sometimes people are so much adverse to each other that they need someone to come in to hold them off. Now the allies, my colleagues recall, we were all at some point in these chambers students of history, our allies tried to keep the peace on the ground; and it failed, not because the leadership failed, but because the circumstances did not provide for success.

What provides us with some opportunity for success? Because the parties to the killing and the dying came to this country, sat down, negotiated a peace plan, and said, as imperfect as it is, help us to achieve that peace. We do not trust each other. We have been killing and maiming each other. Give us a hand until we create the conditions that evolve a war and peace.

As I said earlier, we make peace with our enemies; we do not make peace with your friends. Peace is hard. Peace is difficult. I would like to say to my colleague, the gentleman from Indiana [Mr. BUYER], who I think is sincere and genuine in his effort, if he recalls on his reporting requirements in this bill. In this bill, on page 373, under the heading Presidential Report on Political and Military Conditions in Bosnia, ''The President shall submit to Congress,'' I read in part, under section (2) paragraph (A), ''the date on which the transition from the multinational force,'' and my colleagues all know that we only are providing 25 percent of the troops here, not all of them, no one said that in this debate, the multinational force known as the Stabilization Force to the planned multinational successor force to be known as the Deterrent Force. Now we asked for this report.

Further, paragraph (F),

Any plan to maintain or expand other Bosnia-related (such as the operation designated as Operation Deliberate Guard) if tensions in Bosnia-Herzegovina remain sufficient to delay the transition from the Stabilization Force to the Deterrent Force and the estimated cost associated with each such operation.

What I am saying to the gentleman from Indiana [Mr. BUYER], I think in the context of the conference, we can take what is already in the bill before us and we can work this in order to accommodate the concerns of the gentleman and this gentleman. We meet on common ground.

The place where we do not meet is when you take the extra step of putting in the date certain into legislative form, for all the reasons that the Chair, the Joint Chiefs, the Secretary of Defense, I, and others have enunciated. The gentleman from Indiana [Mr. HAMILTON], all have raised these questions.

I think that this can be accommodated. I know the gentleman is sincere in what he is attempting to do. But I think that there are other Members who, rather than, as I said earlier in the debate, Mr. Chairman, asserting our congressional prerogatives on the front end of the debate, where we should be, and that is should we go or should we not go. That is our responsibility. That is why we are getting paid. Step up to that constitutional responsibility.

But more often than not, in the 26-plus years I have been here, Mr. Chairman, we back off that, we do not have the heart or courage to stand up to that. We wait until the President walks out on a limb and then we come in the dead of the night, on the tail-end, saying no funds shall be used to cut off at a date certain on the end where we are micromanaging, putting troops in harm's way.

But I think we ought to step up to it earlier on and assert our constitutional prerogative. If you do not want troops some place, step up and say that. If we do, step up and say that. I came here opposing every military adventure that we engaged in. I am a man of peace. Now here I am advocating that we stay in Bosnia.

The world has turned completely in a flip. The people who wanted to go anywhere in the world bombing and killing and maiming do not want our troops in Bosnia. Now if people are smart, they realize that that means that the world has changed. Bosnia is about peacekeeping, not war-making.

The CHAIRMAN. The gentleman's time has expired. All time for debate on the Buyer amendment has expired.

It is now in order to consider amendment No. 9, printed in part 1 of House Report 105–137, as a substitute for the pending amendment.

AMENDMENT NO. 9 OFFERED BY MR. HILLEARY AS A SUBSTITUTE FOR THE AMENDMENT NO. 8 OFFERED BY MR. BUYER

Mr. HILLEARY. Mr. Chairman, I offer an amendment as a substitute for the amendment.

The CHAIRMAN. The Clerk will designate the amendment offered as a substitute for the amendment.

The text of the amendment offered as a substitute for the amendment is as follows:

Part one, Amendment No. 9 offered by Mr. HILLEARY as a substitute for Part 1, amendment No. 8 offered by Mr. BUYER:

Page 379, after line 19, add the following:

TITLE XIII—UNITED STATES ARMED FORCES IN BOSNIA AND HERZEGOVINA

SEC. 1301. SHORT TITLE.

This title may be cited as the ''United States Armed Forces in Bosnia Protection Act of 1997''.

SEC. 1302. FINDINGS AND DECLARATIONS OF POLICY.

(a) FINDINGS.—The Congress finds the following:

(1)(A) On November 27, 1995, the President affirmed that United States participation in the multinational military Implementation Force in the Republic of Bosnia and Herzegovina would terminate in one year.

(B) The President declared the expiration date of the mandate for the Implementation Force to be December 20, 1996.

(2) The Secretary of Defense and the Chairman of the Joint Chiefs of Staff likewise expressed their confidence that the Implementation Force would complete its mission in one year.

(3) The exemplary performance of United States Armed Forces personnel has significantly contributed to the accomplishment of the military mission of the Implementation Force. The courage, dedication, and professionalism of such personnel have permitted a separation of the belligerent parties to the conflict in the Republic of Bosnia and Herzegovina and have resulted in a significant mitigation of the violence and suffering in the Republic of Bosnia and Herzegovina.

(4) On October 3, 1996, the Chairman of the Joint Chiefs of Staff announced the intention of the United States Administration to delay the removal of United States Armed Forces personnel from the Republic of Bosnia and Herzegovina until March 1997 due to operational reasons.

(5) Notwithstanding the fact that the President, the Secretary of Defense, and the Chairman of the Joint Chiefs of Staff assured the Congress of their resolve to end the mission of United States Armed Forces in the Republic of Bosnia and Herzegovina by December 20, 1996, in November 1996 the President announced his intention to further extend the deployment of United States Armed Forces in the Republic of Bosnia and Herzegovina until June 1998.

(6) Before the announcement of the new policy referred to in paragraph (5), the President did not request authorization by the Congress of a policy that would result in the further deployment of United States Armed Forces in the Republic of Bosnia and Herzegovina until June 1998.

(b) DECLARATIONS OF POLICY.—The Congress—

(1) expresses its serious concerns and opposition to the policy of the President that has resulted in the deployment after December 20, 1996, of United States Armed Forces on the ground in the Republic of Bosnia and Herzegovina without prior authorization by the Congress; and

(2) urges the President to work with our European allies to begin an orderly transition of all peacekeeping functions in the Republic of Bosnia and Herzegovina from the United States to appropriate European countries in preparation for a complete withdrawal of all United States Armed Forces by December 31, 1997.

SEC. 1303. PROHIBITION OF USE OF DEPARTMENT OF DEFENSE FUNDS FOR CONTINUED DEPLOYMENT ON THE GROUND OF ARMED FORCES IN THE TERRITORY OF THE REPUBLIC OF BOSNIA AND HERZEGOVINA.

(a) PROHIBITION.—None of the funds appropriated or otherwise available to the Department of Defense may be obligated or expended for the deployment on the ground of United States Armed Forces in the territory of the Republic of Bosnia and Herzegovina after December 31, 1997, in connection with peacekeeping operations conducted by the Implementation Force, the Stabilization Force, or any successor force.

(b) EXCEPTION TO ENSURE SAFE AND TIMELY WITHDRAWAL.—The prohibition contained in subsection (a) shall not apply with respect to the deployment of United States Armed Forces for the express purpose of ensuring the safe and timely withdrawal of such Armed Forces from the Republic of Bosnia and Herzegovina, but such a deployment may not extend for a period of more than 30 days beyond the date specified in subsection (a) (or the date otherwise applicable to the limitation under that subsection by reason of an extension of that date pursuant to subsection (c)).

(c) EXTENSION OF REQUIRED WITHDRAWAL DATE.—The date specified in subsection (a) for the applicability of the limitation under that subsection may be extended by the President for an additional 180 days if—

(1) the President transmits to the Congress a report containing a request for such an extension; and

(2) a joint resolution is enacted, in accordance with section 1304, specifically approving such request.

SEC. 1304. CONGRESSIONAL CONSIDERATION OF REQUEST BY PRESIDENT FOR 180-DAY EXTENSION OF DEPLOYMENT.

(a) TERMS OF THE RESOLUTION.—For purposes of section 1303, the term ''joint resolution'' means only a joint resolution that is introduced within the 10-day period beginning on the date on which the President transmits the report to the Congress under such section, and—

(1) which does not have a preamble;

(2) the matter after the resolving clause of which is as follows: ''That the Congress approves the request by the President for the extension of the deployment on the ground of United States Armed Forces in the territory of the Republic of Bosnia and Herzegovina for a period ending not later than June 30, 1998, as submitted by the President on ————————'', the blank space being filled in with the appropriate date; and

(3) the title of which is as follows: ''Joint resolution approving the request by the President for an extension of the deployment on the ground of United States Armed Forces in the territory of the Republic of Bosnia and Herzegovina for a period ending not later than June 30, 1998.''.

(b) REFERRAL.—A resolution described in subsection (a) that is introduced in the House of Representatives shall be referred to the Committee on International Relations and the Committee on National Security of the House of Representatives. A resolution described in subsection (a) introduced in the Senate shall be referred to the Committee on Foreign Relations and the Committee on Armed Services of the Senate.

(c) DISCHARGE.—If the committee to which a resolution described in subsection (a) is referred has not reported such resolution (or an identical resolution) by the end of the 20-day period beginning on the date on which the President transmits the report to the Congress under section 1303, such committee shall be, at the end of such period, discharged from further consideration of such resolution, and such resolution shall be placed on the appropriate calendar of the House involved.

(d) CONSIDERATION IN THE SENATE.—(1) On or after the third day after the date on which the committee to which such a resolution is referred in the Senate has reported, or has been discharged (under subsection (c)) from further consideration of, such a resolution in the Senate, it is in order (even though a previous motion to the same effect has been disagreed to) for any Member of the Senate to move to proceed to the consideration of the resolution. A Member may make the motion only on the day after the calendar day on which the Member announces to the Senate the Member's intention to make the motion. All points of order against the resolution (and against consideration of the resolution) are waived. The motion is privileged in the Senate and is not debatable. The motion is not subject to amendment, or to a motion to postpone, or to a motion to proceed to the consideration of other business. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the resolution is agreed to, the Senate shall immediately proceed to consideration of the joint resolution without intervening motion, order, or other business, and the resolution shall remain the unfinished business of the Senate until disposed of.

(2) Debate on the resolution in the Senate, and on all debatable motions and appeals in connection therewith, shall be limited to not more than 2 hours, which shall be divided equally between those favoring and those opposing the resolution. An amendment to the resolution is not in order. A motion further to limit debate is in order and not debatable. A motion to postpone, or a motion to proceed to the consideration of other business, or a motion to recommit the resolution is not in order. A motion to reconsider the vote by which the resolution is agreed to or disagreed to is not in order.

(3) Immediately following the conclusion of the debate on a resolution described in subsection (a) and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the Senate, the vote on final passage of the resolution shall occur.

(4) Appeals from the decisions of the Chair relating to the application of the rules of the Senate, as the case may be, to the procedure relating to a resolution described in subsection (a) shall be decided without debate.

(e) CONSIDERATION IN THE SENATE AFTER CONSIDERATION BY THE HOUSE OF REPRESENTATIVES.—(1) If, before the passage by the Senate of a resolution of the Senate described in subsection (a), the Senate receives from the House of Representatives a resolution described in subsection (a), then the following procedures shall apply:

(A) The resolution of the House of Representatives shall not be referred to a committee and may not be considered in the Senate except in the case of final passage as provided in subparagraph (B)(ii).

(B) With respect to a resolution described in subsection (a) of the Senate—

(i) the procedure in the Senate shall be the same as if no resolution had been received from the House of Representatives; but

(ii) the vote on final passage shall be on the resolution of the House of Representatives.

(2) Upon disposition of the resolution received from the House of Representatives, it shall no longer be in order to consider the resolution that originated in the Senate.

(f) RULES OF THE SENATE AND HOUSE.—This section is enacted by the Congress—

(1) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such it is deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a resolution described in subsection (a), and it supersedes other rules only to the extent that it is inconsistent with such rules; and

(2) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedure of that House) at any time, in the same manner, and to the same extent as in the case of any other rule of that House.

SEC. 1305. PROHIBITION OF USE OF DEPARTMENT OF DEFENSE FUNDS FOR LAW ENFORCEMENT OR RELATED ACTIVITIES IN THE TERRITORY OF THE REPUBLIC OF BOSNIA AND HERZEGOVINA.

None of the funds appropriated or otherwise available to the Department of Defense for any fiscal year may be obligated or expended after the date of the enactment of this Act for the following:

(1) Conduct of, or direct support for, law enforcement activities in the Republic of Bosnia and Herzegovina, except for the training of law enforcement personnel or to prevent imminent loss of life.

(2) Conduct of, or support for, any activity in the Republic of Bosnia and Herzegovina that may have the effect of jeopardizing the primary mission of the United Nations-led Stabilization Force in preventing armed conflict between the Federation of Bosnia and Herzegovina and the Republika Srpska (''Bosnian Entities'').

(3) Transfer of refugees within the Republic of Bosnia and Herzegovina that, in the opinion of the commander of the Stabilization Force involved in such transfer—

(A) has as one of its purposes the acquisition of control by a Bosnian Entity of territory allocated to the other Bosnian Entity under the Dayton Peace Agreement; or

(B) may expose United States Armed Forces to substantial risk to their personal safety.

(4) Implementation of any decision to change the legal status of any territory within the Republic of Bosnia and Herzegovina unless expressly agreed to by all signatories to the Dayton Peace Agreement.

SEC. 1306. REPORT.

(a) IN GENERAL.—Not later than October 31, 1997, the President shall prepare and transmit to the Congress a report on the deployment on the ground of United States Armed Forces in the territory of the Republic of Bosnia and Herzegovina. The report shall contain the following:

(1) A description of the extent to which compliance has been achieved with the requirements relating to United States activities in the Republic of Bosnia and Herzegovina contained in Public Law 104–122 (110 Stat. 876).

(2)(A) An identification of the specific steps taken, if any, by the United States Government to transfer the United States portion of the peacekeeping mission in the Republic of Bosnia and Herzegovina to appropriate European organizations, such as a combined joint task force of NATO, the

Western European Union, or the Conference on Security and Cooperation in Europe.

(B) A description of any deficiencies in the capabilities of such European organizations to conduct peacekeeping activities in the Republic of Bosnia and Herzegovina and a description of the actions, if any, that the United States Government is taking in cooperation with such organizations to remedy such deficiencies.

(3) An identification of the following:

(A) The goals of the Stabilization Force and the criteria for achieving those goals.

(B) The measures that are being taken to protect United States Armed Forces personnel from conventional warfare, unconventional warfare, or terrorist attacks in the Republic of Bosnia and Herzegovina.

(C) The exit strategy for the withdrawal of United States Armed Forces from the Republic of Bosnia and Herzegovina in the event of civil disturbances or overt warfare.

(D) The exit strategy and timetable for the withdrawal of United States Armed Forces from the Republic of Bosnia and Herzegovina in the event the Stabilization Force successfully completes its mission, including whether or not a follow-on force will succeed the Stabilization Force after the proposed withdrawal date announced by the President of June 1998.

(b) FORM OF REPORT.—The report described in subsection (a) shall be transmitted in unclassified and classified versions.

SEC. 1307. DEFINITIONS.

As used in this title:

(1) BOSNIAN ENTITIES.—The term ''Bosnian Entities'' means the Federation of Bosnia and Herzegovina and the Republika Srpska.

(2) DAYTON PEACE AGREEMENT.—The term ''Dayton Peace Agreement'' means the General Framework Agreement for Peace in Bosnia and Herzegovina, initialed by the parties in Dayton, Ohio, on November 21, 1995, and signed in Paris on December 14, 1995.

(3) IMPLEMENTATION FORCE.—The term ''Implementation Force'' means the NATO-led multinational military force in the Republic of Bosnia and Herzegovina (commonly referred to as ''IFOR''), authorized under the Dayton Peace Agreement.

(4) NATO.—The term ''NATO'' means the North Atlantic Treaty Organization.

(5) STABILIZATION FORCE.—The term ''Stabilization Force'' means the United Nations-led follow-on force to the Implementation Force in the Republic of Bosnia and Herzegovina and other countries in the region (commonly referred to as ''SFOR''), authorized under United Nations Security Council Resolution 1088 (December 12, 1996).

The CHAIRMAN. Pursuant to the rule, the gentleman from Tennessee [Mr. HILLEARY] and a Member opposed, [Mr. BUYER] each will control 10 minutes.

The Chair recognizes the gentleman from Tennessee [Mr. HILLEARY].

Mr. HILLEARY. Mr. Chairman, for the purposes of debate only, I yield 5 minutes to my colleague on the other side of the aisle, the distinguished gentleman from California [Mr. CONDIT] and I ask unanimous consent that he be permitted to control that time.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. HILLEARY. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, there are several different important differences between the two amendments on Bosnia that are being offered here today.

First, the Hilleary-Condit-Kasich-Jones-Frank amendment is a bipartisan compromise; and with all those names, we know it is a bipartisan amendment. It is a bipartisan compromise of the much tougher H.R. 1172, the U.S. Armed Forces in Bosnia Protection Act, which has 148 bipartisan cosponsors.

Our bipartisan compromise amendment would bring our troops home by December 31, 1997, but would still give the President some flexibility by allowing him to make a written request to Congress to extend the exit date to June 30, 1998, his present exit date.

Second, the Hilleary-Condit-Kasich-Jones-Frank amendment is the only vote we will have to show that we did everything we could to bring our troops home as soon as possible. Voting only for the Buyer amendment, although it is a worthy amendment, demonstrates that we are accepting the President's present exit date of June 1998, and accepting the responsibility for all the harm that may come to our troops the longer that they are there.

Think about this, Mr. Chairman: As it becomes apparent to the warring factions in Bosnia that the President has no intention of pulling our troops out, they will be increasingly motivated to perpetrate a heinous terrorist act on our troops to get our troops out, just like at Khobar Towers in Saudi Arabia or the car bomb in Beirut, Lebanon. The later we set the exit date and the longer our troops are in Bosnia, the greater the odds are that this type of act will occur.

This is serious business, Mr. Chairman. Let us get them out as soon as possible. Let us support the Hilleary-Condit-Kasich-Jones-Frank amendment.

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

Mr. BUYER. Mr. Chairman, I yield 3 minutes to the gentleman from Missouri [Mr. SKELTON].

Mr. SKELTON. Mr. Chairman, I rise in opposition to the Hilleary amendment. To do so, to adopt that I think would be a travesty in this House and a travesty for our country. We have deployed our troops. And I might say I am immensely proud of what they have done in Bosnia. But we have been fortunate.

We should be proud that our military personnel and their efforts have been successful in their accomplishments. They have overseen a separation of warring parties. They have been professional. They have caused the hostilities to cease. We have allowed political reform to begin. Refugee resettlement is occurring, and we have led as no other nation can. We have relished support among Europeans and throughout other nations of the world to follow our deeds.

Today I ask my colleagues to help our uniformed personnel complete their mission in a timely, efficient, and professional manner. In doing so, we must follow in honor of the word of the President of our Nation. He said some time ago that we should be out of there by June 1998. To cut if off at this time would be improper for our troops, to rush them out and not give them sufficient time to make plans to leave, to cause us to break our word as a nation, and to not give the former warring parties the time to complete their reconciliation, which the end of June 1998 will do.

We should honor the commitments of our Nation. We should honor the commitment of our President. We should honor the commitment of his word when he said June 1998. We must stick to that. We, as this Congress, should back him up and allow our troops to remain until that time.

I oppose the Hilleary amendment. It would be wrong for this body. It would be wrong for our Nation.

Mr. CONDIT. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, as we stated, this amendment will require the withdrawal of our Armed Forces from Bosnia by December 31, 1997. In October 1995, the administration stated that our presence in Bosnia would last for 12 months.

Well, here it is a year and a half later, and the troops are still there; and now the withdrawal date is June 1998. Their mission is unclear. Their objective is uncertain. Our commitment changes as every deadline for withdrawal passes. Let us end the charade. If the troops cannot come home by December of this year, let the administration tell us why, let us execute our constitutional authority of either supporting the administrative policy or rejecting it. That is quite simple. Let them submit to us a plan. Let us approve it, or let us reject it.

This will force all of us to define our purpose and our objective in Bosnia. It will also force us to do something that is extremely important, and that is to have a discussion of what the role is of the Europeans, what role must they play in safeguarding Europe.

The Vietnam war, the Persian Gulf taught us a valuable lesson: Give our troops clear, definable, and achievable missions. To do less than this is to put them at risk, without full regard for the consequences.

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

Mr. BUYER. Mr. Chairman, I yield myself l minute.

Actually, I would like to say to the gentleman from California [Mr. DELLUMS], earlier when he was referring to the ellipsis as the actual bill itself, some report language with the President, if he would note from the amendment that I have before the committee, it is now the perfecting amendment, we kind of beefed that up. In his request for the spirit to work that in the conference, I would join him to do that.

Mr. Chairman, I yield to the gentleman from gentleman from California [Mr. DELLUMS].

Mr. DELLUMS. Mr. Chairman, I believe the gentleman is absolutely correct, he has beefed up these provisions and I think appropriately. I would be more than happy to work with the gentleman in the context of the conference to move it in the direction of the gentleman, because I think it strengthens these report requirements.

Mr. BUYER. I thank the gentleman in that spirit.

Mr. Chairman, I yield 2 minutes to the gentleman from Ohio [Mr. HOBSON], who had an important meeting and could not be here during the general debate.

□ 1745

Mr. HOBSON. I appreciate the gentleman yielding me this time.

Mr. Chairman, I rise today in support of the Buyer-Skelton amendment to terminate our mission in Bosnia by June of next year, the President's date.

Only through the leadership, good will, and commitment of our Nation has the fighting stopped in Bosnia. The peace accord that ended the Bosnian conflict was written and agreed upon in my district. I have made two trips to the Balkans and seen first hand the mess into which these people have gotten themselves.

Considering that the history of hatred in the Balkans dates back at least a millennium, 2 years of American presence there will not turn the situation around. We have been able to see a pause in this fighting that will hopefully endure, but the people of Bosnia, Croatia, and Serbia ultimately must be the architects of, frankly, their own peace.

I want to see our troops out of Bosnia as soon as possible, and I frankly was very disappointed when the President broke his word to all of us to have our troops out last year. This amendment that I am supporting will make sure that our troops come home by next June, and also ensure that sufficient planning takes place between now and then so that when they are withdrawn, it will be done in an organized fashion and a secure fashion.

If it were up to me, the troops would be out now, and I might not have sent them to begin with, but my first and foremost concern is their safety. Preserving that safety means that we get them out, and that our pullout is planned, organized, and well executed.

When I was last there, I met with the NATO Ambassador and some of their people. They said one of the problems they were having is getting the people to begin moving on with the accords in the civil side of this. We have done the military job. The longer they think we are going to stay there, the less they are going to move on the civil side.

That is why we need to set a date certain and get our troops out, get them home, let the people of the area get on with their lives, hopefully in a peaceful fashion. We are not going to solve this peace. We should get out, come home, and let the people do their job.

PARLIAMENTARY INQUIRIES

Mr. HILLEARY. Parliamentary inquiry, Mr. Chairman.

The CHAIRMAN. The gentleman will state it.

Mr. HILLEARY. Mr. Chairman, do I have the right to close this debate?

The CHAIRMAN. The gentleman has the right to close.

Mr. BUYER. Parliamentary inquiry, Mr. Chairman.

The CHAIRMAN. The gentleman will state it.

Mr. BUYER. As I understand, this is a perfecting substitute amendment to my amendment and I rise in opposition. Therefore, would I not have the right to close?

The CHAIRMAN. The Chair would advise that neither gentleman represent the position of the committee and, therefore, the sponsor of the substitute amendment would have the right to close.

Mr. BUYER. I thank the chairman.

Mr. CONDIT. Mr. Chairman, I yield 1½ minutes to the gentleman from Massachusetts [Mr. FRANK].

Mr. FRANK of Massachusetts. Mr. Chairman, I differ with some of those, and I support the Hilleary amendment, I differ with some of those who join me in supporting it. I think the mission has been successful. I think it was a good idea. I was glad the gentleman from California decried the argument that these are somehow subhuman people who cannot get along.

This is a mission that ought to be done but America should not be doing it. Where are our European allies? Yes; they are there with us. We are alone in South Korea with the Koreans, standing up to North Korea. We are essentially alone in the Middle East, standing up to Iran and Iraq. We do our part in Latin America and in Haiti. Is it never Europe's turn? Bosnia is in Europe. It is close to Germany, close to France. Can they do nothing by themselves?

We are the great enablers of dependency in this House, not of welfare but of a Europe that simply will not stand up for its own interests. Indeed, I think maybe we should send out an investigating committee, Mr. Chairman. I am not sure there is a Europe. I think that France and Germany and Italy and Denmark and Belgium, at least for military purposes, are a fraud that has been perpetuated on us. Because the fact is that when it comes to their own interests, when we are talking about problems 100, 200, 300 miles from their own border, this collection of wealthy, powerful democratic nations acts like a bunch of immature teenagers that have to hide behind the United States.

Yes, it was a good thing that the President did. Yes; it has been more successful than people thought. And there is a reason for people to stay. But with America in South Korea, America in the Middle East, America elsewhere, we have a right to tell our European allies this one is theirs.

At the recent summit meeting, the Europeans complained to the President that he was thinking of leaving. Sometimes people have to learn to do things on their own. This is a job for the Europeans. We should adopt the Hilleary amendment and let the Europeans show that they can defend their own interests.

Mr. BUYER. Mr. Chairman, I yield myself the balance of my time.

The CHAIRMAN. The gentleman from Indiana is recognized for 4½ minutes.

Mr. BUYER. Mr. Chairman, I rise in opposition to the perfecting amendment of my good friend because what I want to do is accept the President's date. That is June 30, 1998.

I am from Indiana. It is corn country. We accept people at face value. Your word is your honor, is your bond. You do that until somebody has a little slippage in their word. The President slipped once. He slipped twice. Our Secretary of State, Madeleine Albright, now is kind of hinting that there may be in fact a third slippage. Fool me once, fool me twice, but pretty soon it becomes shame on me.

What I have done is to step forward and codify the June 30 date. I have been a good listener to the gentleman from California [Mr. DELLUMS], the gentleman from Pennsylvania [Mr. MURTHA] and some others about codifying that date. I understand. It still is a little tough saying ill-defined, not providing flexibility and those kind of words, but I want to hold firm. I want to hold firm on the date and back up the President so he can move to our allies within the region so they can begin to accept those greater responsibilities, because I support the gentleman from California [Mr. DELLUMS] when he says, let us change human condition. I want to change human condition with our allies and how we interact. I understand also we are talking about NATO and U.S. leadership, I say to the gentleman from Pennsylvania [Mr. MURTHA]. But let us talk about what is happening. We always focus on the military. It is the civil implementation of the Dayton accords that has got us in this mess. The military always meets their deadlines. They do a great job. IFOR was highly complementary. SFOR will be highly complementary.

The concern and our focus should be on the civilian implementation. Right now when we look at the implementation of the subregional arms limitations, it is to be complete in November 1997. I do not know if we are going to make that date.

The train, arm, and equip of the Bosnian Muslims is only half complete. I expect claims of compliance to be contested. Verification will be necessary on the checking to ensure that the checks and the balances are there for the stability of the region. Who is going to do that? That is where I believe, yes, the United States still needs to have our presence in the over-the-horizon, but on the ground I actually want our NATO allies there. I want them to have a greater role and presence in the peace and the stability

within their region, that is, the continent of Europe.

We also have the issue of war criminals. There are some that say that no lasting peace will be possible in Bosnia until the war criminals are brought to justice. Right now to date only 8 of 74 currently under indictment are in custody of The Hague. Only 2 of the 8 have been convicted. When we talk about two of the most prominent indicted persons, former Bosnian Serb leader Radovan Karadzic and former Bosnian Serb military chief Ratko Mladic, they are still at large. Who is going to go after them?

If we are talking about after the June 30, 1998, date and they are still in place and threaten the region's stability, what type of force? That is why I join with the gentleman from California to have it defined what will be the U.S. role and presence after the President's June 30 date. Let us not rush to judgment here.

We also have the concerns of the nation building. When I talk about that, it is the humanitarian, the political, and the reconstruction. The nationwide elections have been held, but what about the municipal elections? The multi-ethnic political institutions are still segregated. It is also, as I earlier had stated, and this is what pains me the most is it is questionable if the Dayton agreement has in fact created the durable peace because the only way I think that we can have the durable peace is because of this open-ended commitment.

The question is, how long will we be there? When I have heard this today, we have to be there until the job is done. It was Dayton that set up these parameters that has an open-ended commitment. What I want to do is set a date certain so we can work in mutuality with our regional allies in Europe, so we can have a plan to withdraw and we can have the assurance of a durable peace. That is in fact what we want.

Mr. Chairman, I yield back the balance of my time.

Mr. CONDIT. Mr. Chairman, I yield such time as he may consume to the gentleman from Texas [Mr. HALL].

(Mr. HALL of Texas asked and was given permission to revise and extend his remarks.)

Mr. HALL of Texas. Mr. Chairman, I rise today to voice strong support for the Hilleary amendment and for ending deployment of our United States ground forces in Bosnia.

I did not support the administration's decision to send troops to Bosnia a year and a half ago, and I would vote to bring our troops home today if I could.

The best we can do, however, is to bring them home as soon as possible. The administration has stated repeatedly that our troops would be in Bosnia for no longer than 12 months. It has been well over a year since our troops were deployed there—and there still is no end in sight. The amendments offered today will require a ate certain for troop withdrawal, require development of an exit plan, and require a defined policy concerning the role of the United States and our allies in Bosnia following withdrawal of United States troops.

We have been most fortunate that in the past 18 months, no Americans have died from hostile fire in Bosnia. However, as frictions continue to get more heated and ethnic divisions continue to erupt in human rights violations, the dangers to our troops will intensify. Our mission in Bosnia still remains unclear—and without a clear policy, the future of our troop involvement also remains uncertain.

It is imperative that we have a clearly defined exit policy and that we stick to it. Today, we have an opportunity to express our support for our troops by voting our desire to bring them home, and I urge my colleagues' support.

Mr. CONDIT. Mr. Chairman, I yield 1 minute to the gentlewoman from Missouri [Ms. DANNER].

Ms. DANNER. Mr. Chairman, I rise in support of the Hilleary amendment.

Before United States troops were deployed to Bosnia, I expressed skepticism that we would be there for only 1 year and that it would cost $1.5 billion. We have been there 2 years already, we are up to $6.5 billion, and the whole object is escalating. We are going to be there now perhaps as many as 3 years, and we could be up to we do not even know how many billions of dollars.

I think this has become a quagmire that we have to withdraw from. The American public believes, and I totally agree with them, that our European friends should be handling this. It should be something that they do. It is on their continent, and it has been proven that they have the ability to provide for their own common defense and to handle the issue of Bosnia.

Mr. HILLEARY. Mr. Chairman, I yield such time as he may consume to the gentleman from Florida [Mr. STEARNS].

(Mr. STEARMS asked and was given permission to revise and extend his remarks.)

Mr. STEARNS. Mr. Chairman, I rise in support of the amendment to put an end to this unauthorized operation by creating a date certain.

Mr. HILLEARY. Mr. Chairman, I yield such time as he may consume to the gentleman from California [Mr. CAMPBELL].

(Mr. CAMPBELL asked and was given permission to revise and extend his remarks.)

Mr. CAMPBELL. Mr. Chairman, I rise in support of the Hilleary amendment.

Mr. CONDIT. Mr. Chairman, I yield the balance of my time to the gentleman from Tennessee [Mr. HILLEARY].

The CHAIRMAN. The gentleman from Tennessee is recognized for an additional 30 seconds.

Mr. HILLEARY. Mr. Chairman, I yield the balance of my time to close this debate to the distinguished gentleman from Ohio [Mr. KASICH] who has helped lead the effort to bring our troops home from Bosnia.

The CHAIRMAN. The gentleman from Ohio is recognized for 3½ minutes.

Mr. HILLEARY. Mr. Chairman, will the gentleman yield?

Mr. KASICH. I yield to the gentleman from Tennessee.

Mr. HILLEARY. I thank the gentleman for yielding.

Mr. Chairman, I am holding a letter from Maj. Gen. Jim Pennington, Retired U.S. Army, president of the National Association of Uniformed Services, expressing his strong support for the Hilleary-Condit amendment to H.R. 1119.

Mr. KASICH. Mr. Chairman, let me just suggest to the Members that are listening, the President said that we should withdraw our forces in December 1996. The Hilleary amendment says that they can be there until December 1997. And at that point in time, our allies will assume the additional burden of patrolling the streets of the communities in Bosnia. We worked with them for 50 years to stop the advance of the Soviet military and an invasion of Europe. Surely they can in fact keep the peace and patrol the streets. If they have difficulty, we will help them, not with our soldiers but with all of our technical expertise and all of the logistics.

I look at the gentleman from Pennsylvania [Mr. MURTHA] who has been in the Chamber longer than I have, but I have been here now for 15 years, and I want to tell my colleagues when the U.S. military gets in trouble is when we send our troops into a circumstance that is not clear and a mission that is fuzzy and a mission that confuses the nature of what the mission is for our soldiers.

We have done our job. We went to separate the warring parties and we did it. It is not our job to build the infrastructure and the Government of Bosnia. We will not be successful in that. And so what I would suggest is if Members believe that the President has not made the case about the vital interests of the United States, if Members believe the President has not articulated a clear exit strategy, if Members believe that our allies should do more, if Members believe that the American people do not stand behind this mission, if Members believe that this entire role ought to be clarified, if Members believe we have done our job and we ought to come home, and if Members share the concern that our soldiers could find themselves in a fuzzy mission and the consequences that are related to that, they must support the Hilleary amendment.

□ 1800

And then what happens? The President should come to this House and make his case. He has not yet done it. The only way that we will force the President to spell out the mission, to give us the achievable objectives, to call to task our allies, and to prove to the American people and to prove to

the American people that this is a just mission, then my colleagues must vote for the Hilleary amendment and force the President to come here and tell us precisely what we are doing in Bosnia, what the mission is. Anything short of that leaves our troops in a confusing role with a dubious mission, without the kind of total support we need from allies who we supported for 50 years.

This is a support to get us on the road to clarifying U.S. military policy in the post Cold War period. This is a chance for my colleagues to stand up for the men and women who have put their lives on the line in Bosnia, and let us bring them home, and if not in December, force the President to make his case.

Support the Hilleary amendment.

The CHAIRMAN. All time has expired.

Mr. DELLUMS. Mr. Chairman, I move to strike the last word.

The CHAIRMAN. Under the rule, the gentleman, as the ranking minority member, is entitled to 5 minutes and is recognized for 5 minutes.

Mr. DELLUMS. Mr. Chairman, I understand where the majority of this body is going on a date certain; that is the easy political thing to do. But I think we ought to be part of the educative process, and I choose to try to do that.

First of all, to this notion, Mr. Chairman. To this notion, Mr. Chairman, this is important to the Europeans; let them do it. Does that mean we do not care about human life, Mr. Chairman?

We had this debate this morning about China. We care about human life in China. A few years ago we were concerned about human life in South Africa. We had a discussion about that. What are we talking about it is only Europeans should be concerned about European life? If this had been in the context of Nazi Germany, would Members have gotten up and said let Europe do it?

Mr. Chairman, we have a moral obligation to stand up and to care about human life. A quarter of a million people were being killed, raped, maimed and murdered; 13,000 of them were children.

So we say let the Europeans do it, we have no responsibility?

I heard speeches down here when we talked about the Preamble to the Constitution, and they said it was not just about America. Read the RECORD tomorrow. We said that on the floor just a couple of hours ago. This is about the whole planet. Now, when we talk about people dying in another place, let Europeans do it.

I want my colleagues to recall history, Mr. Chairman. Europeans did try to solve this problem, and they died there. Historically they died. They left blood on the soil of Bosnia trying. They spent money trying. It did not work. But what did work is when we stood up as a moral leader in the world and we said to the parties:

''Come to the United States, come to Dayton; sit down around the table, work out a peace plan,'' and when they did, they came to us, they invited us. That is the difference.

This is not some Vietnam quagmire. This is the United States standing up, caring about thousands of children not dying, women not being raped, mothers and fathers not dying because people could not figure out how to solve a problem. And they came to us and they said:

''Look, help us. Help us be peacekeepers.''

I challenge anyone in this Chamber with their commitment to peace. I am committed to it. Mr. Chairman, I have given my whole life to peace. Peace is my passion, and this is what we are trying to do in the context of Bosnia. Europeans, they did not do it. It was not because they did not try, and somebody ought to stand up here and set the record straight; I would do that.

Mr. Chairman, in just 1 second I will be happy to yield to my colleague from Massachusetts.

Mr. Chairman, I understand all the date certain business. I am simply saying let us be proud of being peacekeepers and peacemakers. As my colleagues know, it is like there are people in the Chamber who would like to paint a big sign on the Pentagon. Do my colleagues know what the sign would say? ''Hey, we only do the big ones. We don't do the peacekeeping, the peacemaking. We don't do the humanitarian assistance. We do the biggies.''

But I think that our war years are transitioning, and I think the world is changing, and I think war is not the paradigm, and maybe I am ahead of my time, but I think we are changing, we are moving, we are growing, we are evolving, and, Mr. Chairman, we need to learn about the Bosnias. We need to learn how to be peacekeepers.

As I said, we did not do well in Somalia. We did better in Haiti, we are doing better in Bosnia, and maybe in some other place where we are called to be peacekeepers we can do it.

Final point and I yield to the gentleman:

All I say to my colleagues is that both of these resolutions do not give us the flexibility to dial down the 25 percent of our troops. We can dial down to 5 percent, 2 percent, special group of people. The gentleman's resolution does not give us that kind of flexibility. Rational, intelligent people in a changing and transitioning world ought to always be committed to enough flexibility to learn to grow and to evolve. That is all I am saying.

Mr. Chairman, I yield to the gentleman from Massachusetts [Mr. FRANK].

Mr. FRANK of Massachusetts. Mr. Chairman, I agree that America should have gone in. I may differ with some of the others on this resolution. I think it was essential because only we could do it. But we have been in, and the fighting has stopped, and it is one thing to say, well, the Europeans should have been able to do it from the beginning. I never said that. The question is now are the Europeans capable of maintaining this kind of maintenance force?

And the point I make is this. Of course I care about Europeans, I care about a lot of people, but there are limited resources, and for the United States to continue to encourage on the Europeans the notion that they do not have to do very much while we do it all I think is ultimately damaging to the values the gentleman is seeking. I think precisely because America does have important roles to play in various parts of the world where the mission has now been reduced to a more easily accomplished one than originally when we had to go in, we have a right to ask the Europeans to do a hand-off from now.

The CHAIRMAN. The time of the gentleman from California [Mr. DELLUMS] has expired.

Mr. SPENCE. Mr. Chairman, I move to strike the last word.

The CHAIRMAN. Under the rule, as chairman of the committee the gentleman from South Carolina [Mr. SPENCE] is entitled to 5 minutes and is recognized for 5 minutes.

Mr. SPENCE. Mr. Chairman, I hesitate to do this because I hate to get 5 more minutes for one side in one amendment and the other amendment did not have that like amount of time, but that is the way things work out.

Mr. Chairman, I yield to the gentleman from Florida [Mr. STEARNS].

Mr. STEARNS. Mr. Chairman, the gentleman from California [Mr. DELLUMS] said this afternoon let us be proud to be peacekeepers.

Mr. DELLUMS. Mr. Chairman, will the gentleman yield?

Mr. SPENCE. I yield to the gentleman from California.

Mr. DELLUMS. Absolutely.

Mr. STEARNS. Mr. Chairman, I say to the gentleman from California let us also be proud to abide by the Constitution.

Mr. DELLUMS. Absolutely.

Mr. STEARNS. Where in the U.S. Constitution does a President have the power to unilaterally place U.S. troops in combat environment without any congressional approval, let alone without notifying Congress?

Mr. DELLUMS. Mr. Chairman, the Constitution is clear about war making. The Framers of the Constitution did not contemplate the post-cold war world where we are talking about peacekeeping, peacemaking, and peace enforcement, and I would dare say to the gentleman that the War Powers Act is an inept and impotent act in dealing with these conditions as well.

So the gentleman's point is not well-taken. The Constitution did not envision the Bosnias, the Somalias, and the Haitis of the world.

Mr. STEARNS. Mr. Chairman, I would say to the gentleman from California [Mr. DELLUMS] it is clear under Desert Storm when President Bush came here and asked Congress for approval for that conflict, and every

President eventually came to Congress to do that, yet here we are, the law is not changed, the President does not have the constitutional authority to send U.S. combat troops into an indefinite situation, and even the President agreed they would be out far ahead of this time, yet it is not true.

Mr. MURTHA. Mr. Chairman, would the gentleman from South Carolina yield for 10 seconds?

Mr. SPENCE. I yield to the gentleman from Pennsylvania.

Mr. MURTHA. Mr. Chairman, let me just state to the gentleman from Florida [Mr. STEARNS], President Bush did not ask for authorization. As a matter of fact, he did not think he needed authorization. The Congress forced that on the President.

Mr. STEARNS. Mr. Chairman, would the gentleman yield and let me reply to that?

Mr. SPENCE. I yield to the gentleman from Florida.

Mr. STEARNS. Mr. Chairman, I ask the gentleman from Pennsylvania [Mr. MURTHA], did not President Bush come here, get a vote?

Mr. MURTHA. I led the fight.

Mr. SPENCE. Mr. Chairman, I yield to the gentleman from Florida [Mr. STEARNS].

Mr. STEARNS. Mr. Chairman, the bottom line here is this is going on and on with no definite time when this is going to end.

Let me read quickly what Corp. Zechariah Gransbury of Orlando said. He is in Bosnia, he should know:

It is getting worse and worse. The repetition is awful. Morale in my battalion is terrible. Most soldiers do not do the job they are trained to do. No one is motivated. I think a lot of us concluded that we are not making any real change in Bosnia. .

Now this is someone that is in Bosnia, not somebody on the House floor. It is time Congress put an end to this unauthorized operation by creating a date certain for the exit of United States combat troops on the ground in Bosnia, and that is why I support the Hilleary amendment.

Mr. DELLUMS. Mr. Chairman, will the gentleman yield 10 seconds to me?

Mr. SPENCE. I yield to the gentleman from California.

Mr. DELLUMS. Mr. Chairman, I took President Bush to court, I sued in the Federal court to guarantee Congress' prerogative in warmaking, and I went out there initially alone, my colleague. The gentleman was not there, there were no other people. I went alone initially to the courts of this country to preserve Congress' warmaking prerogatives on the issue——

Mr. STEARNS. President Clinton, will the gentleman take President Clinton to court?

Mr. DELLUMS. He has not violated the Constitution as I envision it.

Mr. SPENCE. Mr. Chairman, I yield the balance of my time to the gentleman from California [Mr. CUNNINGHAM].

The CHAIRMAN. The gentleman from California is recognized for 30 seconds.

Mr. CUNNINGHAM. Thirty seconds to get us out of Bosnia.

Mr. Chairman, let me just say that the President told us a year ago that we are going to be out of Bosnia. Look at Somalia, the extension we got, 22 Rangers killed. Haiti; Aristide is still there, and so are the same problems. Billions of dollars.

Izetbegovic is aligning himself with Iran because he knows the United States is eventually pulling out. There are thousands of mujaheddin and Hamas sitting there.

Will there be peace in Bosnia? Not in our lifetime, nor the Middle East, and we need to let Europe do it and let us get out of Dodge.

Mr. LEVIN. Mr. Chairman, I rise in strong opposition to the Buyer and Hilleary amendments.

What is the purpose of these amendments?

Why should Congress get involved at this point?

Clearly United States actions in the NATO-led Bosnia mission have saved lives and not lost lives.

A target date for withdrawal has been set. Yesterday, the President reiterated that he expects the mission should be completed on schedule by June 1998. Do we want to eliminate any flexibility, even though the Secretary of Defense and the Chairman of the Joint Chiefs of Staff say it would be harmful to both the military and civilian effort in Bosnia? Secretary Cohen and General Shalikashvili have stated that a fixed, statutorily mandated date for the withdrawal of U.S. forces could undercut the safety of our troops.

When the consequences of a false step could be severe, Congress should be extremely careful how and where it treads. In this case, the stakes are high: the danger of renewed genocide. We speak out on this floor about the horrors of genocide. Let's not take an action that might increase the chances of a renewed nightmare.

Mrs. FOWLER. Mr. Chairman, I rise in support of both of the pending amendments.

Both these amendments would merely compel the administration to live up to its pledge to withdraw United States ground forces from Bosnia by June 30, 1998, at the latest.

To date, we have spent some $6.5 billion on our peacekeeping mission in Bosnia. Meanwhile, we rob our training, maintenance, and other operational accounts to pay for this mission. Our service people must do more and more with less and less, while readiness suffers and our military families are strained to the limit by overseas deployments.

I strongly support peace in Bosnia, but we cannot perform the peacekeeping mission there indefinitely. Our forces have provided a significant period of tranquility for implementation of the Dayton accords. We have provided aid to help rebuild. Fundamentally, however, it is up to the people there to decide whether they will work for peace. If Bosnia's factions have not moved significantly toward resolving their problems by June 1998, how long will it take?

I urge my colleagues to support these amendments.

Mr. CAMPBELL. Mr. Chairman, article I, section 8, of the U.S. Constitution gives the Congress, not the President, the right to declare war. We will have learned nothing from America's experience in Vietnam if we allow U.S. military to take part in a war without the explicit approval of Congress. At the very least, the war powers resolution should be honored. That law permits the insertion of U.S. troops into a circumstance where hostilities are imminent only for a maximum of 120 days before the explicit approval of Congress is obtained. In open hearings of the International Relations Committee, I asked of the Secretary of State why the President had not complied with this law in Bosnia. She answered in a way that brought me great sorrow—she claimed that hostilities were not imminent in Bosnia. Yet, allied troops have died in Bosnia. United States troops have been subject to sniper fire, and wounded, in Bosnia. To say this is not a situation of hostilities is to play with words—and that we must not do when American lives and the terms of the U.S. Constitution are at stake. The President has not obtained approval of the U.S. Congress for our troops to be in Bosnia. The Constitution compels they be brought home.

The CHAIRMAN. All time has expired.

The question is on the amendment offered by the gentleman from Tennessee [Mr. HILLEARY] as a substitute for the amendment offered by the gentleman from Indiana [Mr. BUYER].

The question was taken; and the Chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. HILLEARY. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The CHAIRMAN. The Chair announces that pursuant to clause 2(c) of rule XXIII the Chair will reduce to 5 minutes the minimum time for any electronic vote on the underlying Buyer amendment.

The vote was taken by electronic device, and there were—ayes 196, noes 231, not voting 7, as follows:

[Roll No. 233]

AYES—196

Aderholt	Combest	Gibbons
Archer	Condit	Gilchrest
Bachus	Cook	Goode
Baker	Cooksey	Goodlatte
Ballenger	Crane	Goodling
Barcia	Crapo	Goss
Barr	Cubin	Graham
Barrett (NE)	Cunningham	Granger
Bartlett	Danner	Green
Barton	Deal	Gutknecht
Bass	DeFazio	Hall (TX)
Bereuter	DeLay	Hansen
Berry	Diaz-Balart	Hastert
Bilbray	Dickey	Hastings (WA)
Bilirakis	Doolittle	Hayworth
Bonilla	Dreier	Hefley
Boyd	Duncan	Herger
Brady	Dunn	Hill
Bunning	Ehrlich	Hilleary
Burr	English	Hobson
Burton	Ensign	Hoekstra
Calvert	Evans	Horn
Camp	Everett	Hulshof
Campbell	Ewing	Hutchinson
Canady	Filner	Inglis
Cannon	Foley	Istook
Chabot	Forbes	Jenkins
Chambliss	Fowler	John
Chenoweth	Frank (MA)	Johnson (CT)
Christensen	Franks (NJ)	Johnson, Sam
Coble	Gallegly	Jones
Coburn	Ganske	Kasich
Collins	Gekas	Kelly

Kim
Kingston
Klug
LaHood
Largent
Latham
LaTourette
Lewis (KY)
Lipinski
LoBiondo
Lucas
Manzullo
Markey
McCollum
McCrery
McDade
McInnis
McIntosh
McKeon
Metcalf
Mica
Miller (FL)
Mink
Moran (KS)
Myrick
Neal
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Packard
Pappas
Parker
Paul
Paxon
Pease
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Portman
Pryce (OH)
Radanovich
Ramstad
Riggs
Riley
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryun
Salmon
Sanders
Sanford
Saxton
Scarborough
Schaefer, Dan
Schaffer, Bob
Sensenbrenner
Serrano
Sessions
Shadegg
Shays
Shimkus
Shuster
Smith (OR)
Smith, Linda
Snowbarger
Solomon
Souder
Spence
Stearns
Stump
Sununu
Talent
Tauzin
Taylor (NC)
Thomas
Thornberry
Thune
Tiahrt
Tierney
Traficant
Upton
Walsh
Wamp
Watkins
Watts (OK)
Weller
Whitfield
Young (AK)

NOES—231

Abercrombie
Ackerman
Allen
Andrews
Armey
Baesler
Baldacci
Barrett (WI)
Bateman
Becerra
Bentsen
Berman
Bishop
Blagojevich
Bliley
Blumenauer
Blunt
Boehlert
Boehner
Bonior
Bono
Borski
Boswell
Boucher
Brown (CA)
Brown (FL)
Brown (OH)
Buyer
Callahan
Capps
Cardin
Carson
Castle
Clay
Clayton
Clement
Clyburn
Conyers
Costello
Coyne
Cramer
Cummings
Davis (FL)
Davis (IL)
Davis (VA)
DeGette
Delahunt
DeLauro
Dellums
Deutsch
Dicks
Dingell
Dixon
Doggett
Dooley
Doyle
Edwards
Ehlers
Emerson
Engel
Eshoo
Etheridge
Farr
Fattah
Fawell
Fazio
Flake
Foglietta
Ford
Fox
Frelinghuysen
Frost
Furse
Gejdenson
Gephardt
Gillmor
Gilman
Gonzalez
Gordon
Greenwood
Gutierrez
Hall (OH)
Hamilton
Harman
Hastings (FL)
Hefner
Hilliard
Hinchey
Hinojosa
Holden
Hooley
Hostettler
Houghton
Hoyer
Hunter
Hyde
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson (WI)
Johnson, E. B.
Kanjorski
Kaptur
Kennedy (MA)
Kennedy (RI)
Kennelly
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kleczka
Klink
Knollenberg
Kolbe
Kucinich
LaFalce
Lampson
Lantos
Lazio
Leach
Levin
Lewis (CA)
Lewis (GA)
Linder
Livingston
Lofgren
Lowey
Luther
Maloney (CT)
Maloney (NY)
Manton
Martinez
Mascara
Matsui
McCarthy (MO)
McCarthy (NY)
McDermott
McGovern
McHale
McHugh
McIntyre
McKinney
McNulty
Meehan
Meek
Menendez
Millender-McDonald
Miller (CA)
Minge
Moakley
Molinari
Mollohan
Moran (VA)
Morella
Murtha
Nadler
Oberstar
Obey
Olver
Ortiz
Owens
Oxley
Pallone
Pascrell
Pastor
Payne
Pelosi
Pickett
Pomeroy
Porter
Poshard
Price (NC)
Quinn
Rahall
Rangel
Redmond
Regula
Reyes
Rivers
Rodriguez
Roemer
Rothman
Roybal-Allard
Rush
Sabo
Sanchez
Sandlin
Sawyer
Scott
Shaw
Sherman
Sisisky
Skaggs
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith, Adam
Snyder
Spratt
Stabenow
Stark
Stenholm
Stokes
Strickland
Stupak
Tanner
Tauscher
Taylor (MS)
Thompson
Thurman
Towns
Turner
Velazquez
Vento
Visclosky
Waters
Watt (NC)
Waxman
Weldon (PA)
Wexler
Weygand
White
Wicker
Wise
Wolf
Woolsey
Wynn
Young (FL)

NOT VOTING—7

Bryant
Cox
Schiff
Schumer
Torres
Weldon (FL)
Yates

□ 1833

Messrs. STOKES, MOAKLEY, OWENS, WHITE, Callahan, and FOX of Pennsylvania changed their vote from ''aye'' to ''no.''

Mr. ISTOOK and Mr. PACKARD changed their vote from ''no'' to ''aye.''

So the amendment offered as a substitute for the amendment was rejected.

The result of the vote was announced as above recorded.

PERSONAL EXPLANATION

Mr. WELDON of Florida. Mr. Chairman, on rollcall No. 233, I was unintentionally delayed. Had I been present, I would have vote ''aye.''

PERSONAL EXPLANATION

Mr. BRYANT. Mr. Chairman, on rollcall No. 233, I was inadvertently detained. Had I been present, I would have vote ''aye.''

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana [Mr. BUYER].

The question was taken; and the chairman announced that the ayes appeared to have it.

RECORDED VOTE

Mr. BUYER. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The CHAIRMAN. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 278, noes 148, not voting 8, as follows:

[Roll No. 234]

AYES—278

Aderholt
Archer
Armey
Bachus
Baker
Ballenger
Barcia
Barr
Barrett (NE)
Bartlett
Barton
Bass
Bateman
Bereuter
Berry
Bilbray
Bilirakis
Bishop
Bliley
Blunt
Boehlert
Boehner
Bonilla
Bono
Boyd
Bunning
Burr
Burton
Buyer
Callahan
Calvert
Camp
Campbell
Canady
Cannon
Castle
Chabot
Chambliss
Chenoweth
Christensen
Coble
Coburn
Collins
Combest
Condit
Cook
Cooksey
Costello
Cramer
Crane
Crapo
Cubin
Cunningham
Danner
Davis (VA)
Deal
DeFazio
DeLay
Diaz-Balart
Dickey
Doggett
Dooley
Doolittle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
English
Ensign
Eshoo
Evans
Everett
Ewing
Fawell
Filner
Flake
Foley
Forbes
Fowler
Fox
Frank (MA)
Franks (NJ)
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Goodling
Goss
Graham
Granger
Green
Greenwood
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Harman
Hastert
Hastings (WA)
Hayworth
Hefley
Herger
Hill
Hilleary
Hobson
Hoekstra
Horn
Hostettler
Hulshof
Hunter
Hutchinson
Hyde
Inglis
Istook
Jackson-Lee (TX)
Jenkins
John
Johnson (CT)
Johnson, Sam
Jones
Kaptur
Kasich
Kelly
Kildee
Kim
Kingston
Kleczka
Klug
Knollenberg
Kolbe
LaHood
Lampson
Largent
Latham
LaTourette
Lazio
Leach
Lewis (CA)
Lewis (KY)
Linder
Lipinski
Livingston
LoBiondo
Lofgren
Lucas
Maloney (CT)
Manton
Manzullo
McCarthy (MO)
McCollum
McCrery
McDade
McHugh
McInnis
McIntosh
McIntyre
McKeon
Menendez
Metcalf
Mica
Miller (CA)
Miller (FL)
Minge
Mink
Molinari
Moran (KS)
Morella
Myrick
Nethercutt
Neumann
Ney
Northup
Norwood
Nussle
Ortiz
Owens
Oxley
Packard
Pappas
Parker
Pascrell
Paul
Paxon
Pease
Peterson (MN)
Peterson (PA)
Petri
Pickering
Pitts
Pombo
Porter
Portman
Poshard
Pryce (OH)
Quinn
Radanovich
Ramstad
Redmond
Regula
Riggs
Riley
Rivers
Roemer
Rogan
Rogers
Rohrabacher
Ros-Lehtinen
Roukema
Royce
Ryun
Salmon
Sanchez
Sandlin
Sanford
Saxton
Scarborough
Schaefer, Dan
Schaffer, Bob
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Shimkus
Shuster
Skeen
Skelton
Smith (MI)
Smith (NJ)
Smith (OR)
Smith (TX)
Smith, Linda
Snowbarger
Solomon
Souder
Spence
Spratt
Stearns
Stenholm
Stump
Sununu
Tauzin
Taylor (MS)
Taylor (NC)
Thomas
Thompson
Thornberry
Thune
Tiahrt
Tierney
Traficant
Turner
Upton
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
White
Whitfield
Wicker
Wolf
Young (AK)
Young (FL)

NOES—148

Abercrombie
Ackerman
Allen
Andrews
Baesler
Baldacci
Barrett (WI)
Becerra
Bentsen
Berman
Blagojevich
Blumenauer
Bonior
Borski
Boswell
Boucher
Brown (CA)
Brown (FL)
Brown (OH)
Capps
Cardin
Carson
Clay
Clayton
Clement
Clyburn
Conyers
Coyne
Cummings
Davis (FL)
Davis (IL)
DeGette
Delahunt
DeLauro
Dellums
Deutsch
Dicks
Dixon
Doyle
Engel
Etheridge
Farr
Fattah
Fazio
Foglietta
Ford
Frost
Furse
Gejdenson
Gephardt
Gordon
Gutierrez
Hamilton
Hastings (FL)
Hefner
Hilliard
Hinchey
Hinojosa
Holden
Hooley
Houghton
Hoyer
Jackson (IL)
Jefferson
Johnson (WI)
Johnson, E. B.
Kanjorski
Kennedy (MA)
Kennedy (RI)
Kennelly
Kilpatrick
Kind (WI)
King (NY)
Klink
Kucinich
LaFalce
Lantos
Levin
Lewis (GA)
Lowey
Luther
Maloney (NY)
Markey
Martinez
Mascara
Matsui
McCarthy (NY)
McDermott
McGovern
McHale
McKinney
McNulty
Meehan
Meek
Millender-McDonald
Moakley
Mollohan
Moran (VA)
Murtha
Nadler
Neal

Oberstar	Rush	Tauscher
Obey	Sabo	Thurman
Olver	Sandlin	Torres
Pallone	Sawyer	Towns
Pastor	Scott	Velazquez
Payne	Sisisky	Vento
Pelosi	Skaggs	Visclosky
Pickett	Slaughter	Waters
Pomeroy	Smith, Adam	Watt (NC)
Price (NC)	Snyder	Waxman
Rahall	Stabenow	Wexler
Rangel	Stark	Weygand
Reyes	Stokes	Wise
Rodriguez	Strickland	Woolsey
Rothman	Stupak	Wynn
Roybal-Allard	Tanner	

NOT VOTING—8

Brady	Dingell	Talent
Bryant	Schiff	Yates
Cox	Schumer	

□ 1740

Mr. WYNN changed his vote from ''aye'' to ''no.''

So the amendment was agreed to.

The result of the vote announced as above recorded.

PERSONAL EXPLANATION

Mr. BRADY. Mr. Chairman, on rollcall No. 234, I was inadvertently detained. Had I been present, I would have voted ''aye.''

PERSONAL EXPLANATION

Mr. BRYANT. Mr. Chairman, on rollcall No. 234, I was inadvertently detained. Had I been present, I would have voted ''aye.''

Mr. SAXTON. Mr. Chairman, I rise today to thank Chairman SPENCE and the committee for adding language to the Defense Authorization Act that would help resolve United States commercial disputes against the Kingdom of Saudi Arabia.

As many of my colleagues are aware, in the late 1970's and early 1980's, the Kingdom of Saudi Arabia refused to pay hundreds of millions of dollars owed to American firms. After years of inaction on the claims filed on behalf of these companies, language was included in the fiscal year 1993 defense appropriations bill establishing a claims resolution process for these cases. It charged the Secretaries of Defense, State, and Commerce with issuing periodic reports on the status of pending claims.

While many of these claims were resolved under this process, there are still debts outstanding. The directive language included in this bill is intended to re-open the claims process set up in 1993 and require the Department of Defense to conduct a broad and comprehensive search into any remaining claims.

With Saudi Arabia now seeking admission into the World Trade Organization, I believe it unconscionable that they refuse to settle their debts with private businesses. over the years, at least 50 Members of Congress have urged the Saudis to pay their debt, but nothing has happened. Mr. Chairman, I am hopeful this directive and the ensuing report will illustrate to the Kingdom of Saudi Arabia the importance of honoring debts. I am also prepared to offer this language every year if necessary until each claim outstanding is resolved.

I want to thank Chairman SPENCE again for his time.

Mr. SPENCE. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker pro tempore [Mr. JONES] having assumed the chair, Mr. YOUNG of Florida, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 1119) to authorize appropriations for fiscal years 1998 and 1999 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal years 1998 and 1999, and for other purposes, had come to no resolution thereon.

PERSONAL EXPLANATION

Mr. GOSS. Mr. Speaker, on Friday, June 20, I was absent for rollcall votes 218 through 224. Had I been present, I would have voted ''aye'' on votes 218, 219, 220, 222, 223, and 224. I would have voted ''no'' on rollcall No. 221.

COMMUNICATION FROM STAFF MEMBER OF HON. JIM MCDERMOTT, MEMBER OF CONGRESS

The SPEAKER pro tempore laid before the House the following communication from Charles M. Williams, staff member of the Honorable JIM MCDERMOTT, Member of Congress:

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, June 23, 1997.

Hon. NEWT GINGRICH, SPEAKER,
U.S. House of Representatives, Washington, DC.

DEAR MR. SPEAKER: This is to formally notify you pursuant to Rule L (50) of the Rules of the House that I have been served with a subpoena issued by the United States District Court for the District of Columbia.

I will make the determinations required by Rule L.

Sincerely,

CHARLES M. WILLIAMS.

COMMUNICATION FROM STAFF MEMBER OF THE HONORABLE JIM MCDERMOTT

The SPEAKER pro tempore laid before the House the following communication from Wilda E. Chisolm, staff member of the Honorable JIM MCDERMOTT, Member of Congress.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, DC, June 23, 1997.

Hon. NEWT GINGRICH, SPEAKER,
U.S. House of Representatives, Washington, DC.

DEAR MR. SPEAKER: This is to formally notify you pursuant to Rule L (50) of the Rules of the House that I have been served with a subpoena issued by the United States District Court for the District of Columbia.

I will make the determinations required by Rule L.

Sincerely,

WILDA E. CHISOLM.

□ 1845

APPOINTMENT AS MEMBERS OF COMMISSION ON SECURITY AND COOPERATION IN EUROPE

The SPEAKER pro tempore (Mr. JONES). Without objection, and pursuant to the provisions of section 3 of Public Law 94–304, as amended by section 1 of Public Law 99–7, the Chair announces the Speaker's appointment of the following Members of the House to the Commission on Security and Cooperation in Europe:

Mr. HOYER of Maryland,
Mr. MARKEY of Massachusetts,
Mr. CARDIN of Maryland, and
Ms. SLAUGHTER of New York.

There was no objection.

SPECIAL ORDERS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

TRIBUTE TO DR. BETTY SHABAZZ

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Illinois [Mr. DAVIS] is recognized for 5 minutes.

Mr. DAVIS of Illinois. Mr. Speaker, I rise today to pay tribute to Dr. Betty Shabazz, a woman of great courage, strength, and tenacity.

On Monday, June 23, a great presence in the lives of countless citizens of the world left this Earth. She was not just an inspiration to the African-American community, or just an advocate of equality for women or primarily a proponent of children's rights. She was so much more than that. Dr. Betty Shabazz was an inspiration to the human community, she was an advocate of equality for all people, indeed she was a proponent of every ideal upon which this Nation was founded, but often had difficulty adhering to.

Therein lies the inherent greatness of Dr. Shabazz. Despite the firebombing of her home in 1965 and the brutal murder of her husband, civil rights leader Malcolm X less than 3 weeks later, she refused to turn what must have been inconsolable anger into motivation for retribution against those who took the father of her children. Instead, Dr. Shabazz turned inward, furthering her education and strengthening her resolve as she embarked upon her mission to raise six children alone.

Dr. Shabazz possessed hope even in the midst of hopelessness. She refused to quit, and epitomized the American spirit. And what Dr. Shabazz accomplished should encourage all of us to greater heights. She lived her life making a difference, and she died trying to make a difference.

She received her undergraduate, master's and doctoral degrees from the University of Massachusetts. She became a college professor and radio talk show host, all the while providing a stable and sheltered home for her six daughters. She was the model of motherhood, without calling attention to her actions. She turned tragedy into triumph. Dr. Shabazz led by example and exemplified what we all might be able to do if we were willing to make sacrifices, which she did.

Soon after the death of her husband, and for many years thereafter, Dr. Shabazz was viewed by many as an extension of Malcolm X and his views.

Someone who, like Coretta Scott King and Myrlie Evers, could be called upon to tender an opinion on what Malcolm's views on various issues of the day might be. But something happened along the way. Dr. Shabazz herself became the authority, and the questions initially directed toward the widow of Malcolm X became inquiries of Dr. Betty Shabazz. Only a woman of this intellectual and academic magnitude could overshadow the mystique of such a historical figure as Malcolm X.

Mr. Speaker, a college bearing the name of Malcolm X is located in the Seventh Congressional District of Illinois. I came to know Dr. Shabazz very well during her many visits to Chicago. She was truly one of the most dynamic and engaging people that I have ever met. Her command of the issues affecting the many different people of the world was, in a word, extraordinary. Her passing at this time and in this way is terribly unfortunate. It speaks to the human condition in a way that only an event this tragic and unwarranted can. It begs for another figure like Dr. Shabazz to stand and say something to put right this egregious wrong. Yet she is still gone, and it seems that we are without recourse.

When her husband was murdered, he was eulogized by Ossie Davis, the great African-American actor. Mr. Davis referred to Malcolm X as our shining black manhood. Mr. Speaker, I submit to you that Dr. Betty Shabazz, through her countless achievements, has transcended Mr. Davis's description of her husband. She belongs to all of us and stands as a tribute to what we all must strive to become. While she may have left this Earth on the 23d of June, her legacy lives on and will undoubtedly influence many more generations to come.

I ask all of us to join today in paying tribute to Dr. Betty Shabazz. Having known her is an honor which words cannot convey, and her earthly presence will be sorely missed.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan [Mr. EHLERS] is recognized for 5 minutes.

[Mr. EHLERS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

THE POINT REYES NATIONAL SEASHORE FARMLAND PROTECTION ACT

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California [Ms. WOOLSEY] is recognized for 5 minutes.

Ms. WOOLSEY. Mr. Speaker, I rise today to mark the introduction of a bill that is crucial to my district. It is very important. It is the Point Reyes National Seashore Farmland Protection Act, H.R. 1995.

Just 45 miles north of San Francisco lies the Point Reyes National Seashore, a peninsula containing 71,000 acres of the most beautiful vistas and pristine wilderness in America. Across Tomales Bay from the seashore lie 38,000 acres of privately held land that is used for agriculture, primarily for dairy ranching.

In Marin and Sonoma Counties, we like it that way, since we know that farmland makes our community economically strong and economically diverse. The national seashore likes it that way because the careful stewardship of these lands by ranchers has helped to safeguard the seashore and the bay, keeping it one of the most pristine areas in our Nation.

The ranchers like it that way because ranching is their livelihood, and they like what they do.

And the community likes it that way, because local residents know that agriculture plays an important role in the mix that gives the north bay a strong economy and makes it a wonderful place to live.

No one, Mr. Speaker, absolutely no one in the community wants to see the land turned into housing developments or casinos, except possibly developers who are putting pressure on the area to change.

So that is what I have set out to do in the Point Reyes National Seashore Farmlands Protection Act, keep everything the way it is now. That means keeping those 38,000 acres in private ownership and productive agriculture, safeguarding the livelihood of the farmers who live there along with protecting the park and the bay that are nearby.

The way we would do this is through a public-private partnership, a partnership to purchase conservation easements, instead of outright purchase of the land, an innovative and cost-effective, cost-saving method that can serve as a model for farmland protection around this Nation.

My bill establishes a boundary, a boundary that allows Federal matching funds to be available to willing local farmers who volunteer to sell their conservation easements.

Participation in the program is 100 percent voluntary. The easements would be managed by a local nonprofit land trust or open space districts. These are groups that already have experienced managing 11,000 of the 38,000 acres in question, meaning that the Federal role will be limited and administrative costs will be kept low.

Now, I knew that the local landowners would have some concerns about a proposal that involved the Federal Government. So I sat down with them, not the Federal Government, but with the local farmers. I sat down one on one at their ranches, around the kitchen tables, and we talked the program through. I listened carefully, and the results of those talks is the bill that I am confident will fully protect the private property rights.

In fact, the way this bill is crafted, ranchers who do not choose to participate in the program will go on living their lives exactly as they do now, and those who do choose to participate will also see little change, except that their land, once they have negotiated their easements, will be protected as farmland in perpetuity.

This idea, Mr. Speaker, is so powerful that it has already attracted some very influential bipartisan supporters, and it has also attracted some serious interest at the committee level. I am proud to announce that the original cosponsors of my bill are the gentleman from Maryland [Mr. GILCHREST], the gentleman from Michigan [Mr. DINGELL], the gentleman from California [Mr. CAMPBELL], the gentleman from California [Mr. DOOLEY], and the gentleman from California [Mr. CONDIT].

Mr. Speaker, H.R. 1995 is a way to preserve farmland and protect neighboring park land at the same time, in a private-public partnership with a very limited Federal role. It is a win/win solution for my district, and it is a win/win solution for the Nation. H.R. 1995 makes a difference. I urge all of my colleagues to join me in supporting it.

DISNEY VERSUS THE BAPTISTS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas [Mr. PAUL] is recognized for 5 minutes.

Mr. PAUL. Mr. Speaker, I was recently asked who is right, the Southern Baptists or Disney, in their argument regarding homosexuality. The question was pointedly directed to me because it is known that my political positions do not exactly conform to Washington's conventional wisdom.

As a Congressman, the answer for me was easy: both. Neither party is incorrect in stating their position. Both are permitted their viewpoint and neither has violated the other's rights.

Disney has chosen to use its own property to express a view. Although not endorsed by everyone, Disney has every right to do so. The Government did not tell them they must nor did Disney ask for any Government pressure to be applied to those disinterested in Disney's message. Moreover, no Government money was involved. Disney's right of free expression is achieved in this case through its constitutional right to own and use its own property. This is an easy call when private property is involved and property rights are acknowledged.

If this incident occurred using governmental funds or on Government property, as in a Government school, and only the concept of free speech was taken into consideration, it would have been virtually impossible to satisfy everyone's demands.

□ 1900

One set of taxpayers claiming free speech on public property only opens the floodgates of controversy in an attempt to permit everyone to express

any viewed desire. But it is this very fuzziness injected by government control of property that today is the source of so many hard feelings and difficult problems.

Some argue that the freedom to express the views of secular humanism and even communism are perfectly acceptable in government schools, while at the same time, it is necessary to exclude voluntary prayer and all religious programs. Recognizing that atheistic humanism is a substitute for religious beliefs, this argument falls far short of satisfying any group desiring to use government property for religious reasons.

Such conflicts do not occur on private property. No one argues the right of Protestants to invade Catholic-owned premises to preach the Protestant doctrine as a right under the first amendment. The access to a newspaper, television station, or radio station should only come with the permission of the owner. Who owns the property becomes the overriding issue and the right of free expression is incidental to that ownership.

Essentially, all conflicts as to who could say what could easily be resolved with a greater respect for private property ownership. This is this principle that protects us in our homes from those that would lecture us in the name of free speech in public places.

Thus, it is easy to argue for the Baptists' right to boycott. They are expressing their disgust by withholding their support and their property, that is, their money. And that is perfectly appropriate. As far as I am concerned, the more voluntary nonviolent boycotts, the better. The boycott is the free society's great weapon and was well understood by Martin Luther King. The evil comes when a boycott or any objection is made illegal by the State and the participants are jailed. When laws such as these exist, only jury nullification or even civil disobedience can erase them if the legislatures and the courts refuse to do so.

Quite clearly, both sides of the Disney flap are correct in asserting their rights. The proper view on homosexuality and tolerance is a moral and theological question, not a political one.

Problems like this can be voluntarily sorted out by the marketplace, but only when property rights are held in high esteem and there is an acknowledgment that government and individual force have no role to play. Imposing one's view upon another, through any type of force, should always be forbidden in a free society.

Actually, the Disney-Baptist skirmish is a wonderful example of how freedom can work without Congress sticking its nose into each and every matter. Both sides have a right to stand up for their respective beliefs.

By using the rules of private property ownership to guide our right of free expression and religion, it is not difficult to find an answer, for instance, to the conflict between unwelcomed speeches in privately-owned malls and mall owners. Because most of the difficult and emotional problems occur on Government-owned and Government-regulated property, we should, here in the Congress, do whatever we can to reinstate the original intent of the Constitution and honor and protect property ownership as an inalienable human right.

LA MUJER OBRERA: THE WORKING WOMAN

The SPEAKER pro tempore [Mr. JONES]. Under a previous order of the House, the gentleman from Texas [Mr. REYES] is recognized for 5 minutes.

Mr. REYES. Mr. Speaker, first a few remarks in Spanish.

(The following paragraph was delivered in Spanish.)

Mr. Speaker, a lot of people have come to this floor in recent weeks to talk about NAFTA. And several of those Members have talked about what is going on in my district, El Paso, TX. Tonight, I want to talk about my district.

The reason I have opened my remarks in Spanish, Mr. Speaker, is because it is important to the story that I want to tell my colleagues this evening. The district that I represent, El Paso, TX, has experienced more NAFTA-related job losses than any other community in the country, more than 5,600 jobs.

This week, a delegation of dislocated workers from my district, who call themselves the La Mujer Obrera, or The Working Woman, are here in Washington, DC to tell their story and share it with Members of Congress and administration officials. They are here this evening in this House to listen to my remarks.

La Mujer Obrera is a community-based, nonprofit organization dedicated to working to improve the social and economic conditions of low-income Hispanic workers and their families in the El Paso area. Many of these workers had jobs in El Paso in the garment industry. And as most of my colleagues know, a lot of those jobs have now gone to Mexico, leaving these workers and others like them without jobs and without the skills needed to get new ones.

When Congress passed NAFTA, it provided training assistance for workers dislocated by NAFTA. The workers of the La Mujer Obrera in El Paso were eligible for training assistance. What they got instead was remedial English lessons. It is important to understand that many of the people I am talking about have been working and paying taxes for 20 and 30 years.

While you and I probably agree that the ability to speak English will help, it will not by itself secure jobs for these workers. Since I became a Member of Congress 6 months ago, I have been working with La Mujer Obrera and the Texas Workforce Commission to provide the kind of assistance that will make a difference.

As a result, a pilot project was launched in El Paso that we hope should effectively address the needs of dislocated workers. This pilot project will provide bilingual job training and prepare dislocated workers for new jobs. Approximately 1,200 dislocated workers will benefit from this project. Some Members of this body will listen to the story of La Mujer Obrera and conclude that NAFTA is bad. Others will point to the fact that the new jobs have been created by NAFTA and conclude that NAFTA is good.

I think the truth lies somewhere in between. NAFTA was and is a bold initiative. But as with all great experiments, we should not be surprised when we hit some problem spots. We must be willing to make corrections along the way. This is especially true when it affects people like Armida Arriaga, a 56-year-old woman in El Paso who worked in the garment industry for 18 years before losing her job. Ms. Ariaga has used the NAFTA benefits, but she would rather have a job.

In a recent report, the Forum for International Policy, whose members include Brent Scowcroft, Carla Hills, Colin Powell and Robert Strauss, said it best:

''Increased international trade may well lead to U.S. job losses for certain companies in certain sectors. The response should not be to impede greater trade, but rather to develop effective programs to provide American workers with training to acquire new skills and develop new business. Of course, meeting this challenge cannot be underestimated. Some workers may find developing new skills difficult, if not impossible. But dealing creatively with job transitions is preferable, for the people concerned and society as a whole, to denying ourselves increased trade opportunities.''

I think it is appropriate that on this date in 1647 Margaret Brent proclaimed herself as America's first feminist by demanding a voice and vote for herself in the Maryland Colonial Assembly. Brent came to America in 1638 and was the first woman to own property in Maryland.

Mr. Speaker, the workers of the La Mujer Obrera are here today to demand a voice in the decisions that we make that affect their lives. As this body ponders serious policy questions, I encourage all of my colleagues to listen carefully to the voices of these people, the dislocated workers, and remember that what we are here to do is the people's business. They expect and deserve this.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan [Mr. SMITH] is recognized for 5 minutes.

[Mr. SMITH of Michigan addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Connecticut [Mr. GEJDENSON] is recognized for 5 minutes.

[Mr. GEJDENSON addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California [Mr. DREIER] is recognized for 5 minutes.

[Mr. DREIER addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

RECOGNITION AND COMPENSATION FOR FILIPINO VETERANS

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California [Ms. ROYBAL-ALLARD] is recognized for 5 minutes.

Ms. ROYBAL-ALLARD. Mr. Speaker, in my district, on June 14, at MacArthur Park, located in the heart of downtown Los Angeles, three brave, elderly, former soldiers renewed a battle first begun in World War II.

In an unprecedented display of determination, Percy Javellana, age 74, Angel De La Cruz, age 71, and Orcencio Salem, age 71, chained themselves to the statue of their former commander, General Douglas MacArthur. They have vowed to remain there for 24 hours a day in protest of our Government's denial of benefits for Filipino veterans of World War II.

Mr. De La Cruz took his personal sacrifice one step further by beginning a hunger strike he has promised will not end until Federal legislation to restore these promised benefits is enacted.

Let there be no mistake, their symbolic act of protest, which is gaining national media attention, is not merely motivated by a desire for monetary compensation. Instead, their struggle is about honor, dignity, and respect for their sacrifices as soldiers. More importantly, it is about the moral obligation of our Government to live up to its promises once made.

In 1941, recognizing the critical strategic value of the Philippines to the allied forces, President Roosevelt called upon Filipino soldiers and civilians to join United States forces in retaking the Philippines. In exchange for their volunteer military service, they were promised pay and benefits equal to that provided to United States troops.

In response, during almost 4 years of the most intense and critically important phases of World War II, more than 200,000 Filipinos fought side by side with allied forces and won a strategic forward position vital to our success in the Pacific Theater.

Willingly, these brave men sacrificed their well-being and their lives in defense of freedom. They fought, believing in our country's promise that they would earn the right to the same compensation and benefits given to American men and women with whom they fought side by side in defense of the free world.

To the ultimate shame of our Nation, not one promise was honored. Instead, in 1946, the United States Congress passed legislation severely restricting the veterans' benefits that members of the Phillipine Commonwealth Army and the Special Scouts could receive. Ever since that betrayal, Filipino veterans and their survivors have fought an uphill battle to restore these hard-earned benefits.

In their support, I am proud to be a cosponsor of H.R. 836, a bipartisan bill introduced by the gentleman from New York [Mr. GILMAN] and the gentleman from California [Mr. FILNER] to extend full benefits to these Philippine veterans.

I support not only its passage but the efforts of the Filipino veterans to have congressional hearings to illuminate the unkept promises and the impact it has had on the lives of these aging veterans.

As our Nation focuses increased attention on World War II through the creation of a memorial recognizing the contributions of all World War II veterans, and as we continue to celebrate the recent dedication of the Franklin Delano Roosevelt Memorial, a great portion of which focuses on his leadership during the Second World War, there is no better time than now to correct this injustice.

Clearly, the Filipino veterans who fought, bled, and suffered alongside American troops deserve the recognition and compensation they were promised and then denied for over 50 years. I urge my colleagues and the American public to recognize that correcting this injustice is a matter of national honor.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota [Mr. MINGE] is recognized for 5 minutes.

[Mr. MINGE addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Texas [Ms. JACKSON-LEE] is recognized for 5 minutes.

[Ms. JACKSON-LEE of Texas addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.]

REMARKS ON THE RENEWAL OF CHINA'S MFN TRADE STATUS WITH THE UNITED STATES

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California [Ms. MILLENDER-MCDONALD] is recognized for 5 minutes.

Ms. MILLENDER-McDONALD. Mr. Speaker, let me tell you why the resolution to disapprove China's Most-Favored-Nation status failed today on this House floor. This Congress did its homework and learned from the past how such protectionist action can backfire on a strong nation such as the United States.

The United States has been in a trade posture with China since China's trade liberalization policies in the early 1980's, with the exception of the period after the Tiananmen Square incident when China briefly retreated into a period of isolation.

Historically, China has taken protectionist action against the rest of the world. During the period from 246 to 209 B.C., China built the ''Great Wall'' to defend its northern frontier against outsiders. Now, the wall serves no purpose except as a tourist attraction. In the 1950's China's inward-oriented development policies culminated in the Great Leap Forward, a disastrous attempt to create a self-sufficient economy. That failed as well.

Today, China is experiencing the Great Awakening, where a plan for enterprise reform, trade reform, and tax reform as well as a fundamental restructuring of the country's macroeconomic management is being pursued. This kind of action is working.

China's economy is booming, and the United States is taking advantage of our trade relations to boost our own economy.

America was built not only on the ideal of freedom and democracy, but on the economic base of free enterprise from which such ideals flow. Remember the Boston Tea Party? The Stamp Tax? Only by opening our minds and our markets can we help China reform its human rights policies, its intellectual property rights infringements, and its arms sales. Should we turn our heads to these practices? Certainly not. Should we have turned our back on them? Certainly not. Only through continuous engagement in dialogue will we have an opportunity to affect change.

From 1990 to 1996, U.S. exports to China rose by 90 percent, the fastest growth rate of any major export market. This has been a direct benefit to Southern California given its recovery from a recession.

China's economy is expected to be the world's largest by the year 2012. We cannot afford to turn our backs on the opportunities offered through trade with China, particularly in light of the higher paying jobs directly supported by trade opportunities. That is the kind of protectionist action that would isolate the United States from the incredible market that is China. That would be cutting off our nose to spite our face.

China is in need of 750 billion dollars' worth of infrastructure, most of which they will buy from the United States. Those who argued today for the revocation of MFN status by reason of a trade deficit—I ask you, how are we going to reverse the current trade deficit by blocking chances for U.S. export growth? The simple fact is, we cannot.

A full one-quarter of all cargo entering the United States comes from China. My 37th Congressional District benefits from the Ports of Los Angeles and Long Beach, two of the biggest ports in the United States. In 1996, the Port of Long Beach alone handled $15.2 billion in United States-China trade. Companies such as Jackson Aerospace in Gardena, Alson Manufacturing in Compton, and Fisher Forging in Carson are all dependent on continued trade with China to maintain growth in the tremendous aerospace industry within Southern California.

Exports of U.S. goods and services now total about $14.4 billion and support over 200,000 American jobs. My fellow Americans, these are a lot of jobs which would have been in jeopardy should we have not renewed China's MFN status.

This House did the right thing by renewing China's MFN status today, and I applaud all of my colleagues who voted with me to sustain it.

Thank you, Mr. Speaker.

TAX FAIRNESS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Massachusetts [Mr. OLVER] is recognized for 5 minutes.

Mr. OLVER. Mr. Speaker, I had spoken earlier today and got part way through some data that I was trying too give out, so I am going to pick up somewhere close to where I had been at that time because I did not have time to finish what I had been talking about.

Let me go back and point out that, in the next few days, we are going to be entering into an extremely important debate; and in those next couple of days, we are going to learn a good deal about tax fairness in America and we are going to learn something about the heart and soul of the two major parties, mine, the Democratic Party, and the Republican Party, the other party here in this body of Congress.

□ 1915

We are going to find out who the two parties are willing to defend, who each of the parties serves and who each of the parties is willing to fight for.

The debate is going to be a long and very controversial, very acrimonious one, I would guess, because it has to do with exactly how we reach a balanced budget in this country.

I thought it would be instructive to speak about something that had appeared in USA Today, on the front page of USA Today, the weekend edition, where the front page cover story of the weekend edition is entitled, ''So How Much Money Does It Take To Be Rich?''

Basically, it is a story of what it is like, the struggle that families at the upper end of the scale have to go through in order to become wealthy in this country. They use a number of examples. I would just like to mention some things out of this story.

One of the things that really struck me as quite remarkable is that in 1997 there are now 3.5 million American families who have assets of $1 million or more. That is 3.5 percent of all families. Only 20 years ago, there were only 350,000 families who, in inflation-adjusted dollars, had that kind of income.

In any case, I want to just mention several of the families who were given as examples here. One is a gentleman from California who has $1 million in stocks and bonds, and who lives in a $500,000 house and drives a Lexus and takes several expensive vacations, the paper lists that he takes several $8,000 vacations each year. He comments that it is not yet to the point where he can take a trip to Europe or Canada for a whole summer. ''A real millionaire would be able to do such things.''

And then there is another, a couple from Oregon who have about $2 million in liquid assets, plus $2 million in a 6,000-square-foot city house and a beach front home as well. Each year they take vacations. The gentleman in that family says with another $2 million in assets, he would worry less and travel a bit more and do more charitable work.

And then there is a family, as an example, who happen to be in South Carolina, who sold their personnel staffing company last year and now have about $3.5 million in investable assets, plus $3.5 million in nonliquid stock, and they own two homes, one a beach home. They own a Porche, a BMW, and a $120,000 sailboat. The man in this family says that they do not consider themselves rich. They are just not there yet. He says he probably would reach that magical mark where he could admit that he was rich when he could afford a $5 million jet.

And then there is another family where the gentleman here had $7 million worth of stock and bought a $3 million custom built yacht, and then a year later he sold his stock for $35 million and bought a $2.5 million personal jet.

That is an indication of the people who are in that upper 3.5 percent, those people who have million-dollar incomes. I use that as an indication merely to highlight the fact that the Republicans and the Democrats have very different ways that they would give their tax reduction.

The two parties have agreed that we should balance the budget by 2002. The two parties have agreed what the total amount of tax reduction ought to be. What is now the question is how we would distribute those tax breaks.

The fact of the matter is that if we break it down to six families, with one of those families being a family that has over $100,000 a year in income, and that includes all of the examples that I gave, out of those six families, the Republican plan would give one family two-thirds of all the tax reduction. Those other five families, two of those families have incomes of less than $25,000 a year. Under the Republican tax plan, they would get exactly zero out of the tax reduction program.

The remaining three families, with incomes lying between $25,000 and $100,000, the great middle class in this country; and, by the way, a lot of us believe that we are middle class if we have lower income than $25,000, and some believe they are in the middle class if they have income above $100,000. But that half of the total population between $25,000 of income and $100,000 of income would get one-third of the total tax cut.

That is what the argument is about. Because on the part of the Democratic proposal as opposed to the Republican proposal, the one family which in the Republican plan gets two-thirds of all the tax cut, all those families which have over $100,000 of income a year and include the hundreds of thousands of millionaires in this country, the 3.5 million millionaires, that one family under the Democratic plan would get 25 percent of the tax reduction. They would get $1,500 on average per year.

The two families at the lower end of the scale, with income less than $25,000 a year, and they pay all kinds of taxes, they pay payroll taxes and sales taxes and excise taxes and gasoline taxes and all sorts of things, they would get, those two, one-third of the American population with incomes under $25,000 a year, they would get about 20 percent of the tax breaks that come from the Democratic plan.

And the three, the great middle class between $25,000 an $100,000 of income per year, under the Democratic plan that group of half of the American population, that group would receive 55 percent of the tax reduction that would come from the agreed-on tax plan that both parties have agreed, but we are just arguing about who should get it.

I have to ask America, because this question is going to be asked again and again and again over the next few days, whether we should give two-thirds of all the tax breaks to the families with more than $100,000 of income per year; or whether we should give the middle, the great middle class, between $25,000 and $100,000 a year, 55 percent of the tax breaks that are to be given under the plans that are going to be debated over the next few days; and whether in fact it is fair for us to give no tax break at all for the one-third of all Americans who have incomes below $25,000 a year but represent working families with kids, young families, families and households that are headed by women, whether it is fair to give them nothing as the Republican plan would do, or whether it is fair to give them some of the tax break as well.

The SPEAKER pro tempore (Mr. JONES). Under a previous order of the House, the gentlewoman from North Carolina [Mrs. CLAYTON] is recognized for 5 minutes.

[Mrs. CLAYTON addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.]

EXTENDING ORDER OF THE HOUSE OF MAY 7, 1997, THROUGH TUESDAY, JULY 15, 1997

Mr. HASTERT (during special order of the gentleman from New Jersey, Mr. PALLONE). Mr. Speaker, I ask unanimous consent that the order of the House of May 7, 1997, as extended on June 12, 1997, be further extended through July 15, 1997.

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

There was no objection.

DEMOCRATIC TAX CUT PROPOSAL

The SPEAKER pro tempore. Under the Speaker's announced policy of January 7, 1997, the gentleman from New Jersey [Mr. PALLONE] is recognized for 60 minutes as the designee of the minority leader.

Mr. PALLONE. Mr. Speaker, following up on the gentleman from Massachusetts who just addressed the House previously, I think that I need to stress that the unfairness of the Republican tax scheme really has not gone unnoticed out in the real world, beyond the city of Washington. People have really caught on to the fact that the Republican plan is blatantly skewed to help the rich, and the bad news for the Republican leadership here in Washington is that the grassroots really understands what is happening and what we will be voting on in the next 2 days here in the House of Representatives.

The people are asking us to do the right thing. I would maintain that the Democratic tax cut alternative is far superior when you deal with the concerns of the average American working family.

This week as Democrats we are trying to illustrate in human terms the implications of the Republican tax scheme since we are going to be voting on this over the next 2 days. I wanted to start out this evening by using the example of a woman from New Jersey, Debra Hammarstrom, who is a resident of Toms River, NJ, in Ocean County. She is a divorced mother of two children living on a single income. I actually have photographs of her daughter here and also of her son. These are her two children, Ms. Hammarstrom's two children. She recently wrote, and I want to quote a section from her letter, the reason was, quote, to stress the importance of how a child tax credit would help to offset some of the financial burdens that come with raising a family on a single income.

She is concerned that the child tax credit that the Republicans have proposed here will simply not help her even though it should. Ms. Hammarstrom earns $21,500 in her job as the benefits coordinator for Visiting Home Care Service of Ocean County, NJ. She pays for child care, $105 a week, or $5,460 a year, so that she can work.

To quote again from Ms. Hammarstom's letter, she says, ''Unfortunately the Republican child tax credit proposal is targeted against those who need it most, those who are just one step away from falling into the welfare system. We are working poor who work to pay for child care, food and a roof over our family's head and nothing more. The child tax credit should be given to financially benefit the child, and I think a child from a lower income family would benefit greatly by receiving the credit. However, my family would receive no benefit at all from the proposed child tax credit.''

That is the Republican tax credit. They do not give it to her in her case, another member of another working family.

The Republican bill denies the $500 child tax credit to more than 15 million working families because it does not let them count the credit against their payroll taxes. These payroll taxes are the taxes that are deducted from a worker's paycheck. Everyone understands that. But some of our Republican colleagues, including Speaker GINGRICH and the chairman of the Committee on Ways and Means, the gentleman from Texas [Mr. ARCHER] have claimed that working families who qualify for the earned income tax credit are welfare recipients.

Mr. Speaker, I maintain this is an outrage. The people who qualify for the earned income tax credit are working people as the words ''earned income'' attest. No less a conservative than President Ronald Reagan himself praised the EITC program as a great incentive for helping people make the transition from welfare to work. To call these families welfare recipients is simply dishonest. To deny the $500 child tax credit to these families who need it the most is cruel and shows that the Republicans do not care about giving tax relief to millions of moderate income families. We are going to be highlighting some of these families like Debra Hammarstrom and her children tonight and over the next 2 days as this Republican tax proposal comes forward.

Mr. Speaker, I am very pleased to see that our Democratic leader the gentleman from Missouri [Mr. GEPHARDT] is here tonight to join with this special order and I would like to yield to him at this time.

Mr. GEPHARDT. I thank the gentleman from New Jersey and appreciate the opportunity to be able to participate in his special order on this very important question.

As the gentleman knows, we are here today to illustrate why the vote we will cast on the Republican tax cut plan this week is one of the most important votes that will be taken in this Congress and for many years.

When the House takes up the Republican vision of tax relief, we will oppose it because well over half the benefits go to the top, or wealthiest 5 percent of taxpayers.

We ask the Republicans to simply listen to the words of the people that they profess they are helping, the hard-working, middle-class taxpayers instead of wealthy contributors and corporate special interests.

There is a different way to provide tax relief than rewarding traders of stocks and bonds for a bull market brought on by the Democrats' economic recovery. The Democratic tax cut targets tax relief to the people who are raising children and agonizing over how they will be able to send them to college when they are ready.

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The Democratic tax cut targets tax relief to people who are selling their homes, the biggest investment, I might add, for most middle income taxpayers.

The Democratic tax cut gives tax relief to families who are struggling to keep the family business and the family farm in the family to succeeding generations, and the Democratic tax cut responsibly holds down the cost of this targeted tax relief that our children and our families will not have to bear the burden for paying for it later. We do not want to explode the deficit down the road as we once did. We want to keep the budget in balance.

Beyond all of the complex statutory language that goes into the Tax Code, the spread sheets and the revenue estimates from congressional scorekeepers, we have to ask ourselves what this bill is really for, what is it all about? Is it an economic experimentation giving the wealthy, who already have a huge advantage over middle class taxpayers, the lion's share of the benefit with the hopes that it would trickle down eventually to the rest of the people in the economy, or should it be about offering average ordinary taxpayers a helping hand by putting more money back in their pockets to raise their kids and send them to college?

I think the Democratic tax cut is fair because it targets tax cuts on those who need them the most. More than two-thirds of the Democratic tax cut goes to the truly struggling middle income and lower income families who make less than $57,000 a year.

In sharp contrast, 57 percent of the tax cut in the Republican bill goes to the top 5 percent; that is, people making over a $109,000 a year. Let me repeat that: 57 percent, more than two-thirds, in fact 66 percent, of our tax cut goes to families who earn less than $57,000 a year, but 57 percent of the Republican tax cut goes to the top 5 percent of wage earners; that is, people earning over a $109,000 a year.

The Democratic tax cut alternative is better for working families, as the gentleman from New Jersey [Mr. PALLONE] has said. For example, it targets the per child tax credit on hard pressed families making less than $57,000 a year and ensures that millions more children will qualify for the credit than under the GOP bill.

The Democratic tax cut is better for education. It provides $37 billion in education tax credits for working families compared to only $22 billion in the GOP bill and larger education tax credits for millions of working families than the GOP plan.

The Democratic tax cut alternative is better for the deficit. Unlike the GOP bill, the Democratic alternative does not have a lot of backloaded provisions such as the indexing of capital gains and backloaded individual retirement accounts that will explode the deficit in later years.

The Republican rush to a vote this week leaves precious little opportunity

for the American people to react to these competing visions for tax relief, but before we cast this vote I really believe that every Member should engage in a dialog with our constituents and ask them how these two very different tax plans would help them. If we would do that, I am confident that the majority of those in the middle class and at the lower income levels who comprise 90 percent of America's taxpayers will find that the Democratic tax cut plan offers the greatest tax relief for America's middle-income families.

Now before I end I would like to pay attention for a moment here to a gentleman who lives in my district. His name is Ben Naes. He is an impressive young man from Barnhart, MO. He is a 21-year-old student. He graduated just a couple of weeks ago from Jefferson Community College. He majored in chemistry and hopes to pursue a career in either chemistry or biochemistry. He worked his way through community college over the past 2 years with the support of his parents, his father Roger, who is an iron worker, and his mother Tony is a retailer at Grandpa's Department Store. His parents are very proud of him, as they should be because he worked summers as an iron worker's apprentice, and while his parents financially supported him he earned a 3.9 grade point average and recently was accepted to Southeast Missouri State University so he could go on and get his 4 year degree.

The question we ask tonight is how would Ben Naes fare under the two tax proposals that will be before the House later this week. As a community college student Ben's family paid $1,500 a year for 30 credit hours to the community college. Under the Democratic alternative tax cut proposal Ben's family would have received $1,100 a year tax credit this year if it had been in effect to defray Ben's education costs. The Republican plan would have only given $750 a year credit. So under the Democratic plan, $1,100 for Ben Naes and his family; under the Republican plan, $750 for Ben Naes and his family. The Democratic plan would mean that Ben's family would have more money for school supplies, expenses and ultimately more time to spend together as a family because they would not have to go out and earn that $600 difference.

Now when Ben begins attending Southwest Missouri State this next fall, his family will pay $2,900 a year for tuition to that State institution. Under the democratic tax cut proposal Ben's family would receive a tax credit of $580 toward that $2,900 of tuition, but under the Republican plan there would be no benefit at all because, as the gentleman knows, under the Republican plan there is no help for the third and fourth years of college, only for the first two.

Now as a parent of several children who are attending college right now I can tell you that $600 a year is a big deal. It makes a significant impact in paying for higher education and assuring that your child is going to get that much needed educational degree which has a direct benefit in terms of how much money they can earn after college.

So the contrast, I would conclude to the gentleman, could not be clearer. For Ben Naes the Democratic bill is much, much better. For community college, for going on to State college, he gets real tangible benefits, as does his family. The Republican bill, much less advantage, and in the third and fourth year of college, nothing, absolutely a big goose egg while people at the top who are earning $200,000 and $300,000 and $400,000 a year would get thousands of dollars of tax benefits that frankly they have not asked for and that certainly they do not need as much as Ben Naes and his family in Barnhart, MO.

So the gentleman is, I think, bringing a very clear and cogent and important message tonight in this special order to the American people and our constituents who really need to know the difference between these two competing tax cut visions, the Democratic tax cut or the Republican tax cut, and I certainly hope that we can convince a majority in the House to vote for the Democratic tax cut plan which would be much, much better for my constituents back in the Third District of Missouri.

Mr. PALLONE. Mr. Speaker, I certainly want to thank our Democratic leader for being here tonight and pointing out the major differences between this Republican tax cut plan and the Democratic alternative tax cut plan, and what we are really trying to do tonight, which the gentleman from Missouri did very well, is to bring this home and explain how it affects real people, and I think that the word is getting out to the country about the differences here and why this Republican tax plan is basically bad for the average working person.

I just want to say briefly, and then I want to yield to the gentlewoman from Connecticut, I just received a letter today from the president of Rutgers University, which is the State university in New Jersey, the major university in the State and the main campus of which is in New Brunswick in my district, and the president, the Rutgers president, expressed deep concern over the Republican bill, the one that came out of the House Committee on Ways and Means, and if I could just read a couple lines from this? He goes into very great detail about how it impacts a lot of students, but he says, and I quote, ''that the higher education community was encouraged by the bipartisan budget agreement reached by the President and congressional leaders because it put the country on track to a balanced budget while targeting tax relief to families struggling with the cost of higher education. Chairman Archer's bill, however, reduces this tax relief and imposes new burdens on students and families,'' and he goes into the details which I will not get into at this point.

But it is real. These are real people. There are thousands of students at Rutgers in my home State of New Jersey who are impacted by this and really had hopes based on what was agreed to that this was going to be something that was really going to help the average working family meet the costs of a college education, and now the President and many others are very disappointed when they read what the Republicans have in mind here.

I yield now to the gentlewoman from Connecticut.

Ms. DELAURO. Mr. Speaker, I thank my colleague from New Jersey, Mr. PALLONE, and I am proud to be here before the House of Representatives with you tonight and the minority leader of the House, Mr. GEPHARDT and my colleague from Texas, Ms. JACKSON-LEE, and we also have the gentleman from Massachusetts, Mr. OLVER here, and there may be several others joining.

I think it is important to keep repeating over and over again that in fact there are two tax cut proposals that are on the table that are up for discussion. There is a Democratic proposal and a Republican proposal, and it is important for the country, and I was happy to hear my colleague from New Jersey say, because I, too, believe that the word is beginning to get through of, in fact, who benefits from these two tax cut proposals, working middle class families, which are the center and the core of what the Democratic tax cut proposal is all about, or the wealthiest 5 percent of the people in this country, which is where the Republican proposal focuses its time, its attention and the bulk of its resources.

And I am delighted that the minority leader focused on the issue of education. It is my firm belief that any budget proposal that is passed by this body should help working middle class families, families who are striving or those families who are striving to make the leap into the middle class. These are families who are working hard, they do play by the rules, they scramble every week to pay their bills. They want what every family wants in this country, that shot at the American dream. That is what all our parents looked at and worked so hard for, a chance to make their kids' life a little bit better than their own, and the center of all of that, and I know in so many families, was the ability to be able to get your child an education, a decent education. It was the great equalizer. It could make a difference in what your child's future would be all about because it is education that opens doors to people in this country. It is the key to the opportunity. And it is more probably, particularly more important now in this global economy which requires up-to-date skills and lifelong learning so that when American families are looking for tax relief, they are hoping for a few more dollars

to help send their kids to school and give them the shot at that American dream.

The Democratic Members of this body are in favor of tax relief, and I am going to repeat that over and over and over again. We support tax cuts that would mainly benefit the folks who need them, working American families, and that is why the bulk of benefits under the Democratic tax proposal go to families making under $75,000 a year and why we are committed to giving average families the tools that they need to be able to afford to send their kids to school.

We have talked a lot on this floor in the last several months, in the last couple of years in fact, that government cannot do everything for people. But in fact what government can do is to help to provide the tools to working families in this country to help them to meet the challenges that they face in their lives. And education of their kids is one of those challenges. Republicans talk the talk on education tax cuts, but they simply do not walk the walk.

In the balanced budget agreement the Republicans agreed to $35 billion for the President's education initiatives. Instead, they have provided $22 billion to education proposals to help middle class families. The remaining funds are reserved for families who can already afford to set money aside for their kids' education.

Let me just tell my colleagues about one of these American families who needs help in sending their kids to school.

This picture here is of a young woman who lives in my district, Angela Salay. Angela comes from a middle class family in a small town in my district, Durham, CT. Angela graduated from high school just last week, and she is looking forward to attending Middlesex Community College in the fall, and she plans to transfer to a four-year college after her first year. Angela and her family are looking forward to the help that she might be able to get from a HOPE scholarship, $1,500 to help pay for the cost of college.

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Angela's mom has already paid to send Angela's two older sisters to college. The family estimates that the cost of her tuition will be approximately $1,800. Under the Democratic bill, when the law is fully phased in, Angela would get a HOPE scholarship for $1,500. Even next year, when the bill is partially phased in, Angela would receive an $1,100 HOPE scholarship.

Under the Republican bill, Angela's scholarship would only be $900, $600 less than what she could receive under the Democratic proposal.

Let me also show my colleagues another photograph. How about these young people celebrating that they graduated from high school. From left to right they are Gill Hissan, Sara Hansen, Darcey Knoll, Stephanie Morris, Eiador Ciatta, and Tony Capiello, and they graduated last week from high school. They are now beginning to plan, and their families are trying to plan, for how to get them to college.

The average tuition for a 2-year public college in Connecticut is $1,646. Ninety-one percent of the cost of this tuition, $1,500, would be covered under the Democrat's plan and the HOPE scholarship. Under the Republican bill, the average student in Connecticut would only be eligible for an $824 tax credit, which is only 50 percent of the cost of tuition.

Mr. Speaker, these differences might not seem that big to my friends on the other side of the aisle or their wealthy friends, but a few hundred dollars is a lot of money to their parents, to Angela Salay's parents, especially teenagers who are spending their summers working, trying to make some money for college. These are the kids who are flipping burgers, bagging groceries, and probably only making the minimum wage. These are the people that we need to be helping.

When we take a look at why our colleagues on the other side of the aisle are only willing to pay half the cost on the HOPE scholarship, on an education tax cut, it is because what they want to do is to be able to phase out an alternative minimum tax, the alternate minimum tax, which allows the richest corporations in this country to come out with a zero tax obligation, the richest corporations.

That is what they have proposed, and the bulk of their tax breaks are focused on the 5 percent of the richest people in this country, people who make over $250,000 a year. That is why the tax cuts for working middle-class families have been cut back or restricted in order to be able to make it easy for the people at the higher end of the scale. That is wrong. It is simply wrong to do that.

We need to be providing working middle-class families with those tools that they need to help their kids and themselves meet the challenges in their lives. These folks, quite honestly, they are not asking to wipe out their tax obligation. That is not what they want. Some of the richest corporations in this country would like to have a zero tax obligation. They want to pay their fair share of taxes. They want the opportunity to get some help, to make sure their kids can compete and succeed.

Like my parents and the parents of my colleagues who are here tonight, someday they might see Gill or Sara or Angela have the opportunity to serve in the House of Representatives and be able to represent people and be able to pass on and give some help to others. That is what they want for their kids. We owe them no less, to pass the Democratic alternative on a tax cut plan.

Mr. Speaker, I want to thank my colleague, the gentleman from New Jersey [Mr. PALLONE], for this special order tonight.

Mr. PALLONE. Mr. Speaker, I thank the gentlewoman. I notice that she and our Democratic leader constantly refer to the working middle class, and that is really what this is all about. The Democratic tax cuts would basically target the working middle class. That is the way it should be.

We have mentioned, the gentlewoman has mentioned over and over again, this is a balanced budget bill where we have limited resources, because we are trying to balance the budget. Those resources need to go to the working middle class, not to the big corporations, not to the top 1 percent of the people in this country.

One of the things that really bothers me, and I just wanted to mention it, and then I will yield to our friend from Texas, is that the strength, if you will, of America, I was always taught, was the fact that we have a large and growing middle class; that we do not have this huge gap, if you will, between the rich and the poor. And I think that we need to encourage the middle class. We need to help people who are working in the middle class.

One of the things, if I could just mention briefly, because again I think that now the media is giving this Republican tax plan some very serious analysis, there was an article that appeared in yesterday's New York Times under the headline, ''Study Shows Tax Proposal Would Benefit the Wealthy,'' with the subhead, ''Wider Gap Is Seen Between Rich and Poor. ''

In that editorial, or in that article, the Times reports that the 5 million wealthiest families in our country would gain thousands of dollars, while the 40 million families with the lowest incomes, now these are still working people, that those 40 million at the lower end of that middle-class spectrum would actually lose money, with the effect of widening the already growing gap between the richest and poorest families.

That has been one of the real problems we have had in the last few years, is this gap between the rich and the poor keeps getting bigger and people drop out of the middle class. We cannot let that happen.

Ms. DELAURO. Mr. Speaker, if I could make one more comment, because my colleague is right, the press is beginning to report these stories and to show this Republican tax proposal for what it is.

Just so that people do not think that it is just from a Democratic perspective that this tax proposal is being described, I just would like to quote a conservative political commentator, Kevin Phillips. This is what he has said, and he said this just last week on June 19:

> Republicans are determined to slash the capital gains tax, the estate tax, the corporate alternative minimum tax and some other provisions important to the people who write the campaign checks.

I thank my colleague for letting me get that in.

Mr. PALLONE. Mr. Speaker, I yield now to the gentlewoman from Texas [Ms. JACKSON-LEE].

Ms. JACKSON-LEE of Texas. Mr. Speaker, I thank the gentleman from New Jersey. I am going to ask as we proceed with this debate, I am going to ask the American people to do something that we always try to encourage our children not to do, and that is I am going to encourage them to leave their television sets on for the next 48 hours. If I could, I will ask them to stay tuned to this debate. This is one of the most important discussions in this century.

I want them to reflect as we debate on the gentlewoman from Texas, the West, New Jersey and Connecticut, Massachusetts, and the Midwest; I do not want anyone to perceive this as a narrowly defined discussion of your special interests or my special interests.

One of the things that has concerned me greatly as we have proceeded to work on this tax bill, and let me give great compliment to the process of the Democratic Caucus under the leadership of the gentleman from Missouri [Mr. GEPHARDT], our leader, and the gentleman from New York [Mr. RANGEL] on the Committee on Ways and Means and that team, there was a definitive effort to come out on the side of all working Americans.

What has saddened me in this debate, even Members that I have had the opportunity to talk with, define this as Democrats not wanting to work with those individuals who have made themselves prosperous, and that is not correct. I want to set the record straight. The record is very, very clear. The economy is booming. The deficit is down. A Member was quoted as having stated that, if we do nothing, the deficit will continue to go down.

Many of our large corporations are extremely prosperous, and I am not envious; I am gratified that we have proven under the Democratic President that our economic policies do work. Let me emphasize that, a Democratic President with Democratic policies, we have come together to balance the budget. But yet, now, we have a time to move away from the class warfare that has been defined, categorizing people in one pocket versus another, instead of respecting them for working.

We have now set aside those who make a certain income and have classified them as on welfare. I know there are people in the midwestern belt, the western belt who go to work every day and make $22,000 and are proud, working, middle-income Americans. We need to applaud that.

In the Republican bill, those folk are not being helped. If we just simply look at the Republican bill, 19 million families making over $100,000, that is who gets the bulk of the money. And the poor folk that are working, and when I say poor folk, I am saying the ones who are out there every day making the engine of this economy work, right over here, not getting the benefit of a tax cut.

Mr. Speaker, I am saddened when we say that working Americans making less than $15,000 a year, there are 15 million of them, they are taxpaying wage earners. They pay Social Security tax. How many of us have opened our envelope and said, my goodness, I cannot take it anymore. Those folk who work are paying Social Security taxes, payroll taxes.

Our Republican friends think these folks are not credible, are not worthy of a tax cut, that they should not be given the $500 per child tax credit and that those who make over $250,000 a year should get the benefit. And I am not trying to suggest that we should not be complimentary, if you will, of those who have toiled and may have benefited by investments or benefited by tenure on their job and making $250,000 a year, but we should not take away from those hard-working folk, wage earners.

This Democratic alternative responds to them; 91 million families benefit under the Democratic alternative, individuals making under $100,000 a year, and over here we see where the balance really comes.

The Republicans' math is not really good, for those who make less than $15,900, they say, they do not need a $500 a year child tax credit, but those making $250,000 should get it.

Let me personalize this. In my own district, in the 18th Congressional District in Texas, the median household income is about $22,000 a year, but these are hard-working folk who go to our colleges and our community colleges. Will the Republican bill help them? No, it will not. Will the tax cuts they are proposing help the majority of my constituents? Will the Republican cuts help the majority of Americans? How much and how long do we have to call out for Republicans to stand with Americans?

This is where the American people must leave their television sets on and they must forcefully and effectively decipher what the engine is that drives this economy. It is including all of the people. It is putting everybody inside the bowl. It is letting everybody come to the table. That is the distinction between what we have.

The Democratic alternative calls for three-quarters of their tax breaks going to people making less than $100,000 a year. There are tax cuts for small businesses, there are tax credits for parents for all of our children. There are tax breaks for families that are trying to send their children to college.

Interestingly enough, one of my universities, colleges that serves the working constituents in my district, the University of Houston downtown campus opened up a new facility today. How excited Dr. Max Costelia was that he was going to have greater opportunity for youngsters from working families to go to the University of Houston downtown campus.

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But yet, the Republican plan does not allow for the benefit of the $1,500 HOPE scholarship, which would help a college like the University of Houston downtown, and most of our other community colleges.

This is a time when we have to listen. I am asking that that television set dial stay on this debate, and that we explore this together as Americans.

I am gratified to be working with some 59 Members who are part of the Congressional Children's Caucus that I am privileged to now chair. I realize that education is the equalizer in America; that once we take away the opportunities of education, once we say those working families making $22,000 cannot get the kind of HOPE scholarship, the kind of $1,500 infusion of capital to help their young people rise up the ladder of success, then, yes, we are bending, yielding, being crushed under the class warfare that is being raised up by the Republican tax bill.

I want a bipartisan approach. With that, I would ask that my Republican friends begin to look at the discrepancy: 91 million families with the Democratic alternative, the complete opposite with the Republican alternative. Do not turn your television sets off. Join us in this debate. I thank the gentleman from New Jersey for his leadership, but I am crying out for those to listen. This is now a time when we can debate for the future, but we can move forward together.

I would hope that this Democratic alternative would be the one that my Republican friends will see is the one that really carries America over into the 21st century across the bridge, but it carries us together. I think that is the key of what we want in passing tax legislation and keeping this economy going.

Mr. PALLONE. Mr. Speaker, I want to thank the gentlewoman from Texas, and particularly because she really is pointing out the distinction between these two plans. I think it is important to stress that Democrats want tax cuts, but we want them to benefit the working middle class. That is what this debate is all about, because the Republican tax cuts are mainly going to the wealthy.

Mr. Speaker, I yield to the gentleman from Massachusetts [Mr. OLVER].

Mr. Olver. Mr. Speaker, I thank the gentleman for yielding. I appreciate that very much. I wanted to follow, because my colleague, the gentlewoman from Texas, has raised some issues here on the fairness aspect.

It has to be stressed again and again, people do not understand here that this debate is not about whether we are going to have a tax cut or not going to have a tax cut. It is a debate about who it is that is going to get the tax cut. The balanced budget agreement, the agreement, that has been reached. The two alternatives that will be before us in the next couple of days have equal amounts in terms of tax cuts over a 5-

year period. It comes to roughly $100 billion of tax cuts available for roughly 100 million families in total. The charts that the gentlewoman from Texas has show 110 million, but that is in roughly the right form.

We are both for the tax cuts, the size of the tax cuts, but not as to exactly where it goes. We need to stress again, though, that of that 19 million families that have over $100,000 a year, that represents one out of every six families in this country.

Every one of us, and everyone who is watching here tonight and everyone who is in the gallery still at this hour, knows families whose incomes fall across the scale, families who have over a $100,000 income available, and families who have, at the other end of the scale, between $25,000 and that $100,000, and families who are below the $25,000 of income.

What is hidden in that Republican chart there is that while one out of six families get two-thirds of the tax break that would come, among the 91 million families, and the gentlewoman from Texas has already mentioned it, there are 40 million families among those 91 million families who get zero, they get no tax cut at all, and in many cases they are going to end up with a tax increase.

Mr. Speaker, those are working Americans, in most instances. They are families that are headed by women, with a single parent. They are young families starting out at early jobs with relatively low wages who would like to raise a family, who would like to have children, and give those children the best of everything that America has to offer. They are blue collar families. They are families with under $25,000 of income a year. They get exactly zero.

Mr. GEPHARDT. If the gentleman will continue to yield, Mr. Speaker, on the point the gentleman from Massachusetts is making, a lot of people in this debate have said that the Democrats are calling for class warfare in the way we argued this tax bill.

If Members think about what the gentleman just said, that we have people earning $20,000 and $18,000 and $17,000 a year, and under the Republican bill they would not only maybe not get a tax cut, it would even increase their taxes, while families earning over $200,000, $300,000, and $400,000 a year would get the lion's share of the tax cut, I say that is class warfare. We are not raising class warfare, we are commenting on the class warfare that exists in the Republican bill.

It is mindless to me that in 1997, after the last 10 years of economic history in this country when the top 1 percent have seen huge increases in their income, and God bless them, I am happy they have been able to earn that income, but when they have had that kind of income increase, to say they get the lion's share of the tax cut, but people at the bottom and in the middle who have been working very hard and standing in place over these last 10 years and have not seen income increases, they should get very little or nothing, that is class warfare. That is what we are trying to comment on and bring to the attention of the American people.

As the gentlewoman from Texas has said, we are going to make a big decision here in the next 48 hours. It is a decision that will affect every American family in a profound way. Often we say what we do here does not have a direct connection to the people. The decision that is made in this Congress in the next 48 hours will have a direct connection with families all over this country, and we are up on our feet tonight because we want the American people to be engaged in this dialogue.

If people who are watching this and listening to it will simply talk to their Representatives in the next 48 hours, they can have an impact on the outcome of this bill. This bill is not decided. The Democratic alternative might pass. It might get more votes than the Republican alternative. So if people want to be part of representative government, they have a chance in this 48-hour period to be part of making this decision which will affect every one of their lives in a profound way.

I think the gentleman from Massachusetts has made a very profound point, and I thank him for it.

Mr. OLVER. To follow up on that, Mr. Speaker, to go back to where I was, in fact, polling, which is something that is continually being done, the people at the top do not express with any strength that they need great tax cuts. They are already making very large incomes, doing extremely well in the economy that we have been seeing.

The people who are telling us that they really need tax cuts are in fact those folks with under $35,000 a year of income, under the middle income in this country, and particularly young families trying to start out, and particularly those who are working mothers, who are the heads of their own households. Those are the families that need the tax reduction, the tax break, the tax cuts that we have.

Our plan, the Democratic plan, among those five out of six families that fall into the 91 million families, our plan gives to those 40 million families that have less than $25,000 or so of income, we give them a substantial tax cut that will help them, exactly the people who need it the most.

Really, I had to smile at the leader's comment about this being class warfare. In fact, it is exactly the opposite. It is the Republican plan which is conducting class warfare, and we have merely, as the gentleman said, commented on it. We have made it public, in essence.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I see other colleagues have joined us, if the gentleman will yield for a moment.

I think that the singular mark we would make in these 48 hours, I would just simply like to emphasize the people we are trying to help, they work, they work, they work. I think it is unfair that people who shop in stores that we may not shop in, or may not shop in because you are at certain levels, but buy groceries where you do not have to buy groceries, live in places where you may not have to live, but pay their rent, buy the groceries, and buy the clothes for their children, should not be considered people who work every single day, even though their salaries are under $25,000. They contribute to the economic engine of this Nation. I think that is very important.

Mr. Speaker, I rise today because we are about to take up a bill called by the Republicans the Taxpayer Relief Act. If you look closely at this bill, a better name would be the Rich get Richer Act.

This is no secret, Mr. Speaker. It's in all the newspapers, it's Republican payback time. It's no secret who the Members on the other side of the aisle represent. More than half the benefits of the Republican tax plan go to people who make an average of $250,000 a year. The next 25 percent of their tax breaks go to those making more than $100,000.

And who gets the crumbs, Mr. Speaker. Who is shortchanging the American working families? As is the usual case when the Republicans talk about relief, they talk about helping their wealthy friends. They are now working to cut the taxes on the profits made from the sale of stocks and bonds beyond the amount of taxes paid on wages, they are working to end the corporate alternative minimum tax, they are working to give IRA tax preferences to the top 20 percent of taxpayers, and they are working hard to cut the taxes on estates that would benefit the top 2 percent of estates.

Mr. Speaker, the numbers are clear for the Republicans. Help the high incomes, help those in the highest tax brackets and the Republicans know that they can help themselves. They know that the big corporations will help them if they end the alternative minimum tax so some of our largest corporations can avoid paying any taxes again. We closed this loophole some time ago and now they want to open it up again. It is no secret who is dancing with the Republicans, where their bread is buttered.

This is the part that cuts out working Americans making less than $15,900, 15 million working, tax paying wage-earners who the Republicans say are getting welfare if they are given the same $500 per child tax credit that Republicans say their friends making more than $250,000 should get.

Let's do the Republican math—make less than $15,900 and you don't need a $500 per child tax credit—make more than $250,000 and you do need the same tax credit. It doesn't take a rocket scientist to see where the Republicans are coming from.

In my own district, in the 18th Congressional District in Texas, the median household income is about $22,000 a year. Will the Republican bill help most of them? Will the tax cuts they are proposing help the majority of my constituents? Will the Republican cuts help the majority of American? How much do the Republicans think the American people will stand for?

This is where the American people can see the clear differences between the Democrats

and the Republicans. The Democratic plan—the plan authored by the distinguished ranking member of the Ways and Means Committee, Representative CHARLES RANGEL—is a plan that gives tax relief where it is needed—to working families, hard working taxpaying families.

The Democratic alternative calls for three-quarters of their tax breaks going to people making less than $100,000 a year. There are tax cuts for small business owners, there are tax credits for the parents of all of our children, there are tax breaks for families that are trying to send their children to college. Sure, the Republicans have their education tax plan, but it wouldn't help those going to our community colleges much.

Democrats have a fairer plan for capital gains cuts—the Republican plan now means that for wealthy investors, they will pay a lower effective rate on the profits of the sale of their stocks than a moderate income family pays on their wages. Democrats would allow those who are forced to sell their home at a loss some tax relief—the Republicans don't. Democrats target a fairer capital gains cut for small businesses and farmers. Our estate tax relief is aimed at giving families who want to pass on their small businesses a break rather than the well off who don't really need these kinds of tax cuts.

Mr. Speaker, it is time for the American people to draw the line in the sand. It is time for the working families out there to be heard. It is time to stand up and be counted. Who does this House of the People stand for? There is nothing more basic than taxes and the difference between the Republican tax package and the Democratic tax package is plain for Americans to see. It is time to stand up and really be counted.

Mr. PALLONE. I just wanted to stress again, all this is in the context of balancing the budget. We have very limited resources here because we are trying to balance the budget. It is a question of fairness. We have to be helping the middle class. We have to be helping working people, not primarily the wealthy, because we have limited resources.

Ms. DELAURO. Mr. Speaker, if the gentleman will yield, just to add about the importance of the debate and the critical nature of it and why we ought to be spending a lot of time talking about this and debating it is because those tax cuts that are going to be provided to the wealthiest 5 percent, people making over $250,000, or to the largest corporations in this country, some of the capital gains taxes that are talked about, not targeted to a small businesses and small farmers, small farmers that the Democratic alternative talks about, these are irreversible.

So that the gains for these folks at the top end will keep exploding, as the leader pointed out a little while ago, and they cannot be changed midstream. So that it would then continue and follow that those folks who are not at that level, who are making $25,000 or under, they are going to be frozen in ways in which we can never help them to move from, because we have, from this tax cut proposal that the Republicans have offered, locked in these enormous profits for people at the other end of the scale. It is indeed a very critical debate that is going to occur here in the next several days.

Mr. PALLONE. It could, in effect, result in the budget, the deficit, ballooning, once again. So we would actually defeat the very purpose of this bill, which is to balance the budget.

Mr. Speaker, I yield to the gentleman from Ohio [Mr. STRICKLAND].

Mr. STRICKLAND. I do not come to this Chamber for special orders very often, Mr. Speaker, but there are some times when I think those of us who have been sent here to represent our constituents have a responsibility to speak out. This is one of those times.

My friend, the gentleman from New Jersey, indicated that the Republican plan could explode the deficit. We have worked hard as Democrats. In 1993 in this Chamber, Democrats took the tough action that reduced our deficit from nearly $300 billion a year down to less than $60 billion a year now. Democrats did that. We were the fiscally responsible party. If the Republicans have their way with this tax bill, after the year 2002 the deficit can explode. These are irresponsible plans that the Republicans have.

I come from a poor district. The average family income in my district is less than $22,000 a year, and the Republican plan will do almost nothing for the people that I represent. Not many of my constituents earn $200,000 or $300,000 or $400,000 a year, and yet tomorrow in this Chamber we will make decisions that will redistribute wealth.

The rap on Democrats has been that we want to redistribute wealth, just as they have called us the party that engages in class warfare. But as my friend, the gentleman from Missouri [Mr. GEPHARDT], has said, this is not class warfare, but the fact is that the Republican plan will redistribute the wealth of this country, and this growing gap between the super rich and the rest of America will get ever greater, and it will be accelerated.

So I am here tonight to join with my friends just to say that I am very concerned about this tax plan that the Republicans have put forth, because it is deceptive. It is attractive in certain ways, and they can stand on this floor and they can say we are giving a tax break to the American people, but they are not specific about who benefits.

I think as Democrats we have a responsibility to talk about the fact that we need to advocate and work for and stand up for America's working families, those families in my district. Represented by the pictures here tonight are people who deserve a break, and they need Representatives who will be willing to stand for them. So I am here tonight just to say that I am proud to be a Democrat tonight. I am proud that when we compare our tax plan to the Republican tax plan, it is very clear that our tax plan gives tax breaks to working Americans, and their tax plan will give most of the benefits to the super rich, and that is just simply unfair.

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Mr. PALLONE. Mr. Speaker, I appreciate the gentleman's comments.

I yield to the gentlewoman from California [Ms. MILLENDER-MCDONALD].

Ms. MILLENDER-McDONALD. I came in to speak on the special orders about one thing, but when I got here and I looked at these charts, I am forced to speak with my colleagues and the Democratic leader in support of the Democratic tax cuts. I am so proud that the Democrats put forth a tax cut that spoke to tax cuts for the working-class families, those families I represent in California. My families do not make much more than $26,000 a year. The Democratic tax cut speaks to that. But these charts really do show the disparity between the Democratic tax cuts and the Republican tax bill that absolutely does not speak to the working-class families who I represent.

I was really taken aback as I looked at the Republican tax bill and saw that they had really snuffed out the $16 billion that we had put in for the children's health plan to really support at least half of the 10 million children who are uninsured. And we had initially said the $16 billion would at least help 5 million of those children. Now the Republican tax bill has taken that away, and the amount of money that will go for the few uninsured children, which is only about 100,000, will be sent to the States to let the Governors take hold of this. That is criminal at best because the Governors will not give that money to the children who need the health care.

I am proud to stand with my colleagues today to look at the disparity of these two tax plans. The Democratic tax cut speaks to the working-class families, the ones whom I represent. The Republican tax bill is a disaster, not only for those working-class families in my district but for the country as well. I stand with the Democrats on our tax cut bill, and I will be here to vote against the Republican tax bill.

Mr. PALLONE. Mr. Speaker, I thank the gentlewoman and yield again to the gentleman from Missouri [Mr. GEPHARDT], the Democratic leader.

Mr. GEPHARDT. Mr. Speaker, I want to go back to the issue of education for a moment and say that in my view, and I think in all Democrats' views, and I hope in many Republicans' views, education is the most important issue in front of our country. I was recently talking to some people from Silicon Valley, and they told me that they are right now unable to hire the people that they need. One executive told me he has had an ad in the paper all over the country to find people who are computer literate and can work in their plants, and he has not gotten an answer for the ad.

He is now going to high schools because he needs college graduates. He is

literally going to high schools and trying to find well-qualified high school students to try to draft them into his company before they can go to college. It is kind of like with basketball players that are drafted into the pros before they can go to college.

I have labor unions in St. Louis that are going into the high schools and recruiting young people to come to apprenticeship programs, something that has not happened in our country, certainly in St. Louis, in probably 40 years, maybe longer. We have a 4.9 percent unemployment rate nationally. In some States we have a 2-percent unemployment rate right now tonight in June 1997.

The great shortage in the country is not tax breaks for people who have done very well and are doing well. The great shortage in the country is mentally capable human beings who can take the productive jobs in our companies and create more economic growth and productivity so that our economy does even better in the future. And so the reason the President feels so strongly about these education tax cuts is they go to the heart of what is most needed in our country. And to go back to our people that we have talked about tonight, we, the kids in the middle class, kids trying to get in the middle class need tax breaks in order to go to college and to go to community college so they can get the mental capabilities, so they can be productive citizens and take these jobs that our corporations so desperately are looking for talent to fill.

When the President said that he would not sign a tax bill, that does not have $35 billion of education tax cuts, he said it because of that fact. Our bill has $37 billion of tax cuts for education. The Republican bill has $22 billion of tax cuts for education. It is not going to be signed by this President because it should not be signed.

Again, the No. 1 need in the country is education, education, education is what we need. And we need our tax cuts to go to people so they can get education.

When I was a young person, my dad was a milk truck driver in St. Louis. We were of those lower middle income families. My mom was a secretary. Every month they would take their money and put it in a savings account so my brother and I could go to college, the first ones in our family that had been able to go to college. When we finally got into college, we had to borrow money from the church, Third Baptist Church in St. Louis.

I will never forget, my mother and I went down and saw the pastor of the church and we asked for a loan. They had a little scholarship fund, and they gave us a loan so that I could pay my tuition at the university. We did not have tax cuts then. And we did not have student loans, and we did not have Pell grants then. It was a long time ago. I am getting up there. But the only way we could do it is if we go to the church and borrow the money. And tuition at Northwestern University, where I went, was $1,500 a year.

What does a family today who is earning $25,000 and $20,000 and $30,000 and $17,000 do to get their child even to community college or to State college, much less a private university that might cost 5 or 10 or 20 or $30,000 a year?

When we are talking about this conversation that we are having, I say to the gentlewoman from Houston, with the American people tonight, and I hope we will have over the next 48 hours, this is what is at stake. It is whether or not the kids of this country who come from middle income and lower middle income and poor working American homes will have the ability to go borrow the money and get the money together to go to college so they can be productive citizens. That is what is at stake.

There are not enough churches out there to do what happened to me. I hope there are some and I hope they can give loans to kids like I got a loan, but I am sure that there are not enough out there to get this done.

This is a big deal. It is a big deal for the future of the American economy and the American people. I hope and pray that we can get this point across to the American people in these next 48 hours, and they will stay tuned in, as the gentlewoman from Houston has said, and that we will get their attention and they will respond. They will pick up the phone and they will write or they will send e-mail or they will send a letter or they will go to the office of their Congressperson, whether they are Republican or Democrat and say, we want a tax bill that helps average families and helps education and really helps the future of this country.

I thank the gentleman.

Mr. PALLONE. Mr. Speaker, I want to thank our Democratic leader for saying it so well. I think we only have another minute or so left. I yield to the gentleman from Ohio [Mr. STRICKLAND].

Mr. STRICKLAND. Mr. Speaker, I want to respond to my friend from Missouri. I taught at a small State school before I was elected to this body. Under the Democratic plan, students going to that school would qualify for $1,500 per year for the first 2 years of college which would basically pay for the cost of tuition at that institution. But under the Republican plan, that student would get probably $600. That just simply is wrong. It is breaking the agreement. As I understand it, the President was assured that we would have a $1,500 per year tax credit for the first 2 years of college. I urge my colleagues to make an issue out of the fact that education is important and the education part of this deal has been broken by the Republicans.

THE ECONOMY

The SPEAKER pro tempore (Mr. Jones). Under the Speaker's announced policy of January 7, 1997, the gentleman from Wisconsin [Mr. NEUMANN] is recognized for 60 minutes as the designee of the majority leader.

Mr. NEUMANN. Mr. Speaker, I planned on rising tonight to talk about our debt and deficit and how we will balance the budget and how important it is to our children's future that we do balance the budget and talk also about a bill that we will be introducing about paying down the debt, but before I do that, I have been listening to the debate here tonight and I would like to open this evening by reminding the American people that 3 or 4 short years ago this debate was not about how much we could reduce taxes.

In 1993, I hope everyone remembers, the other side was in control. But the discussion was not about how much and which taxes should be reduced. In 1993, we passed the largest tax increase in American history. This debate has changed entirely. And whether we agree or disagree with all the different aspects of the tax bill, I think it is very, very important that when we look back on 1993 and we remember the other side was in control at that time, the debate was about entirely different topics.

It was not about how much or which taxes to cut. Instead it was about which taxes to increase and how far should we raise them.

You remember the gasoline tax? They said it was only a tax increase on the wealthy, but you were wealthy if you had an automobile and you stopped at the gas pump and filled up your car. Or if you were on Social Security earning $34,000 a year, your taxes were increased.

Somehow in this debate tonight we have totally lost sight of the fact that a few short years ago, with the other side in control, the entire debate was about how much higher taxes had to be to even begin to reduce the deficit. The debate tonight is about which taxes we should reduce and how much should they go down as we reach a balanced budget.

How far we have come in 4 short years, really since 1995, when there was a change out here. The American people dictated that there was to be a change. I think in the next election the American people should really remember this difference and remember this debate tonight and remember the entire discussion out here and think about whether they want to go back to the 1993 model, where the debate is about how much your taxes should be raised and which ones should be raised, or whether they like this 1997 debate much better.

As we get into this debate and even as we may disagree with each other a little bit, would you prefer the 1997 debate? We are actually balancing the budget. And at the same time we are balancing the budget, we have curtailed the growth of government spending to a point where we can both balance the budget and reduce taxes at the same time.

So in my opinion this is a great debate to have and we should be having this sort of debate before the American people. Which taxes should be reduced and how far should they be did reduced.

I heard a lot of numbers over there. They talked about 91 million and this million and that million and these people and those people. I guess I have to look at the tax cuts in a little different way. When I go to church on Sunday and I talk to my friends on the way out from church and they have got three kids, one of them is heading off to college, we had this discussion recently, one of them is heading off to college and when they go to college they qualify for the college tax tuition credit. They get half of up to $3,000 of the tuition. That means $1,500 coming back in their family. They have still got two kids at home.

These are middle income folks that get up every morning and go to work for a living. They are earning $40-, and $50,000 between the two incomes in their house. They get that $1,500 to send the oldest to college, but the oldest is still expected to work and earn part of the money that it costs to go to college. That is called personal responsibility. And for the two kids they still have at home, they are going to get another $1,000 back.

I do not understand all that stuff about 91 million or this many million or that many million. But I sure as shootin' understand that when I am talking about folks back home that are getting up every morning and going to work with $40- or $50,000 or $30,000 coming into their house, the concept of being able to keep $1,500 to send that oldest kid to school and another $1,000 for the other two that are still at home, they understand that they are going to get to keep $2,500 more, and they do not understand all this class warfare rhetoric about who is rich and who is not rich. But they sure understand that their hard work is going to pay off by being allowed to keep more of their own money in their own pocket instead of sending it on out here to Washington. That really is the framework this whole debate should be in.

Part of this debate also tonight, and I think it is real important for the American people to understand, we were hearing things like if you are earning $20,000 a year that you are not going to get a tax cut. There is a very good reason that a family of four earning $20,000 a year is not going to get a tax cut. They do not pay any Federal taxes.

This entire debate is about whether or not people who pay no taxes can get a tax cut. In Wisconsin we have a little hard time with this. When we think about this situation in Wisconsin and when I ask the people back home, do you think somebody who is not paying any Federal taxes can get a tax cut? And they start laughing at the question, because they understand that if you are not paying any taxes you cannot get a tax cut.

So what is this debate really about? This debate is really about whether or not people who are paying no taxes to start with should receive an additional check. Some people would say if you are not paying any taxes to start with and you get a check that, in fact, that is not a tax cut but that is a form of welfare.

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So I have to put this debate again in the proper context. There are some people in this country, as a matter of fact, if you are a family of four and you are at minimum wage or thereabouts earning over $12,000 a year, not only do you not pay tax into the Federal Government, but the Federal Government writes your family a check for $2,500 already.

So when we put this debate into proper context, the debate is not about who qualifies for the tax cut but the debate is rather about, if you are not paying any taxes to start with, is it reasonable to think you are going to get a tax cut? And forgive me, I am here in Washington, this question is being asked. Out in Wisconsin, we kind of laugh at that question. Because it is pretty obvious, if you are not paying any taxes, it is pretty tough to get a tax cut. So again, I think we need to put that part of the debate into proper perspective.

I think I have heard a lot about children and how important the children are in this Nation, and I am going to devote a lot of the rest of the hour to that particular discussion. Because when I look at this picture and I think of our families of five today, with our national debt being what it is, being responsible to pay $580 a month to do nothing but pay interest on the Federal debt, let us think that number again. It is $580 a month to do nothing but pay interest on the Federal debt.

I feel a lot of people out there going ''I do not pay that much in taxes.'' But the reality is, every time you walk in a grocery store and buy a loaf of bread, the store owner makes a small profit on that loaf of bread and part of that profit gets sent on out here to Washington.

So one way or the other, when you add up all the taxes you are paying between the gasoline tax and when you buy your groceries at the store and store owners makes a small profit, you send some of that profit out here to Washington, when you are done adding all that up, one way or the other, you are in fact, as a family of five, are paying $580 to do nothing but pay interest on the Federal debt.

So when I think about the children of this Nation, I like to think about our kids as they start their own families, as they get married and start having their own families; and I think the best thing we can do for this Nation is pay off the Federal debt so they do not have an interest payment.

So instead of sending that money down here to Washington to do nothing but pay interest on the Federal debt, instead they can keep it in their own homes and maybe buy a better home or better car or provide a better education for their children.

I was just talking, too, to a single mother who happened to be here on the House floor this evening, and she is in the room just off the House floor, and she was just telling me her story. Single mom, raised her kids by herself. And she was looking at this tax bill and she was saying, ''I am not sure there is anything in this tax bill that is going to actually benefit me.''

She is not 55 yet, so she is not at retirement age. Her 21-year-old means she does not qualify for the $500-per-child tax credit. And she said to me, ''Mark, what I really want to do is I want to sell my house, because with my son gone, I no longer have to own that house and I can cut back on my expenses and start saving up for my retirement. That is really what I want to do. I wish the tax package would have done something for me.''

When I talked to her and I noted the fact that if you are in that case, where you raised your children and maybe they are gone now but you decided you are not 55 but maybe you would like to sell your home and you feel kind of trapped in that home because if you sell the home, you got to pay the tax on the profit and if you wait until 55 you do not have to.

And I explained to her in this tax bill, the way it is currently written, instead of having the 55 age bracket in there, where the Government dictates what year you can have this tax benefit, you can now sell it at any age. And she perked up considerably, understanding that this tax bill would have something for her too.

And I would suggest she has got a pension plan, and in that pension plan there are probably some mutual funds; and when she cashes that pension fund in, those mutual funds are going to have gained a profit of some sort. We are not talking about wealthy people here. We are talking about hard-working people.

I know how many hours they put in back there. We are talking about the hard-working people that come to work every day of the week and they have got a pension fund of some sort. So when they reach retirement and they sell that pension fund, the capital gains reduction, of course, is going to benefit them directly.

There is one other thing that I think we ought to turn our attention to, and that is that discussion before about whether people not paying taxes should in fact receive a tax cut. I think, instead of having that debate, what we should have a debate about is whether it is fair for people that get married should pay more taxes than people who do not get married.

Did you know that, in the United States of America today, if you have got four people working in the same job, earning exactly the same money,

and two of those people are married to each other, and the other two people are not married to each other, the two people that are married to each other earning exactly the same money pay more taxes than the two people that are not married to each other. There is something wrong with that.

So if we want to talk about reallocating this, I will give you one of my personal preferences; and that would be that we eliminate the marriage tax penalty. So rather than talk about giving tax cuts to people who are not giving any taxes, why do we not talk about strengthening the family ties in our Nation and end the marriage tax penalty. If we can improve on this bill, certainly that should be one we ought to think about improving upon.

I could spend the rest of the night talking about tax cuts, but I really came over this evening to talk about some other issues that are really very, very important to the future of this country.

This chart really shows why I left the private sector and came out here. Before 1989, I had never been to a political event. I voted pretty regular, but really was not actively involved in politics at all. But we started watching the growth of the Federal debt, and that is what this chart shows.

My colleagues will notice that from 1960 to 1980, the debt did not grow very much. But from 1980 forward, that debt just started growing right off the chart. I would point out that we are about here in this picture right now tonight as we speak. It is a very serious situation.

By the way, for all the Democrats listening tonight, when I said 1980 and you all started nodding your heads and you said that was the year Reagan took over and for all the Republicans listening and I said 1980 and you started nodding your heads and said that is when the Democrats were still in control of this place, well, I would like to point out that in 1980 we did have a Republican President and a Democrat Congress. And rather than pass the blame to one party or the other, do my colleagues not think it is time that we, as the American people, recognize this problem and do something about it?

And that really is what I would like to devote the rest of my hour here this evening, or at least most of it. This is a very serious problem. I would like to point out how big that number is to help us comprehend just exactly how large and how significant the problem is.

We currently stand $5.3 trillion in debt. The number looks like this. And that number is too big for anybody to understand, it really is. So what I did, and this is what we used to do in my old math class back when I was teaching math, I divided the debt by the number of people. For every man, woman, and child in the United States of America, our Government has borrowed $20,000. For a family of five, like mine, they borrowed $100,000.

Let me put that another way. Our Federal Government has effectively spent $100,000 more than it collected in taxes, basically, over the last 15 years for a family of five, like mine. They have spent $100,000 more than they collected in taxes, basically, over the last 15 years.

Here is the kicker. I mean, those are still all numbers on this board. This bottom one is what really means something. This is what we mentioned before. A family of five in the United States of America today, to do nothing but pay the interest on this debt, needs to send a check to the Federal Government, $580 a month.

Again I go back to, a lot of folks do not think they are paying that much. But every time you walk in a store and buy anything, whether it is at a gas station and you are buying gas or whether at a clothes store and you are buying an article of clothing or at a food store and you buy a loaf of bread, when you buy something, that store owner makes a small profit on what you bought. And when they make that profit, part of that profit gets sent out here to Washington. One you way or another, this Government is collecting an average of $580 a month to do nothing but pay the interest on the Federal debt for an average family of five.

Well, what has been done about this? I think that is a reasonable question for folks to start asking. And I want to start with the past. Then I want to move into the present. And then I want to talk about the future. And I want to start talking about the past.

I heard my colleagues on the other side of the floor this evening doing an awful lot of class warfare and demagoguing. I am going to start talking about the past and what is going on here, and I will define the past this evening to be before 1995, because in the 1994 election, they sent a whole new group of people here in 1995. So what we are talking about here in the past is pre-1995. Think about pre-1995.

I suspect most everyone listening this evening remembers Gramm–Rudman-Hollings. In middle of the late 1980s, the Gramm–Rudman-Hollings bill promised the American people a balanced budget and they laid out a deficit stream. The deficit stream is this blue line in the chart. They promised the American people they would get to a balanced budget, and that deficit stream would follow the blue line.

The problem is, when they followed that deficit stream, what actually happened is the deficits ballooned and they did not keep their promises to the American people. And, for some reason, the American people got upset. So the people in Washington knew what to do about that. The people in Washington said well, since we cannot keep that one because the deficit is ballooning and we want to keep spending the taxpayers' money because we here in Washington know how to do that better than the people know how to do it for themselves, so what we will do is give them a new Gramm–Rudman-Hollings bill. And they gave us a new one in 1987 and that promised to get to a balanced budget following this blue line and reaching balance in the year 1993.

Except the same thing happened. So you see, when we look at past promises made to the American people, those promises were not kept. And, in fact, while they promised a balanced budget, the deficits exploded and the promises just absolutely were not kept to the American people.

You know what really puzzles me out here in this community. For some reason, the people in Washington have a hard time understanding why the people in America are cynical. I do not have any problem at all. This is what was going on in the late 1980s, when we were making a decision to leave the private sector, to leave a very good business, and to leave a very happy family life, where I could actively be involved in all the things my children were doing. When they went to a basketball game or volleyball game or track meet for Tricia, I could go to those things.

This is what was going on out here in Washington. I was one of those people who got very upset as they promised one thing and did something different. The American people do not believe in Washington because the promises that have been made from Washington have repeatedly been broken in the past. And again I emphasize, this is a picture of the past.

So let us bring us up a little more current. Let us go to 1993. Because in 1993, there were a lot of people who started talking seriously about trying to reduce the deficit. And the discussion in 1993 was this deficit has to be brought under control. And they started wringing their hands in this city, because when the deficit was going to be brought under control, there was really only one of two things they could do. They could either raise taxes, taking more money out of the pockets of the American people and getting it here in Washington so they could control more of your life, that was one option, or they could curtail the growth of Government spending.

We all know what happened in 1993. In 1993, by a single, solitary vote here in the House of Representatives, they passed the largest tax increase in American history. And over in the Senate it went. And in the Senate also, by one single, solitary vote, they again passed the largest tax increase in American history.

So what are we saying the past is all about here? The past is about a series of promises that were made to the people and they were broken. The past is about a decision that, rather than curtailing the growth of Government spending in Washington, we would allow that Government spending to keep growing and take more money out of the pockets of the people and try to achieve a balanced budget. That is the past, and that ended in 1994.

Because after they have passed that tax increase on the American people, by a single vote in the House and a single vote in the Senate, after they passed that tax increase, the American people said, we have had enough of this. We do not think Washington should take more money out of our pockets. We think Washington already has enough of our money. And, in fact, we honestly believe that, instead of sending the money to Washington we kept it in our own homes, we could do a better job deciding what is in the best interests of our own families and we can make better decisions about education and about what we should be doing to help our children.

So this change that occurred, it occurred in 1994 when the American people said enough is enough. They were sick of the broken promises, and they were tired of the concept that the only way to do anything about the deficit was to reach into their pockets and take more money out.

And I have got to believe that every time they stopped at the gas pump and filled up with gas, knowing that the Government had raised their taxes at the gasoline pump, that they figured out this whole tax debate that you heard so much about earlier this evening about whether this was a tax on the wealthy or not, I think they figured out in 1993, when they said they were only going to raise taxes on the wealthy people, and the wealthy people were anybody that stopped at a gas pump to fill their car up because they paid higher gasoline tax, I think they figured out way back then what this is all about.

What it is all about is getting to a point where, instead of breaking promises and raising taxes, taking more money out the pockets of people and getting it here in Washington, it is all about keeping promises and seeing if we cannot both balance the budget and reduce taxes on the American people by curtailing the growth of Government spending.

They could have done that in 1993. Make absolutely no mistake about it. In 1993, they could have done that. So as we move forward now, 1980s, 1990s, promises made, we were supposed to get to a balanced budget, it did not happen. 1993 conclusion: Raise taxes on American people instead of curtailing the growth of Government spending. That is the past.

Let me kind of move, then, to what we inherited in 1995, when I first was elected and came out here. I see I have been joined by my good friend from Colorado [Mr. BOB SCHAFFER]. The American people have done a great job sending us some wonderful freshmen this time around, also.

But this is what we inherited when we got here. When we got to Washington, we inherited this deficit line. If we had come out here and played golf and basketball instead of doing our job, this is where the deficit was headed if we did absolutely nothing. In the first 12 months, in 1995, we had the 100 days, we had the Contract, we had all of those good things going on; and through the fights that we went through, it came down to this yellow line.

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That is if we had done nothing after 1995, the yellow line is where we were going. The green line, that was our promise made to the American people. I would call Members' attention back to this because the American people have almost forgotten that in 1995 the group of people that are here today, we also made a series of promises to the American people. We said we were going to get to a balanced budget because we knew how important that was if we were going to preserve Social Security and Medicare. We knew how important that was to future generations of Americans to not let this debt continue to explode. So we laid a plan into place to balance the budget. It is this green line. But there is a big difference between the Gramm-Rudman-Hollings of the past and what started happening in 1995. The blue line is what actually happened. My colleagues will notice the red line up here where we were. This is where we got after 12 months. This is what we hoped to do. But my colleagues will notice this line is below the green line. It is absolutely different than the Gramm-Rudman-Hollings. In Gramm-Rudman-Hollings the targets were not met and the people were misled. We are in our third year of a 7-year plan to balance the budget and we are not only on track, we are ahead of schedule. Something is different in this community.

I want to show this in another way to make this as crystal clear as I can possibly make it. This red column that I am showing here, this is how much money we promised the American people the deficit would be down to in the year 1996. So when we laid out this plan in 1995, we projected a deficit in fiscal year 1996. That is this red column. This blue column is what we actually achieved. I again point out the difference. This is what was promised, this is what the deficit actually was. Notice in the first year of our 7-year plan to balance the budget, we were not only on target but we were actually about $50 billion ahead of schedule. This is the second year of our plan to balance the budget. What we promised. This was a promise we made back in 1995 to the American people. This is where we said it would be. This is where it is. In fact we were not only $50 billion ahead of schedule in year 2, we were over $100 billion ahead of schedule in year 2.

Let me put this in perspective so it makes little more sense. When the government did not spend this extra $100 billion, that meant that instead of going into the private sector and borrowing this money and getting it out here in Washington, that the money stayed available in the private sector. When there is more money available in the private sector, in this case the $100 billion the government did not borrow, when that money is available out there in the private sector, what happens is the interest rates stay down. In an average State like Wisconsin, 1/50th of that is $2 billion. Translation, 2,000 million dollars was available floating around out there in the State of Wisconsin. With more money available, of course the interest rates stayed down. When the interest rates stayed down, people started buying more houses and cars. When they bought more houses and cars, of course someone had to go to work building the houses and cars. That meant there were job opportunities so they did not have to stay on the welfare rolls. That is the Republican model that was initiated in 1995. Instead of going the route of reaching into your pockets, taking more taxes out here to Washington, the idea was curtail the growth of government spending, and when they spend less, of course, they borrow less. When they borrow less, there is more money available in the private sector. More money available means lower interest rates. Lower interest rates meant people bought more houses and cars. That meant they left the welfare rolls and went to work. That is why we see in year 2 we were ahead of schedule as well.

Here is where we are right now. We are in year 3. Again the red column is what was promised to the American people. The blue column is what is actually happening. My colleagues will notice again in year 3, the third year of this plan, we are once again ahead of schedule. Think back to how different this is from 1988 and the Gramm-Rudman-Hollings bill. We are not only on track but we are ahead of schedule in balancing the budget. Again our model, different than the idea of reaching into the pockets of the American people and getting more money out here in Washington to make it look good, was a very different model. This red column here shows how fast spending was growing before, in the past, before 1995. My colleagues will notice the red column is 5.2 percent. It is bigger than the blue column. We have in fact curtailed the growth of government spending. This is how fast it was growing before. This blue column shows how fast it is growing now. We have in fact curtailed the growth of government spending to get this monster called the deficit under control. Very, very different than what was going on in 1993.

Again think back to 1993. Into your pockets, how much more money can we send to Washington, DC because, after all, Washington, DC could not possibly curtail the growth of government spending. The new people, 1995 and forward, and I am happy to have a freshman join me here, this is the new Republican, the new Republican has balanced the budget by curtailing the growth of government spending. In fact it has been so successful that we are

now not only on track to a balanced budget by 2002, we will probably balance the budget even sooner.

Let me translate this into real meaning for real people in the United States of America. What this means for our folks in Wisconsin is that we can not only balance the budget but because we have curtailed the growth of government spending, not draconian cuts like the other side would have my colleagues believe but curtailed the growth of government spending, because we have curtailed the growth of government spending we can both balance the budge and reduce taxes on the American people at the same time. In fact it is happening right now as we speak.

Mr. Speaker, I yield to the gentleman from Colorado, [Mr. BOB SCHAFFER].

Mr. BOB SCHAFFER of Colorado. I thank the gentleman for yielding.

Mr. Speaker, I have been listening to the debate and came over here on the floor because I really wanted to get to this whole issue that we have been hearing day after day after day about how our tax plan supposedly only benefits a small sector of the economy, the taxpayers, and those somehow are the rich. I really wanted to focus in on that because I think when the American people begin to understand the numbers and the statistics that underlie that whole flawed philosophy, this silly notion that our tax cuts benefit only the rich, I think when the American public begins to understand that, first of all they get a glimpse of how things work in Washington, how the deception and the deceit is at an all-time high around here by those on the far left who are really afraid of this tax cut package because they understand the real numbers, I believe, they understand that we really are moving ourselves as a Nation toward a balanced budget, we are doing it not only by exercising fiscal sanity when it comes to balancing and spending but we are also focusing on ways to improve the performance of the economy by allowing those who work hardest and those who are able to apply the principles of the free market and the principles of success, those individuals are in fact becoming more productive, becoming more energetic and they really are becoming liberated by a tax policy which taxes them less and rewards greater productivity, be it in home businesses, small businesses or in the workplace.

Our tax package, the one the gentleman described just a moment ago, distributes 75 percent of those tax cuts to the middle class. These are people who earn $75,000 a year or less. Those are the individuals who are the target of our plan.

Mr. NEUMANN. If you are a family of 5 and you are earning, say, $35,000 a year and let us just say you have got one headed off to college that is going to pay about $5,000 a year, could the gentleman help our colleagues this evening to understand if you are in a family of 5, 3 kids and got one headed off to college, how much would they benefit under this tax package?

Mr. BOB SCHAFFER of Colorado. With the one going to college.

Mr. NEUMANN. That is half of the $3,000, or about $1,500 if they are paying that much, assuming they are paying that much.

Mr. BOB SCHAFFER of Colorado. I actually have the whole rundown here under this paper somewhere. I would love to go through that.

Before I do that, though, and move on from that, I want to focus in on how it is that middle-class taxpayers are considered rich by the liberals and the Democrats here in Washington, because then I think it makes it easier for us to apply the Republican tax package to the average family. Realize that we really are talking about average families in America.

There is a term that we are beginning to hear here. I heard it just a few weeks ago. It is called family economic income. This is an important one for taxpayers to remember, because this is not the income that we earn or that pay taxes on. This is a calculation that is an invention, really, by the Treasury Department, which has been adopted by the liberal Democrats here in Washington because family economic income suggests that we make more money as taxpayers than we really do.

Here is how they do that. Again, I have only learned about this last week when I began looking into this term and this number and hearing these wild statistics that we are somehow only providing tax benefits, tax relief, for the rich.

This category, family economic income, is a way to magically transform a family making $45,000 a year into a family making $75,000 a year. This is how they do it. My father used to warn me about these get-rich-quick schemes; overnight you become wealthy or you become a millionaire. Usually they are not true. In this case it is also the case that it is just not true.

Here is how they do it. They take that $45,000 that a family may make and they add $12,000 for the rent you could get if you did not live in your home and you rented it out. It is $12,000 a year. Since your home, again, may generate $12,000 a year in rental income if you moved out and somebody else moved in, that $12,000 is added to your $45,000 in real income. That is the first step.

Mr. NEUMANN. If you moved out of your house and rented it out so you collected that $12,000 more a year, so that your income went up by $12,000, where would you live? And would that not cost you money?

Mr. BOB SCHAFFER of Colorado. This is a question that did not occur to the Treasury Department, apparently. It is really the fallacy in these numbers. This is imputed income, or imputed rent as they call it. This is just one way they bump up your income.

Right now we are up to $57,000. The $45,000 family now, according to the Treasury Department and liberal Democrats, makes $57,000 a year because they may be able to get rental income on their house if they moved out and rented their home to somebody else. Bear in mind this is not money they are really making; it is just an estimate. I am not kidding. I first thought they were kidding when I heard about this. But let me continue. $12,000 for rent you could get if you did not live in your home. That is the first addition.

Next they add $5,500 for the family health insurance that your employer provides. Again, if you are working and your employer provides a health insurance benefit, they assume that you are making an additional $5,500 over what your paycheck suggests you make.

Next, they add $1,000 for something that they call unreported or underreported income. It is unclear as to what underreported or unreported income might be. It is never really assumed. They just throw that additional $1,000 in to bump the number up more. I continue. There really is more here.

Next they add $10,000 for your share of the Wall Street paper profits. How is that for money you did not even know you had?

Next they add another $5,000 for your teenager's part-time summer job. If the student that you mentioned before happens to work in the summer, that is added to what the Democrats believe to be your family income.

Mr. NEUMANN. Would the gentleman give us the $10,000 Wall Street one again? I have not heard this list before.

Mr. BOB SCHAFFER of Colorado. Paper profits.

Mr. NEUMANN. A pension fund, maybe?

Mr. BOB SCHAFFER of Colorado. Could be pension funds. Could be the savings account that you have or the checking account that you have at home, the notion that there is some financial value in the various savings of the income that you have already earned and paid taxes on. If you save it or invest it in one place or another, just the financial services that you are receiving, the fact that you have got dollars invested, there is an imputed value associated with just finances in general that may or may not affect a family.

Again, it is not treated as income anywhere else except in this tax discussion here on the floor. These are invented revenues that a family supposedly has, according to the liberal Democrats, who are very frustrated that the American public loves our tax relief package that the Republicans are planning.

Next they add $2,000 for your IRA deduction. They add $3,000 for the unrealized buildup in your pension or IRA. Who needs smoke and mirrors when you can just make this stuff up? They add $1,500 for unrealized buildup in your life insurance policy. Unrealized buildups. This is income that you really have not even built up in these

funds, but you have the potential to do that over time, so they impute that into your present day income.

Here is the real kicker, proving that those who like to suggest that these tax cuts only occur to the rich have no shame. By taking a family's $45,000 income figure, adding all of the above numbers, and then add on that a final $600 into the calculation for things like your parking space at work, because there is presumably some value associated with a parking space that you have out there. It goes on.

But this is how the Democrats come to suggest that the $45,000 in a family's income is over and above $75,000 in income, and, therefore, you are rich. Everybody who went to bed last night thinking they were middle-class taxpayers wakes up today and finds out that many people in their government believe them to be the beneficiaries of some kind of obscene wealth and therefore unworthy of a tax break. But we really are talking about middle-class families.

People know what their income is. They can see the paycheck when they bring it home. It is those individuals, the middle-class hardworking Americans who go to work every day, who toil to pay their taxes, stay within the confines of the law, go to see an accountant just to make sure they did not make some mistake on their IRS tax form because they are in fear of an IRS tax agent showing up at their homes, those are the folks we have in mind as Republicans.

Those are the folks we want to assist, the folks we want to allow to keep more of their hard-earned income and wealth, not steal it from them and confiscate it from them and bring it here to Washington D.C. so it can be spent on all these goofy programs that we spend millions and billions on every day. We really are concerned about the middle-class families. Seventy-five percent of the individuals who benefit from our Republican tax package are middle-class wage earners earning $75,000 a year or less of real income.

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Mr. NEUMANN. Could we talk a little bit more about that family earning $45,000 a year that actually gets paid $45,000 a year, but with their imputed tax under the liberal Democrat plan that goes all the way to $75,000? Would it be fair to say that they would have a very difficult time finding the $75,000 in cash?

Mr. BOB SCHAFFER of Colorado. Well, it does not exist. It truly does not exist.

Now you know people who think I am joking, I would urge them to just call the Treasury Department and get a calculation of their explanation of family economic income. This is the term they use. They have a full description of it. All of these items that I went through, the costs of the parking space, the imputed rent on the home that you do not rent, the $12,000 that they assume you benefit from, things like that; all of that is described and listed there. I would encourage people to call the Clinton White House, the Treasury Department and see it for themselves because I know there are many people who really do not believe it, but when you see it, it is a sad occasion, I assure you.

Mr. NEUMANN. Can I go back again?

I keep going back to this family who has actually got $45,000 a year. It probably means both spouses are working in the house and are probably getting up in the morning and doing everything they can to get those kids off to school and in the summertime maybe getting the kids off to work, and they are the folks that we were talking about before where if they got one headed off to college and two kids still home, and I see these families in church every Sunday. I mean they are sitting there with three kids and one of them is off in college and two of them are still home. If their college tuition is $3,000 a year, they get $1,500 tax credit under this proposal, and in addition to that they get to keep $500 per child for the kids that are still at home. The net impact for a family earning 30 or 35 or $40,000 a year, the families that are working, probably both spouses, the net effect is they get to keep $2,500 a year more of their own money in their own home instead of sending it out here to Washington where people here in Washington control what they do with it.

And see, this is really the difference between that discussion you heard earlier this evening from the other side and the liberal Democrat view and the new people that are here, the present, as I was talking about before. The past; we are in the present now, since 1995.

The view goes like this. People are better able to spend their own money in their own homes themselves than people out here in Washington are able to do it for them. It is a very, very simple concept: Who is best able to spend the money that the people at work every day earn? And one side believes that it is the people back there in their own homes, and that is why there is $2,500 a month coming to this $45,000 a year family that we are talking about, this family with 2 kids, that they are working hard to make sure they get a good education and the third one headed off to college. That is why the tax cut is aimed at those folks, and they can talk about millions and billions and all the different people and everything else, but I know for a fact that when I talk to people who are in this middle income, they know they are in the middle income, they understand earning 30 to 45 or $50,000 a year, and they know good and well that when they get to keep an extra $2,500, that is $200 a month, they know that means better things for themselves and their family, that means they can afford a better education for their kids and it means they can afford maybe a better car or better house.

It is all part of the American dream. It is a very basic fundamental belief that the people out there in America are better able to make good decisions of what to do with their own hard-earned money than the people out here in this community in Washington, DC, and that is what this is all about.

Mr. BOB SCHAFFER of Colorado. I met a young woman just right over here off to the side of the Chamber. She is from North Carolina. She is 16 years old. And I asked her—she was observing this debate and watching the whole discussion on tax, on the extent to which Congress ought to provide tax relief to the American taxpayers, and I asked her. I said what do you think about this whole debate? She said that if people are willing to work hard and earn more money and apply themselves in a way that allows them to provide for their family that they ought to be permitted to keep more of their income for themselves.

That is quite a statement. She is 16 years old. She says she expects to major in English and maybe be a writer, possibly a teacher and has hopes and dreams like many 16-year-olds across this country, and she happens to be from North Carolina, and there are millions of young people just like this in Colorado and in your State, I am sure, and throughout the country who really do look forward to a day when they are going to be self-sufficient, be able to work hard, be able to bring home the majority of the income that they earn, put it toward their family, their self-sufficiency, buying a home, buying a car, living the American dream and contributing to our economy.

It is their ambition, it is their hope for the future that helps us get to this balanced budget quite frankly, and I think after generation after generation after generation of people who have entered the work force to be taxed more and more and more, is it any wonder that there are those who choose not to work? Is it any wonder that there are those who in the end do the calculation, as all Americans do, and come to the conclusion that sometimes it is easier not to work than it is to apply yourself and use your God-given talents to bolster an economy like ours?

I think the greatest thing we can do for the future generation is restore hope, restore the energy and the enthusiasm for being a participant in a free market economy by taxing families less by allowing people to keep more of what they earn, to send less money to us here in Washington and allow them to keep it at home and spend it on the private charities of their choice at home, spend it on their church or synagogue, spend it in their school, spend it on their children, spend it in a way that reinvigorates and restores the American dream to all young people and all individuals throughout our country.

Mr. NEUMANN. You know you have kind of moved into a discussion of the

future, and earlier this evening before you got into the Chamber here we were discussing the past and the Gramm-Rudman-Hollings and this vision of Republicans of what we do not want right now, Gramm-Rudman-Hollings promises that were not kept, and the deficits exploded, and the promises were not kept to balance the budget in 1993 where the decision was made not to lower taxes or have tax cuts, and it is amazing to see the fight now on both sides of the aisle about which taxes should be cut because in 1993 before that change in 1995 in that past they raised taxes, they did not lower taxes, and the discussion is about which taxes are now high.

That was the past, and then we moved into the present, and we talked about the fact that we are in the third year of a 7-year plan to balance the budget, and we are not only on track, but we are ahead of schedule, and you have kind of turned the discussion now to the future. In the present here we have curtailed the growth of Government spending to a point where we are virtually at a balanced budget or very close to it right now, and we are able to both balance the budget and reduce taxes because we have curtailed the growth of Government spending. This is a Republican vision where we do not want to go back to the broken promises of the past and the tax increases. We are in the present where we have got both a balanced budget, we are on track and ahead of schedule, in our third year here now and we are also reducing taxes at the same time as the President.

Now let us move to the future a little bit and let us talk about this Republican vision for the future of this great Nation we live in. You see even after we balance the budget, after we get it to a balance, whether it is 2000 or 2002, we still have this $5 trillion debt hanging over our heads, and if we do not do anything about that, that means we pass this Nation on to our children with a $5 trillion debt knowing full well that when they have their families, they are going to have to send $600 a month on out here to Washington to pay interest on the debt just like our families today have to do.

Let me give you a new vision for the future. Present vision: Balance the budget, reduce taxes. Vision for the future: Let us pay off the Federal debt. And a lot of people out here go, well, we cannot pay off the Federal debt, but let us just talk about this vision for a minute.

It is a vision of a balanced budget paying off the Federal debt so we can pass this Nation on to our children debt free, and when we pass this Nation on debt free and we pay that debt back we are also putting the money back into the Social Security trust fund. So this new vision is a restored Medicare, a balanced budget and a future that is debt free for our children.

Now a lot of people say I cannot do that, that is not possible, that cannot happen out here. Well, I would like to spend a little bit of the rest of the time here this evening pointing out that we have introduced a bill. It is called a National Debt Repayment Act, and I believe you are an original cosponsor with me on this. The National Debt Repayment Act is a relatively simple bill. It says that after we balance we will simply cap the growth of Government spending at a rate 1 percent below the rate of revenue growth. So once we are in balance we cap the growth of Government spending 1 percent below revenue growth.

Well, if we are in balance and revenues grow by 5 percent, that would mean spending could only grow by 4 percent. That little bit of extra in there, that is the surplus we are talking about, and that surplus is going to allow us to literally pay off the entire debt by the year 2026. So if we just cap the growth of Government spending 1 percent below the rate of revenue growth, we can literally pay off the entire debt by the year 2026 and give this Nation to our children debt free.

The second part of the National Debt Repayment Act, it defines what exactly to do with that surplus. First part, it caps the growth of spending 1 percent below revenue growth. That creates our surplus. The second part of the bill says that one-third of that surplus goes to additional tax cuts. It recognizes that even after this tax cut bill is through the American people are still sending too much money out here to Washington.

So the second thing this bill does is it takes one-third of that surplus and provides for additional tax cuts to our American families, and I would like to suggest that the next tax cut we make, it should be to eliminate the marriage penalty taxes we discussed earlier this evening.

So the first thing then that it does in the second part of the bill is it reduces taxes. One-third of the money goes to additional tax deductions, two-thirds goes to paying off the Federal debt.

So one more time through the National Debt Repayment Act, it caps the growth of Government spending at a rate 1 percent below the rate of revenue growth. If we do that, there will be a surplus. With the surplus we take one-third for additional tax cuts, two-thirds to pay off the Federal debt. If we do this by the year 2026, the entire Federal debt will be paid and we in our generation, the people that have run up this debt, will have done what is right and responsible for future generations of Americans. Since we ran up this bill we are also going to fulfill our obligation and pay it back.

And again under the National Debt Repayment Act we would develop the surplus, one-third for additional tax cuts, two-thirds goes to paying off the debt. The debt would be repaid in its entirety by the year 2026, and we can pass this Nation on to our children debt free.

There is another side thing here that happened that I think is very important. The Social Security system collects more money today than what it pays back out to our senior citizens in benefits. That extra money is supposed to be in a savings account. When it is not collecting enough, it can still make good on its payments to seniors. Well, that money that is supposed to be in a savings account, it is not really theirs, it has been spent, and I guess that is no real surprise to folks that look at Washington, D.C. When Washington saw this extra money coming in, more than what were paid out to seniors in benefits, what they did is spent the money on other Government programs and put IOU's in the trust fund.

Now the trust fund, that IOU is all part of the Federal debt, so under the National Debt Repayment Act, as we are paying off the Federal debt, we would also be restoring the solvency of the Social Security trust fund so our seniors could once again rely on the solvency of the Social Security system and know they are going to keep getting their Social Security checks.

So again I kind of go to the future now on this whole discussion, and we look past the balanced budget. I mean all of the good things that are happening right now, restoring Medicare for a decade, reducing taxes on the American people, a balanced budget; let us move to the next phase now on the Republican vision. Beyond the next phase is to pay off the Federal debt. By implementing the National Debt Repayment Act it caps that. Once we reach balance, it caps the growth of Federal spending at a rate 1 percent below the rate of revenue growth. That creates a small surplus. That surplus, one-third goes to tax cuts, two-thirds goes to repaying the Federal debt. If we enact this bill, we pay off the entire Federal debt by the year 2026 and we get to give our children a nation that is debt free, and what is most important about that is by then they will be having their own families, and they will have a few kids, too, I hope. I hope they will get married, and I hope they are happily married, and I hope they have kids, and instead of sending their money down here to Washington to do nothing but pay the interest on the Federal debt, they will be able to then keep that money because we will have paid the debt off.

Seventeen percent of the entire budget does nothing but pay the interest on the Federal debt. We will not need that money. They can keep it in their own homes and get a better education case for their kids or buy a nicer home, live the American dream.

That is what this should be all about.

So we have got this vision. We have looked at the past, the broken promises of Gramm-Rudman-Hollings and the tax increases of 1993. We have rejected that, and when people rejected that, the American people rejected that in 1994. The new group that came here in 1995 said enough of that stuff. We are going to balance the budget by curtailing the growth of Government spending.

We are now in the third year of our 7-year plan to balance the budget, and we are not only on track, we are ahead of schedule. We have curtailed the growth of Government spending to the point where we are not only going to balance the budget but also reduce taxes on the American people, and that is what this tax cut debate is all about this evening.

The third part of this vision is for the future, and it envisions a future in this great Nation we live in that is debt free, where we pass this country on to future generations without this burden of a debt hanging over their heads, and it envisions a nation where when we collect money for the Social Security system, the money is actually there in the Social Security system as opposed to spent on other programs.

So this vision is passed. We do not want it. Present, it is going pretty good when the third year of a 7-year plan and we are on track and ahead of schedule. We have curtailed the growth of Government spending to a point where we can both balance the budget and reduce taxes in a future where we do not stop at a balanced budget, but we also pay off the Federal debt so we can give this country to our children debt free.

Mr. BOB SCHAFFER of Colorado. Let me contrast that future that you just described to what would happen if we do nothing, if we really do what the left wing in Washington wants, which is no tax cuts, which is not to balance the budget, which is to continue running this Government on auto pilot as if there is not a care in the world and no problems down the road.

You know the statistic that I hope Americans remember is that a child born today owes approximately $20,000 to the debt that we have today. Now as with the Federal debt, it is no different than any debt that anybody has on the mortgage on their home or their car loan or whatever. You have to pay interest on that, the cost of the cash that you use for whatever purpose. There is a cost associated with the debt that we have now, and the interest on the debt just continues to build and build and build unless we decide now to get serious about it.

□ 2115

That $20,000 that a child born today owes to the Federal debt, over the course of that child's working life becomes a debt of upwards of $200,000 once we calculate the interest associated with that.

Now, think of that. A child born today, with the budget scenario that we have in the current law, has an obligation to the Federal Government of $200,000. That is what they are faced with.

Mr. Speaker, we talked a little earlier about the hope and the opportunity and the excitement that we hope to build into the future of every young American, and getting at reducing that $200,000 debt over the course of a child's working life is something that we are very serious about here in Washington. This new wave of conservative budgeting, conservative tax policy that the gentleman mentioned, started in 1994 and really got to work here in 1995; I think was reinforced in the 1996 election with those of us who came in my class; is offering the real prospect of getting a budget balanced.

The numbers that we have seen are very clear. They are very exciting. By seeing these charts and graphs which show us that we are on a glidepath toward not only balancing the budget, but a plan beyond that, even beyond that, to start looking at what do we do with the savings, what do we do with the economic prosperity in America after that? Getting that burden off of every child's back, that $200,000 obligation to the debt, and removing that by 2026, is something that is great cause for optimism to, I am sure, everybody who has children, every middle class family, and certainly those of us here who are dedicated and committed to working so hard, to seeing these three stages of our tax relief, our balanced budget relief and our debt repayment relief plan enacted.

Mr. NEUMANN. Can the gentleman imagine, just go back to the past here for just a second, and let us say that in the past they envisioned a surplus occurring. What does the gentleman suppose the first thought in Washington would have been in the past if a surplus occurred?

Mr. BOB SCHAFFER of Colorado. Where do we spend it?

Mr. NEUMANN. And what new government program can we enact, and how fast can we get it into place to make sure we get the taxpayers' money spent? Because we know if they spend it in Washington, the people in Washington can do a much better job spending the people's money than the people could if they kept it in their own pocket.

Now, contrast that past to where we are today. Instead of talking about spending that money on other government programs, we are here this evening saying that as the surplus develops, one-third for additional tax cuts and two-thirds to do the responsible thing, to start paying down the Federal debt so that our children can inherit this Nation debt-free, and so that the money that is supposed to be in the Social Security Trust Fund actually gets there, that is what this is all about.

What a stark contrast in vision from where we were in the past and what would have happened, to where we are today in our vision for the future that includes a balanced budget, a restored Medicare system; not only a balanced budget, but paying off the Federal debt so that our kids inherit this Nation debt-free, and the hope and the opportunity and all of the things that go with this vision for the future. That is what the future of this country is about, and that is what our service here in Washington should be about. What a wonderful change it is from a couple short years saying.

Mr. BOB SCHAFFER of Colorado. Mr. Speaker, it really is. Again, I have to say, the way we see certain folks responding to this plan, once they realize that it really is going to work, that the numbers are real, that the glidepath towards a balanced budget is something that we really can touch and get our hands around, those who oppose that notion, those who really do want us to spend more and tax more and continue business as usual, they are screaming like a bag of cats on the way to the river, because they realize the power of this particular plan and that the American people really do embrace it.

That is why they come up with these phoney numbers about how our tax cuts only benefit the rich. They do not. They benefit middle class. Those numbers are very clear, very solid. The Joint Committee on Taxation tells us very directly, 75 percent of these tax cuts go to households with incomes below $75,000 in real income, the income that people bring home from their jobs and their work everyday and as calculated from their paychecks, not some phoney income that makes us all millionaires overnight.

Mr. NEUMANN. Mr. Speaker, that is also why in this tax cut package, and we heard the debate earlier in the evening to try to provide tax cuts for people who are not paying any taxes. They have somehow lost sight of this, and we see as this is all developing and we have this bright picture and this very large change from what was going on in the past, from the broken promises and the mistargets and no hope of a balanced budget and the tax increases, we have now moved into the present where we are actually going to balance the budget and we have curtailed the growth of government spending, so that we are not only balancing the budget but reducing those taxes, that change is so substantial and they are struggling to get back to that old way.

So while we do not want to cut taxes for people who are not paying any taxes, they want to create a new social welfare program and give them a check even if they are not paying taxes. Somehow there is something not quite right about that. It just does not flow that one cannot get a tax cut if one is not paying taxes.

Mr. Speaker, one more thing. A lot of the folks viewing this, our colleagues viewing this this evening are struggling to understand just how far we have come from the old Gramm-Rudman-Hollings days and the tax increases, to the present where we are not only on track, we are in the third year of our plan, and we have in fact curtailed the growth of government spending so that we can provide both tax cuts and a balanced budget.

I have brought another chart here with me this evening, and I am going

to make another prediction that the budget is balanced by the year 2000, maybe even 1999 unless we go into another recession. To show just how far we have come, the revenue to the Federal Government has grown by an average 7.3 percent. If we look at how much came in last year and then this year, the average growth over the last three years was 7.3. Over the last 5 years the average growth was 7.3. Over the last 10 years it was 6.2, and over the last 17 years it was 6.8.

I throw all of these numbers out there just so the folks can see how fast revenue has been growing. In the budget we are projecting we are only projecting growth, not 7.3 or 6.8, only 4 percent. So I ask the question, the question goes like this: What if revenues grow by 6 percent? Still not as fast as they have been growing at 7.3, but what if revenues grow by 6 percent and we hold the line on spending. We do the spending projections on what we have just agreed to. In fact, if revenues grow by 6 percent and we meet our spending targets, we will in fact have a balanced budget and run our first surplus in the year 2000. What that means, if we can get the National Debt Repayment Act passed, that means in the year 2000, two-thirds of that $40 billion goes to debt repayment and another one-third goes to additional tax reductions.

So the tax cuts are not over. We have the possibility to go the next step and provide additional tax relief to the American people. I personally believe that anything we can do to allow the American people to keep more of their own money in their own homes and in their own decision-making realm, instead of sending it out here to Washington where it gets in the hands of people here to decide what to do with that, the more we can leave it in their own hands to make their own decisions, the better off we are going to be. That is why I find this so exciting, because by the year 2000 if we can get the National Debt Repayment Act into place, and I think we are going to, we can look at the next round of tax cuts for our working families in this great Nation we live in.

That is exciting to think about. I challenge the people that are going to get up early tomorrow morning and go to work, I challenge them to think about the next paycheck that they get, being able to keep an extra 50 bucks for the week in their own home because we reached this goal, because that is what this really means. We are now ready to go the next step and allow the American people to keep even more of their hard-earned money instead of sending it here to Washington. This is a tremendous change from where we were in the past and it is a very bright future for the future generations of America.

Mr. BOB SCHAFFER of Colorado. Mr. Speaker, it is a powerful plan for the Republican Party that is moving this forward. It signals a day when we have moved the politics of pork out of Washington and put the American family first.

We are going to balance the budget in short order. If we have a strong economy, my colleague is right, we are going to see this budget balanced before the turn of the century. We are going to provide tax cuts for middle class families, we are going to offer hope and prosperity for those young children who are saddled today with a $200,000 obligation, long-term, to the current Federal deficit. We are going to resolve that for them before they get into their 30s.

It is a very powerful plan and program that the Republican Party has moved forward, and I hope that those handful of Democrats who are sincere about putting American families ahead of pork barrel politics find the courage to join us in this plan. Mr. Speaker, I am confident that some of them will, but we just need to keep talking about this over and over and over again. The American people are smart enough to figure out that this is to their advantage and they are going to be with us.

Mr. NEUMANN. Mr. Speaker, will it not be great as we go forward now toward the next election cycle, instead of having the discussion of class warfare that we heard earlier this evening, if instead of having that discussion, we talk about the failures of the past and how different it is today.

We are in the third year of our plan to balance the Federal budget. We are not only on track, but we are ahead of schedule. We have in fact curtailed the growth of government spending rather than raising taxes, and by doing that we are now in a position where we reach a balanced budget, probably sooner than projected, probably even sooner than the year 2002, and we are reaching the balanced budget while at the same time letting the American people keep more of their own money that they have earned. This is not a gift from Washington, it is their money.

What a wonderful vision. We have balanced the budget, we have preserved Medicare for future generations, and we are looking at additional tax cuts as we go forward. We look forward to a Nation where we not only have a balanced budget and reduced taxes, but we also pay off the Federal debt so we can pass this Nation on to our children debt free. I can think of no higher goal for our service here in Washington DC.

TAX RELIEF FOR AMERICANS AND SPENDING PRIORITIES FOR AMERICA

The SPEAKER pro tempore (Mr. PEASE). Under a previous order of the House, the gentleman from New York [Mr. OWENS] is recognized for 5 minutes.

Mr. OWENS. Mr. Speaker, I suppose I would really be continuing the dialog that was began more than an hour ago by my colleagues in the Democratic Party and was just continued by two of my colleagues in the Republican majority. Nothing is more important than a discussion of the reconciliation package that will be voted on tomorrow, we hope, and the tax package that will be voted on. The budget and appropriations and taxes are the meat of government. Nothing is more important than what we do with the money of the taxpayers, and we cannot discuss it too much. I hate to be redundant, but I think we have to give due attention to that which is most important and hope that the American people understand that the final decision is in their hands.

It is a matter of common sense as to what we want to do with our money. It is the American taxpayers' money. The taxes do belong to them, my colleagues in the Republican majority are correct, and they ought to have more of their money to spend. The taxpayers should have their money.

It is very interesting, though, that my colleagues that were talking a few minutes ago from the Republican majority about guaranteeing that future generations will not be saddled with debt, guaranteeing that we will reduce the large size of government and the size of the budget, they voted for the continued funding of the B–2 bomber.

We just had an historic vote yesterday on the floor of this House where the B–2 bomber, which at a minimum will absorb about $27 billion away from domestic programs in future years, and force us to keep the budget at a higher level than it really should be, force us to give less money back to the American public, the B–2 bomber was discussed, debated on this floor for several hours. It was pointed out that the President says we should not spend our money on the B–2 bomber. The Joint Chiefs of Staff said we should not spend our money on the B–2 bomber. The Air Force says we should not spend our money on the B–2 bomber. The goals, the objectives that would be met by the B–2 bomber program can be met in cheaper ways. We have B–1 bombers, we have other ways to accomplish the same purposes.

All of it was stated quite clearly. But nevertheless, a majority voted to continue spending money on the B–2 bomber, the same people who said they want to save our children from having to live in a world where the Federal debt burdens them unduly.

We have contradictions here. Everything that is said here relates to everything. We cannot separate the statements about protecting children from future debts from the almost phenomenal intent to continue funding the defense budget at levels which are almost as high as they were in the cold war. We are spending more than all of the other nations put together for defense, and that certainly is driving a situation which denies a greater amount of tax relief for the American taxpayer.

On the matter of tax relief, we saw a clear statement here when my Democratic colleagues were on the floor.

They had charts here which were really compelling in their simplicity.

□ 2130

They say one picture can say more than a thousand words. Well, those two charts said more than 1 million words. They had two charts here, one which showed the nature of the Republican tax cut package, and the other the nature of the proposed Democratic tax cut package. You would think you were looking at some piece of modern art by Andy Warhol or some other experimental artist, and that some kind of trick was being played when you looked at those two charts. The two charts were mirror images, mirror images of each other.

The figures 91 and 19 stick out, 91 million and 19 million. If you look at the Democratic chart you can see a large chart on one side which says that most of the Democratic tax cut, as opposed to the tax cut package, most of the money goes to the 91 million Americans who are in the middle class. The 91 million who are in the middle class will receive most of the tax cut proposed by the Democrats. Only 19 million of the richest Americans would benefit greatly by the Democratic proposed tax cut package.

When you look at the Republican tax package, it is just the opposite. Nineteen million of the richest Americans would receive two-thirds of the tax cut, and 91 million in the middle class will receive only one-third; one-third, two-thirds, mirror images. For the Democrats two-thirds of the tax cut goes to the middle class, one-third to the richest Americans. The Republicans, two-thirds goes to the richest Americans, one-third to the middle class.

We could not get a more dramatic contrast than that. We could not get a simpler contrast than that. The contrast is obvious. The difference between the two parties, if you want it in summary form, you can see it in summary form right there without going into the details. But of course, there are more details to go into in terms of how do we spend that.

That is how we get the revenue. The tax package talks about revenue that will be no longer be collected. On the other hand, we have a reconciliation package which includes the expenditure side: How should we spend the money that will be spent in this year's budget. Again, we get a display of the difference between the two parties.

But I am not going to be redundant and repeat all of the things that have been said by the previous speakers in the previous 2 hours, but I do want to make it clear that what I have to say is related. It is related very much to it.

I have a hodge-podge of concerns tonight. One is the fact that today, in the New York Times, there were photographs of two very important African-American women, photographs of two very important African-American women. Both are related to very sad occasions.

We are saddened by the death of Betty Shabazz, whose photograph was on the front page of the New York Times today. Betty Shabazz was the wife of Malcolm X, and her life in the last 10 years or perhaps her life since the death of her husband has been like a Greek tragedy. She saw her husband gunned down in front of her eyes while her daughters were sitting there with her, in the great assassination that took place in Harlem when Malcolm X was killed. She has seen a lot of adversity since then.

Finally, the adversity reached its climax when she had received third degree burns over 80 percent of her body. She fought for her life for the past few weeks, and finally she gave up. It is most unfortunate. It is like, as I said before, a Greek tragedy. You would not believe it if you did not see it unfold before your very eyes, the incidents that led up to Betty Shabazz' final death related to her grandson and her daughter.

I will not go into all the details there, but she was a great lady. We will hear a lot about her in the coming next few days and weeks. The things that will be said about her by other people are not quite the same as the things that I have said.

She was a great lady because I saw her in a lot of places where there were no cameras, places where she got no credit, no glamor. There was no glamor there. I saw her in places where very few people bothered to go, for good cause. If there was a good cause there and she could do something to help, she showed up. Little people relied on her to do certain kinds of things, and she was always there.

You can praise people for their intelligence, for their education. She had a Ph.D. She educated herself after her husband's assassination. She raised her daughters, a model mother and all that. You can praise people for many reasons: intellect, education, integrity. There are a number of things you can praise people for.

I am impressed by all of those, but most of all I am impressed when people are good, basically good at heart. She was the kind of person who was basically good at heart. Deep in her fiber she wanted to do the right thing. You do not meet many people like that. Her motivation was to do good. She was a good person. Say all else that you want to say about her to glorify her, and there are many good things you can say, but underneath it what I appreciated most about Betty Shabazz is she was a good person.

There was another photograph of a black woman in the New York Times today. Nobody knows her name across America or in New York City or in the neighborhoods. I had just heard of her for the first time. Her name is Marsha Motipersad. Marsha Motipersad was a workfare worker. She was a workfare worker who died on the job at 50, a 50-year-old workfare participant who had a heart condition. Everybody knew it.

She had formerly been a secretary at the Children's Aid Society, and she had to leave her secretarial job in 1994 because she had had two heart attacks, two heart attacks. Here is a middle-class lady with skills in the work force who, for health reasons, was driven out of the work force, and I do not know what complications took place that led her to the point where all she could get was welfare. She ended up on welfare. The workfare programs come along, and despite her condition they said she had to go out and go to work in the parks department. With her heart condition and all the stress, et cetera, she dropped dead.

I want to talk more about her later, but it is interesting that on this day the New York Times has photographs of two African-American women. I thought that was worth noting.

I would also like to note some good news. On this day there was an announcement that Bill Gates, the millionaire, billionaire, multi-billionaire owner of Microsoft, announced a plan to give $200 million to libraries. He has already given money to libraries. In fact, one in my district in the Flatbush area is the recipient of one of Bill Gates' early grants, the Microsoft early grant.

Bill Gates clearly wants to build on the example set by Andrew Carnegie. Everybody knows that Andrew Carnegie built libraries all over America. More than 2,000 libraries were built by Andrew Carnegie and the Carnegie Corporation. Many are still standing. The legacy of Andrew Carnegie goes on.

Bill Gates wants to take one more step and bring those libraries into the age of cyberspace, and put computers and software in libraries. I can think of no more daring and productive innovation than that, to really put them in public libraries where everybody will have access to them.

I am particularly proud of that because I am a librarian by profession, and I worked in a public library. I spent my first 8 years in the work force in the Brooklyn Public Library. The Brooklyn Public Library is celebrating its 100th anniversary this year.

It all comes together. We go off into cyberspace training, and the complexities of trying to get low-income people in areas like my district the kind of training that they need in the area of computer literacy and computer utilization, nothing is more important than that, than that they are going to be able to be in a position to improve themselves. We need computer literacy in order to be employed, to gain promotions, and to go up in the work force today. What Bill Gates has done is a very practical thing, so it is good news.

I want to tie them all together, Mr. Speaker, the death of Marsha Motipersad, the good news that Bill Gates has, tie it all together in my discussion of the plan outlined by Speaker GINGRICH on June 18.

The Speaker responded to the President, who was taking a new initiative

on race relations in America. The President's initiative has been criticized as being hollow and of little meaning because it is all talk. But as I said last week, in the beginning was the word.

Words are very important. Words set in motion a chain reaction. They do not necessarily lead to productive action always, but no productive action takes place without words. There is nothing more practical than a good theory, nothing more practical than an idea. Ideas often take shape and they do not get any fulfillment, they never get realized, but you do not get anything realized unless it starts first as an idea, so words and ideas are very important.

I applaud the President's initiative in launching a discussion of race relations. By discussing, we may solve some problems. By discussing, we may get some new perspectives on the race relations problem in America. Discussion may stimulate some new visions, and certainly the President is to be applauded, because look at the results. Right away you get a reaction and a response from probably the second most powerful politician in America. There is the President first, and then we have Speaker GINGRICH. He responded. So you have the President launching the discussion and now Speaker GINGRICH responding, so we have a focus and a discussion on race relations that could not have been achieved in such a short period of time in any way, any other way.

So I congratulate the President. He is off and running, and I suppose if he has started the discussion and Speaker GINGRICH has responded, no other significant elected official and national leader can afford not to talk about this now. They cannot afford not to be part of the discussion.

Not only did the Speaker choose to respond, but the Speaker set forth a 10-point program, a very fascinating program. I agree with more than 50 percent of it, at least, at least 50 percent of it. The Speaker's 10-point program is worthy of discussion, and it relates directly to our vote tomorrow on the tax package, on the reconciliation package, on the expenditure part of the reconciliation package. It has a direct relationship.

There is a direct relationship to our vote yesterday, the vote on the B–2 bomber, the vote which failed. I voted against the continuing funding of the B–2 bomber. The B–2 bomber drains money out of a budget that now we are trying to balance by the year 2002.

If the B–2 bomber stays in the budget, it is going to offset and push out expenditures for education. It will push out expenditures for health care. It will force the party in power to play tricks with the budget the way the majority is playing tricks now with expenditures.

They say that we have a $16 billion program to provide health care for 5 million children. That was the agreement of the White House. But the way they are playing with those dollars, we have been told now on good authority that only 500,000 children would be covered, and we are not sure of that. Because of the way they choose to pass out the money to the States and the Governors, we cannot be sure that even 500,000 children will be covered by the program.

So those kinds of tricks and that kind of preoccupation with distributing money for political gain, or to reward your friends in your class, in your class, your category, they talk about class warfare, we are passing out money to certain classes of people all the time.

Who are the people benefiting from the B–2 bomber? Why did we have a majority of people on this floor vote to keep funding a B–2 bomber that nobody wants in Government? The President does not want it, as I said before, and the military people do not want it. It all relates.

The Speaker's 10-point program cannot be divorced from what is happening here on the floor.

□ 2145

He is the leader. He has command of the majority of the votes. Very interesting that the New York Times' account of the Speaker's 10-point program states that he gave the program at a meeting related to a foundation to help orphans. I will read from the article.

It appears in the Thursday, June 19, New York Times, if anybody is interested in the entire article. I will begin at the very beginning. It is an article by Stephen Holmes, and I quote:

> In the Republicans' first major response to President Clinton's recent speech on race relations, Speaker Newt Gingrich tonight sketched out a 10-point program to promote racial healing and black achievement that he said relied more on specific steps and less on theory, talk, and affirmative action.

The Speaker has taken a very ambitious step. He is going to promote racial healing and black achievement. I applaud that. That is a positive step forward. Let us join the Speaker in his attempt to promote racial healing and black achievement. I do not debate or doubt his sincerity.

How are we going to get there, is what I would like to see in his 10-point program. He lays out how he wants to promote racial healing and black achievement. Let us talk about that in detail in a few minutes.

Let me read more of the introduction. In his remarks, Mr. GINGRICH sought to outline an upbeat, can-do approach to solving the country's problems of race and poverty by focusing on individual achievement and not necessarily the advancement of any particular group. Mr. GINGRICH'S speech came 4 days after President Clinton used a commencement address at the University of California at San Diego to call on the country to engage in an honest conversation about racial issues.

By announcing his 10-point program, the Republican leader sought to paint a contrasting portrait between his remarks and the President's speech, which was largely devoid of specifics, aside from a defense of affirmative action and the announcement of a blue ribbon Commission to study race relations and make recommendations.

I am reading from the New York Times article of June 19. I continue. We thank the President for wishing to continue the dialog on race last weekend, Mr. GINGRICH said; but frankly, there has been much talk on this issue and very little action of the sort which will dramatically change people's lives.

Later in an interview, Mr. GINGRICH said he hoped to meet with the President's Commission soon and that he would urge its members to focus their attention on what he termed barriers to minority advancement.

I think that is also a very ambitious goal, a very ambitious statement by the Speaker. I applaud that. I certainly would like to do everything to help him accomplish that. He wants to meet with the Commission, just as I would like to meet with the Commission, a lot of other people. And I hope we will have the opportunity and pour out our recommendations to the Commission, but the Speaker is there first. I applaud his timeliness.

To continue quoting from the New York Times article, this is a quote from Speaker GINGRICH himself, what they really should design over the next year is, let us look at the specific pragmatic real changes and real barriers to participation. He said, if we could then knock down the barriers, as people participate, concerns about race will dramatically decline.

I am reading from the New York Times article. That was the Speaker's statement. To continue to quote the Speaker from the article: What I said last year was that we have to put in the context of a broader solution of affirmative outreach to individuals any effort to eliminate quotas and set-asides, he said. And I spent the past year, frankly, working to develop a program that was comprehensive.

In other words, Mr. GINGRICH's 10-point program is his alternative to affirmative action, his alternative to affirmative action and his proposal to do things, I am sure, beyond affirmative action. So the Speaker is to be applauded. He is on board. The President is to be applauded for initiating this activity. Let us all run to catch up with the Speaker.

Welfare reform is on the Speaker's list of 10 points. He proposes, in his 10-point program, that we should take the next step in welfare reform by fostering and promoting innovative local job training, welfare-to-work and entry-level employment programs to move welfare recipients into the work force. We have talked about welfare reform for, this is our third year of discussion.

Unfortunately, we passed, the Congress passed, I voted against it, but

Congress passed welfare reform legislation and the President unfortunately signed it. We are off and running. We are off and running now. And I do not find anywhere any details of any innovative local job training program. The assumption was there are jobs out there. You move people from welfare to work. If you are moving them to work, then work is there.

We have a great debate now here in the House and in the Capitol about whether these people who are moved from welfare to work are really employees. Can you imagine? We have talked for years about they should go to work. Once they go to work, we say, well, they are not really employees. Are we moving them from welfare to work, or are we moving them from welfare to some other category, something in between work and welfare? We did not know there was anything that existed. If they are going to work, they are employees.

Why are certain people insisting that they not be considered employees? Because if they are employees in the United States of America, there is a law called the Fair Labor Standards Act. Fair Labor Standards Act says if you are an employee, you have to be paid the minimum wage. If you are an employee, there are certain working conditions that you are entitled to. You fall under the OSHA provisions, Occupation, Safety and Health Administration. If you are an employee, you have certain rights with respect to discrimination in the workplace. You have certain rights with respect to sexual harassment. Employees in America have certain rights.

Part of the definition of being an employee in America is that all that is there to help protect you. The workplace is a place of privilege. The workplace is a place, as a result of the New Deal and all of the legislation that we formulated over the years, the workplace is not just a plantation. The workplace is something we try to make a place of fairness, a place where workers have a chance to earn a living without being oppressed and without being in any danger or harm and also being paid some kind of reasonable wage.

So welfare reform is off and running. Large numbers of people in New York City are on workfare. They are being moved out of welfare. They are already working. People who are adults without children have been forced into a program called WEP, the Work Experience Program. The Work Experience Program refuses to pay minimum wage.

This is a program that Marsha Motipersad was in before she died, Marsha Motipersad, a secretary of the Children's Aid Society until she had two heart attacks. She had to leave her job in 1994, and eventually she had no resource except to go on welfare.

So she died, working in the Work Experience Program, 22 hours a week. The requirement was that she work 22 hours a week to cover her cash and food stamps benefits. The cash and food stamps benefits that she received are equivalent to $250 a month, according to the New York Times article of Tuesday, June 24. I have not calculated this myself. I find it hard to believe, I find it hard to believe that we would require a person to work 22 hours a week for $250 a month; 22 hours a week means, that is 88 hours for the month, 88 hours for the month to earn to be eligible for $250.

So Marsha Motipersad, who dropped dead on her job, was being required to work 22 hours a week for food stamps and her cash benefits, which totaled $250 a month, according to the New York Times. This is the welfare reform that we have at present. The Speaker proposes in his 10-point program that we have a real program, innovative job training, entry-level employment programs. Where are they, Mr. Speaker?

How fast can we move? How rapidly can we put them in place? How many more Marsha Motipersads are out there? How many people have died already? Is there something wrong, Mr. Speaker, with requiring a person who has had two heart attacks to go to work for her food stamps? In the richest country that ever existed on the face of the earth, can we not have some provision to avoid having a woman who has had two heart attacks go to work for her food stamps?

Let me read to you from this article of June 24 in the New York Times. Quote: A 50-year-old workfare participant with heart problems died on the job, prompting questions about the city's ability to determine whether some of its workfare laborers might be too sick to work. The worker, Marsha Motipersad, whose heart disease had forced her to leave her job in 1994 as a secretary with the Children's Aid Society after 17 years, died of a heart attack on June 17. Ms. Motipersad, who had first been categorized as not employable, she had first been called nonemployable by the Human Resources Administration because of her health problems, but she was recently recharacterized as employable and ordered into the city's Work Experience Program.

Mr. Speaker, here is one reason we need to hurry and get a real system in place so we are not brutalizing people and making these kinds of mistakes. What we have is makeshift things happening out there. We rushed the welfare reform program into place so rapidly, it could have been made effective a year after the date of enactment. It could have been all kinds of things to phase it in. But we cared so little about the people on the very bottom, poorest people in America, that we rushed into a program that was bound to generate blunders and hardships of this kind.

Henry Stern, the City Parks Commissioner, reading from the article that appeared in the New York Times, Henry Stern, the City Parks Commissioner, said that Ms. Motipersad has been assigned to light duty and had worked as a timekeeper in the office, but that he had ordered an investigation into what work she had actually been doing.

In a blundering makeshift system, maybe somebody did do the right bureaucratic thing and note that she should not be given the hard work, but it is a blundering new system. People are thrown into the parks department where workers who are there, paid civil servants, are resentful of the fact that workfare people are being brought in to replace their colleagues.

The parks department has been downsized from 7,000 jobs to 4,000 jobs; 3,000 people who were full-time civil servants at one time are no longer there. And they have these thousands of people coming in as workfare participants, welfare recipients, working for almost nothing. So some of the people who are there, they resent these people. So she probably was deliberately not assigned a light job because there was resentment there that she was even there.

He ordered an investigation, the commissioner, into what work she had actually been doing. Others, including the woman's son and some of the workers that she worked with, said Ms. Motipersad had talked of having to occasionally pick up garbage on the beach and the boardwalk, and she said she told them she feared for her health as a result. She had to go out and work like the other workers in terms of picking up trash on the beach and the boardwalk, even though there was a notation in her file that said she should be assigned light duty.

Her son said, I told her not to do it, that I would help pick up the slack with the money; and she said she could not stay at home because she had to pay her rent. Evelyn Selby, a neighbor and WEP worker with Ms. Motipersad in Coney Island, said that they both had to rise at 4:30 each morning and they used to take three buses to get to their assignment.

Quote: I would have to wait for her as she climbed the steps and such. She was always behind.

This is what her friend and companion says about Ms. Motipersad, who had had two heart attacks. She had to get up at 4:30 in the morning. By the time she gets to work catching three buses, she is already so stressed out until it is amazing that she did not die in the first few days with this kind of forced activity.

Officials with H.R.A. said that Ms. Motipersad had within the last several months been reevaluated by a doctor with Health Services Systems, a privatized agency that had a contract from the city agency to evaluate these people to see if they were really sick when they said they were sick.

The official said that Ms. Motipersad had been denied Federal disability benefits, known as Supplemental Security Income, SSI, because she was not deemed disabled. Now, what is our Supplemental Security Income for? If a

person who is 50 years old, has had two heart attacks is not eligible for disability, then who is?

□ 2200

A person who is a secretary and was forced to give up her job as a secretary because of a heart condition, if she is not deemed disabled, then who is?

So the Federal bureaucracy has a role in failing Ms. Motipersad also. ''She had some health problems but was deemed stable,'' says Renelda Higgins, a spokeswoman for the Human Resources Administration. ''Life and Health Issues are not static.'' I am quoting the bureaucrat, Ms. Higgins. ''Life and health issues are not static. Individuals are reevaluated. She was on medication and she was taking her medication.'' She had two heart attacks and she was taking her medication. And they sent her out on the beach to pick up trash.

I had heart bypass surgery, and I do not want to go out on the beach and pick up anybody's trash. I know what would happen to me. I never had a heart attack, but I had a situation where I had heart bypass surgery. And I would not risk my life on a beach on a hot day picking up trash.

But she was evaluated by this bureaucrat who said she is taking her medication, let her go to work. Others, including her family and lawyers representing workfare participants and Acorn, a nonprofit group that is working with unionized workfare laborers, called into question both the adequacy of the health evaluation done by the city's contractor, the private contractor, as well as the wisdom of forcing Mrs. Motipersad to work for her benefits.

Mrs. Motipersad, according to Mr. Stern, worked 22 hours a week for her cash and food stamp benefits and they total about $250 a month. The city requires welfare recipients up to age 60 to work for their benefits. It says medical evaluations are done of all recipients in workfare who have a history of health problems. Part of the rationale for making such people work for benefits, city officials have said, is to obtain a straightforward return for their expenditure.

The city, in fact, has created a subcategory of welfare worker. It is called employable with limitations. Such recipients are supposed to be assigned office work. What recipients of workfare have said from its inception, they have complained that the city has hired doctors who did not seriously investigate real and formidable health problems.

People with asthma have been told of being put to work in office basements. And others talk of 3-minute examinations by this city-employed health evaluation agency without any acknowledgment of their own doctors' evaluations. The Legal Aid Society has filed suit on behalf of recipients who were categorized as ''employable with limitations,'' but nonetheless, they were sent to sanitation garages and the like.

Mrs. Motipersad was forced to give up her job at the Children's Aid Society, as I said before, in 1994, after two heart attacks. She briefly collected disability benefits, and her son yesterday produced notes from doctors recommending that she not work because she had coronary artery disease.

Here is an individual whose photo would never have appeared in the New York Times, otherwise a plain and simple person, a member of the middle class, worked 17 years as a secretary in a reputable agency and, because of circumstances related to her health, wound up in the workfare program. She was kicked off. She was told she would be kicked off of welfare, she would not get her $250 a month if she did not go out and work for the Parks Department.

So point No. 1, Mr. Speaker, welfare reform. Take the next step in welfare reform by fostering and promoting innovative local job training, welfare to work and entry-level employment programs to move welfare recipients into the work force, a systematic well-structured program to deal with trying to help poor people move from welfare to work.

We are all in favor of that. But the job has not even begun, Mr. Speaker. I urge you to use your power to implement your recommendation. It is here. It is part of your 10-point program. This is based on a list of the 10 points in the New York Times as excerpts of the prepared text of a speech by the Speaker.

Point No. 2: Civil rights. The Speaker says, ''We should clear the existing backlog of discrimination cases at the Equal Employment Opportunities Commission by enforcing existing civil rights laws, rather than trying to create new ones by regulatory decree.''

Mr. Speaker, I wholeheartedly agree with you. We should clear the existing backlog of discrimination cases at the Equal Employment Opportunities Commission. You have the power. You have the power over the appropriations process. The fact that they have a backlog is due to the fact that they have been downsizing, the number of employees have been cut. A proposal from this House could help to solve this problem right away.

I agree with the gentleman from Georgia [Mr. GINGRICH], we do not need to talk about race relations. Let us go ahead and do something practical to promote race relations. Clear up the backlog at the Equal Employment Opportunities Commission. It is a statement of the second most powerful person here in Washington, DC, the gentleman from Georgia, Speaker NEWT GINGRICH. Get on with the business. We will support the Speaker 100 percent.

The Speaker says we should have more home ownership, ease the path toward home ownership by giving local communities and housing authorities the flexibility and authority to more effectively efficiently house low-income Americans. We must also expand faith-based charities, such as Habitat for Humanity, which grow families as well as build homes.

I agree with the Speaker a hundred percent. We would like to ease the path toward home ownership by giving local communities and housing authorities the flexibility that they need. They also have to have increased funding to take care of the repairs, renovations of existing public housing. And we also have a shortage of housing in many cities.

The fact that large numbers of people are homeless can be related to the fact that we have built very little public housing over the last 10 years. As the rate of construction of public housing and the availability of opportunities and publicly subsidized housing went down, the number of homeless people increased. It is also more expensive in many areas to obtain a home either by rental or home ownership.

So this is on target, Mr. Speaker. Let us get on with it. You have the power. Recently we passed a bill here on the floor of this House related to public housing which went in the opposite direction. They reduced the funds available for public housing. And it gave a lot of power away to local housing authorities, but it gave them no new tools to work with, no new appropriations to help with the appropriation. You proposed to dump the problem on localities that are already burdened and could not provide any funding to deal with plugging the gaps in housing in their localities.

Another point, the fourth point made by the Speaker: Violent crime. Make our cities safe and secure places to live and work through community policing, through tougher sentences for violent criminals, and innovative anticrime programs. Dramatically expand the community-based antidrug coalition efforts and create a victory plan for the war on drugs.

We are a thousand percent behind you, Mr. Speaker. Innovative anticrime programs. Many Members of the Republican majority have ridiculed any discussion of crime prevention programs. We call them crime prevention programs. You call them innovative anticrime programs.

I think that, in the final analysis, those people that have expertise in this area would tell you they come pretty close to each other. If you are talking about innovative anticrime programs, you are going to end up with programs that focus on young people, because that is where the greatest volume of crime is.

The crime prevention programs that we proposed focused on young people. Let us have a meeting of the minds right away. If you want to move forward, you have the power, Mr. Speaker, to deal with violent crime in the way you stated should be handled here, you have our full support.

A fourth point made by the Speaker: Economic growth. Expand economic opportunities for all Americans by promoting continued economic growth

with low inflation and rising take-home pay through tax cuts, tax simplifications, litigation reform, less regulation, overhaul burden of Government and small businesses.

All in all, for welfare to work to be successful, work needs to be available. That is the point we made on this floor over and over again; work needs to be available. Expand economic opportunities for all America by promoting continued economic growth with low inflation, rising tax, take-home pay, et cetera. We are all in favor of that. Let us go forward.

Urban renewal is another point. The Speaker says create 100 renewal communities in impoverished areas through targeted program tax benefits. Regulatory relief, low-income scholarships, savings accounts, brownfields cleanup, and home ownership opportunities.

That sounds very similar to a program that the President talked about a few days ago when he talked about helping to revitalize our cities. The Speaker and the President seem to be using the same language. I hope they are on the same wavelength. They as the two most powerful people in Washington ought to be able to make things happen in the area of urban renewal. I certainly hope that in this area of 100 renewal communities in impoverished communities we can move off dead center and get an economic empowerment zone for central Brooklyn. We are busily at work trying to focus on putting together all the necessities to make an application for a new urban economic empowerment zone. But the economic empowerment zone has been left out of the budget agreement at the White House. We were brokenhearted, disappointed, to find out when that agreement was completed, there was no discussion of any additional economic empowerment zones.

Economic empowerment zones experiments that were proposed by my colleague from New York, Mr. RANGEL, many years ago, after he and Jack Kemp had worked on it for years and some other people had worked on it, it finally got down to a package that was passed finally which had nine empowerment zones only, six in urban areas and three in rural areas.

So we have right now in America nine empowerment zones, six on urban areas and three on rural areas. Most of them are deemed to be successful. I know of no great failure. If there is a failure, it is not being discussed. So if the economic empowerment zones have been successful, then why do we hesitate? Let us go forward.

The President now, in his speech a few days ago, proposed an additional 15 economic empowerment zones. I heard legislation that was proposed and many more was being drafted by certain people on the Committee on Ways and Means, but all of it has been put on hold, nothing is happening at this point.

An idea that combines government grants with private sector involvement seems to be the ideal that both Republicans and Democrats can agree on. If Republicans and Democrats agree that economic empowerment zones are good for the Nation, then why can we not have more of them? Why can we not in Brooklyn, have one in central Brooklyn, which encompasses my district, have an economic empowerment zone?

We have 2 million people. At least half are poor. We have the space. We have need to revitalize commercial areas, industrial areas. All of the conditions that are necessary, that are required for economic empowerment zones are there. But there is no legislation here. The nine that were created are all given away. We want to compete for whatever new number there is. I hope it is more than 15. But if there are 15, then no neighborhood, no community needs an economic empowerment zone more than central Brooklyn.

It is one of the Speaker's points. He has the power. Let us make certain that the President's 15 economic empowerment zones are combined with the Speaker's 100 renewal communities. And together we ought to, all who live in big cities, be able to get something out of the two packages that are proposed.

What I am talking about is the 10-point proposal of the Speaker designed to deal with race relations. He made the speech on June 18, and I am quoting from an article in the New York Times which talked about his speech. The Speaker proposes to move ahead of the President. He just does not want to talk about these things. He has a program. The President has appointed a commission, what he calls an advisory board. An advisory board will come back within a year with recommendations. The Speaker says you do not need to move so slowly. He sketched out a 10-point program to promote racial healing and black achievements. And he says he relies more on specific steps and less theory. He relies less on talk and less on affirmative action and his 10 points.

I have talked about welfare reform that he proposed. Innovative job training is part of his welfare reform. It is not happening. But he proposed he can make it happen. He has the power. The economic growth, attacking violent crime. Promoting home ownership, promoting civil rights, promoting urban renewal. And he has learning here as one of his 10 points. Learning.

And I will read that part of his speech: ''Create better opportunity for all children to learn by breaking stranglehold of teachers' unions and giving urban parents the financial opportunity to choose the public, private, or parochial school that is best for their children.''

□ 2215

I am quoting the Speaker's speech. I want to do justice to what he had to say. Whereas I have agreed with all the points I mentioned before, basically I have agreed with him, I do not agree with his proposal as to how we should promote learning. I applaud the fact that he has put learning on the list, creation of better opportunities for all children to learn. The way he proposes to do it is, of course, what the Republican majority keeps insisting has to be done, that you have to have vouchers and private school choice. I am not going to even discuss that at this point. Let me just challenge the Speaker if he wants to create better opportunities for all children to learn, why not go in the direction where both Democrats and Republicans agree? Why not promote charter schools? Both the President, the Democrats in the House, the Democrats in the Senate, the Republicans in the House and Republicans in the Senate all agree that charter schools are a good idea. So while the great debate about vouchers goes on, why do you not accentuate the positive, Mr. Speaker? Why do you not come forward with an innovative, meaningful program to promote charter schools? The idea is out there, but we only have a handful of charter schools in the country. Only half the States have laws which allow charter schools and in those States that have charter schools, we have very few actual charter schools. It is a very embryonic kind of experiment that is going on. It will take another 20 years to evaluate whether it has any significance or not. There are a lot of innovations that need to take place. I have been on the Committee on Education and the Workforce now for 15 years. The institutional history of what we have tried, what is proposed, what the researchers say is all very much ingrained in my mind. There are a lot of innovative approaches to education which make sense. A lot should be going on right now. I say across the board we should have a comprehensive, overwhelming attack on the problems related to education. Reform and efforts to improve our schools ought to go forward on a massive basis. Maybe in 5 years we can look and sort out what really works best and begin to institutionalize what really works best to develop a first-class system, not a national system but systems which have similar components across the country of things that work. But if we are going to take an idea like charter schools, where everybody agrees that we should have charter schools and then we are going to have only minuscule testing of it, only a few here and a few there, in many States which allow charter schools, there are so many restrictions placed on them until we will not have many developed at all over the next 10 years. There is a need for somebody, and the Federal Government probably is the only entity that could do it, to break it loose and try to give incentives for experimentation on a scale large enough to be significant. We need a critical mass. Charter schools cannot be evaluated as to what impact they can have on the overall

education situation unless we have a critical mass. We need enough. One of the versions of charter schools is supposed to be that they will give competition to the traditional public schools.

What is the difference between charter schools and traditional public schools? It is not the funding base, because they both are supposed to be funded by taxpayers' money, fully funded. Charter schools are to receive a per capita amount, which is the same as the local education agency pays for their children. The only difference between charter schools and the local education agency's traditional schools would be in the governance and management. They would have to abide by all the rules and terms of any State requirements, requirements for integration, requirements for curriculum, everything would still be there for the charter schools. It is a matter of how they are governed and who is in charge of the management and what kind of things can you do if you are out from under the local bureaucracy and how much freedom for innovation will lead to real improvements, real change, and how much your freedom to govern as you see fit and manage as you see fit can allow you to do the things that have to be done to improve the schools without the burden of having to get approvals from people in the hierarchy on top of you. The great challenge is governance and management. Let us go on at the Federal level to create some incentives. Let us have a piece of legislation which provides incentives for charter schools. If the Speaker wants to do something about creating better opportunities for all children to learn, there is one area which there is agreement, charter schools, why do we not do something about it.

Opportunities to learn also involve, of course, children having a decent place to study. It is most unfortunate that the Speaker is concerned about creating better opportunities to learn for children and yet in the budget agreement that was made with the President at the White House, the initiative for construction of new schools and renovation of unsafe schools was taken out. $5 billion over a 5-year period. That is all they proposed. $5 billion over a 5-year period to help to renovate and repair and actually construct new schools. It would make a big difference in terms of opportunity to learn for all children. Because across America, according to the General Accounting Office, the GAO, $120 billion is needed for school construction in the next 10 years, to rebuild the infrastructure of public schools. We are not talking about colleges and universities. Just elementary and secondary schools.

Why can we not have in a situation where we are adding billions to the defense budget, and yesterday we voted to continue the B–2 bomber, while we refused to reduce the budget for the CIA even though the cold war is over, why can we not have $5 billion over a 5-year period for school repair, renovation and construction? If the Speaker agrees and if he has on his list of 10 things that need to be done to promote race relations, to provide opportunities for individuals, then why can we not have an agreement to put back into the budget the $5 billion initiative for school construction?

Another point, and I want to finish the Speaker's points and do justice to his points. Small business. Set a goal for tripling the number of minority-owned small businesses. I agree, Mr. Speaker, let us triple the number of minority-owned small businesses. He wants to bring successful small business leaders together to identify and then eliminate the government imposed barriers to entrepreneurship. That is what he says is the cause of the paucity of small businesses in the minority community. I agree with the goal. We need to triple the number of minority-owned small businesses. I do not agree with his concern about government-imposed barriers. I live in a community where small businessmen struggle all the time. I do not get any complaints about government barriers. The government does more to help than anything else. The complaint is against the private sector capital. They cannot get capital. Or they have to pass scrutiny that other businesses do not have to pass. All kinds of problems I hear about, I do not hear that the government has imposed barriers. That is an ideological blind spot that the Speaker is off into. It is not a minority business problem that we have too much regulation or government barriers. I have heard the speeches a thousand times about what is wrong with America. That has nothing to do with what is really impeding small business development in the minority community.

In summary, I think I have covered all the Speaker's points. His 10 proposals to improve race relations are to create better opportunities for all children to learn, to develop more minority businesses, to create 100 renewal communities, to clear the existing backlog of discrimination cases at the Equal Employment Opportunity Commission. He wants to make America a country, and I missed this one, he wants to make America a country with equal opportunity for all and special privileges for none by taking away all preferences, set-asides, and government contracts. We disagree on that one. That is clearly one we disagree on. I do not have time to explain why. The background of the history of the descendants of African-American slaves has to be considered when we talk about set-asides and special government programs for minorities. Racial classification is another he added here which I find very strange in this set of proposals. Racial classification. A first step should be taken to add a multiracial category to the census. He thinks that is very important to improve race relations in America. I have no problem adding a multiracial category to the census. I do not know how it is going to improve race relations, because in the history of America, they have always insisted that anybody who had one drop of black blood was African-American. If you had one drop of black blood, you were deemed African-American. So these race classifications seem to me to be no solution.

In conclusion, Mr. Speaker, I applaud Speaker GINGRICH for his rapid response to the President's challenge. We need more discussion on race relations. We certainly need powerful people like Speaker GINGRICH to make proposals as to what it is we should do, what we should do concretely. There are people out there who are dying because we are not acting fast enough. The death of Marsha Motipersad is just one example of how there is needless suffering because we have rushed into public policies and programs that are harmful to people. It is more than race relations. It is human relations, it is human rights, it is concern for human welfare. All this goes together.

I want to end on a positive note. Overall, I applaud the Speaker. I hope he will continue the dialogue and he will go and meet with the Commission the President has set up and I will come right behind him. I think that there are many areas that we agree on and that the President's initiative has shown that it has paid off already. The dialogue has begun.

IN HONOR OF THE PRESIDENT OF THE REPUBLIC OF THE MARSHALL ISLANDS, HIS EXCELLENCY IMATA KABUA, AND THE MINISTER OF FOREIGN AFFAIRS, HIS EXCELLENCY PHILLIP MULLER

The SPEAKER pro tempore (Mr. PEASE). Under the Speaker's announced policy of January 7, 1997, the gentleman from American Samoa [Mr. FALEOMAVAEGA] is recognized for 60 minutes.

Mr. FALEOMAVAEGA. Mr. Speaker, I rise today on behalf of our colleagues in the Congress to extend a warm and heartfelt welcome to the President of the Republic of the Marshall Islands, His Excellency Imata Kabua, and the Honorable Minister of Foreign Affairs, His Excellency Phillip Muller. Mr. Speaker, President Kabua and Foreign Minister Muller have been in Washington for meetings with the administration and our colleagues here in the Congress, representing the interests of the good people of the Marshall Islands.

His Excellency Imata Kabua was elected President of the Marshall Islands in January of this year. In his long distinguished career of public service, he has served as Senator in the Parliament or the Nitijela from 1979 to 1996, when he was appointed Minister representing the Ralik Chain of the Marshall Islands. President Kabua

presently occupies the rotating chairmanship of the South Pacific Forum of Nations, the preeminent political organization for the nations of the South Pacific.

His Excellency Phillip Muller was elected in 1984 and has likewise been a long-standing member of the Parliament or Nitijela in the Marshall Islands. He served as Minister and assistant to the President from 1984 to 1986, and 8 years as Minister of Education, until his assumption of duties as Foreign Minister for the Marshall Islands in 1994.

Mr. Speaker, on this occasion of their visit, I am extremely honored to salute these distinguished statesmen and leaders from the Republic of the Marshall Islands, one of our most cherished friends and sister democracies in the Pacific region. The people of the Marshall Islands and the United States share a close relationship that extends back over a half century. Our bonds were forged from World War II, when after heavy fighting in the Pacific, the United States liberated the Marshallese people from Japanese occupation.

For the next 4 decades through a United Nations strategic trust territory, the United States, as appointed trustee, provided for the administration of the Marshall Islands and Micronesia. Under the United Nations trust agreement, it was the obligation of the United States to ''promote the development of the inhabitants of the trust territory toward self-government or independence, as may be appropriate to the particular circumstances of the trust territory and its peoples of the freely expressed wishes of the peoples concerned.''

Pursuing a desire for self-determination, the people of the Marshall Islands entered into a compact, a free association with the United States in 1986, emerging from the trust territory as the independent Republic of the Marshall Islands. Under the compact of free association, the relationship between the Marshalls and the United States is different from that we have with other governments. The United States agreed to provide development funding to the Marshalls for 15 years, and to provide for its defense and security. In exchange, the Marshalls promised the U.S. exclusive access to its islands for military purposes.

As a democratic government, the Marshall Islands has maintained excellent relationships with our country. In the international arena such as the United Nations, the Marshalls has worked closely with the United States and supported us on most important votes, including the Comprehensive Test Ban Treaty and the Nuclear Nonproliferation Treaty.

Mr. Speaker, during the 5 decades of this extraordinary relationship, the people of the Marshall Islands bore a tremendously high burden of the costs of the Cold War to provide for America's defense and our policy on nuclear deterrence.

☐ 2230

Between the years 1946 and 1958 our Nation tested approximately 66 atomic and hydrogen nuclear bombs at Bikini and Enewetak Atolls in the Marshall Islands. In their destructive capacity the nuclear blasts literally vaporized six islands in the Marshalls.

Mr. Speaker, the most devastating test was the 15 megaton Bravo shot which is approximately over 1,300 times more destructive than the bombs our Nation dropped on Japan and Hiroshima and Nagasaki in 1945. This single nuclear detonation on March 1, 1954, exceeded the combined strength of all weapons ever fired in the history of mankind. On the morning of the test the wind was blowing in the direction of two inhabited atolls, Rongelap and Utrik. Yet despite this knowledge the Pentagon chose not to delay the test. It is reprehensible, Mr. Speaker, that for days after the blast the men, women, and the children of the atolls of Rongelap and Utrik were not immediately evacuated but were forced to bathe unknowingly in the radioactive fallout. It is a sad and tragic chapter in our Nation's history what we did to these simple and innocent human beings.

The legacy of the United States nuclear testing program has resulted in a nightmare of health problems for the Marshallese people, including the elevated rates of thyroid cancer. Cervical cancer mortality rates are 60 times the U.S. rate; breast cancer mortality rates, 5 times greater than in the United States, and reproductive complications involving high rates of miscarriage and deformed stillborn babies.

Mr. Speaker, it is no wonder that half a century later the chain of islands is still considered one of the most contaminated places in the world. The residents of the Marshalls who inhabited Bikini Atoll still await a cleanup of the nuclear testsite before they can return to their homes. The residents of Rongelap Island who were forced to abandon their homes since 1954 due to radioactive contamination likewise await cleanup efforts before returning to their island, and the people of Enewetak who have been forced to live in the southern portion of their island await resettlement of the north, which is still radioactive. Although the United States has allotted over $300 million in cleanup and resettlement efforts for the atolls, the funds are substantially less than what is needed to complete the process.

Mr. Speaker, much of the attention was focused on the residents of Bikini, Enewetak, Rongelap, and Utrik Atolls. The radioactive fallout from the U.S. nuclear testing affected people throughout the rest of the Marshall Islands.

The Nuclear Claims Tribunal was created in 1991 to address these radiation victims. The allocated $45 million the Nuclear Claims Tribunal has rejected over 4,000 claims while confirming only 1,000 claims. In so doing, the tribunal has already exhausted its funds and projects valid personal injury claims for cancer and radiation-related illnesses to a total of over $100 million. And not yet considered by the Tribunal are the claims to losses of properties and lands for our nuclear testing program.

Mr. Speaker, in response to this, I would submit that Section 177 of the Marshalls' Compact of Free Association may need to be invoked. Section 177 provides that the United States may consider additional nuclear test compensation in the face of changed circumstances from the information available to compact negotiators in the 1980's. Certainly, the Department of Energy's announced declassification of documents relating to our nuclear testing program in the Marshalls has shed new light on these issues. Moreover, recent scientific studies show that 15 atolls and islands in the Marshalls were exposed to significant amounts of nuclear test fallout, not just the original four atolls considered during the compact negotiations.

And I might also, Mr. Speaker, it does not even relate to the fact that thousands of our own soldiers and sailors were also exposed directly to nuclear contamination during our period of testing at this time in the Marshalls.

Mr. Speaker, the people in the Marshall Islands have made great contributions and sacrifices befitting the people of the United States and the free world. We will never be able to fully compensate them, as we cannot give them back their health or their lives of their unborn children or return to their traditional culture. Nevertheless the United States owes a moral duty and a serious obligation to the people of the Marshall Islands.

In recognition of this duty, the Chairman of the House International Relations Committee, the gentleman from New York, [Mr. GILMAN], my good friend, introduced House Concurrent Resolution 92 of which I am a proud cosponsor along with the gentleman from Alaska [Mr. YOUNG], the chairman of the Committee on Resources in the House of Representatives to recognize the tremendous sacrifices that the Marshallese people made during World War II and for the 12 years that they were subjected, not of their own choice, to nuclear contamination during our nation's nuclear testing program in Micronesia.

Mr. Speaker, this resolution emphasizes the value of continuing friendly relations between the United States and the Republic of the Marshall Islands, and the Congress intends to maintain a long term military alliance and strategic partnership between our nations. The resolution further recognizes the importance of addressing nuclear testing damages under Section 177 of the Compact of Free Association, the Congress. In reviewing the compact

renegotiations should exercise vigilance in preserving the strategic interests of the United States in maintaining friendship with the Marshall Islands.

Mr. Speaker, I would urge that our colleagues support this worthy measure that underscores the importance of our deep and enduring relationship with the good people of the Marshall Islands, and, Mr. Speaker, it is my sincere hope that in the coming weeks and months I will provide for my colleagues and the American people a series of floor statements to fully explain what took place in that 12-year period of nuclear testing of our nuclear testing program in the Marshall Islands and the need for the Congress to do more to properly compensate the Marshallese people for the harm and suffering that we brought to them.

Mr. Speaker, again I would issue my warmest greetings and best wishes to President Imata Kabua and Foreign Minister Phillip Muller on their visit to Washington and other members of their official delegations, and, Mr. Speaker, I would like to offer for the record additional materials to be submitted and be made part of the RECORD:

H. CON. RES. 92

Whereas on November 3, 1986, President Reagan issued Proclamation 5564, implementing a Compact of Free Association between the United States and the newly formed governments of Pacific island areas which had been administered by the United States since 1947 under a United Nations trusteeship;

Whereas the Compact of Free Association was approved by the United States Congress with overwhelming bipartisan support on January 14, 1986, under the terms set forth in the Compact of Free Association Act of 1985 (P.L. 99–239);

Whereas, in addition to providing the multilateral framework for friendly political relations with the new Pacific island nations, the Compact of Free Association established, on a bilateral basis, a long-term military alliance and permanent strategic partnership between the United States and the Republic of the Marshall Islands;

Whereas for 50 years the Marshall Islands has played a unique and indispensable role in maintaining international peace and security through activities of the United States in the Marshall Islands which were essential to the feasibility and ultimate success of the United States-led strategy of nuclear deterrence during the Cold War era, as well as the United States Strategic Defense Initiative which contributed significantly to the end of the nuclear arms race;

Whereas, the Republic of the Marshall Islands includes Bikini Atoll and Enewetak Atoll, which were the nuclear weapons proving grounds for Operation Crossroads from 1946 to 1958, as well as Kwajalein Atoll, which was the site of the mid-Pacific missile testing range for intercontinental ballistic missiles fired from the Vandenberg facility, a vital installation of the United States Army's ballistic missile systems command and a key support facility for the National Aeronautics and Space Administration and other programs critical to the promotion of vital national interests;

Whereas the people of the Marshall Islands and the United States have a close and mutually beneficial relationship which evolved from liberation and military occupation at the end of World War II to United States administration under the United Nations trusteeship from 1947 to 1986 and which is now maintained on a government-to-government basis under the Compact of Free Association;

Whereas this relationship was forged through a process of self-determination and democratization which reflects the common values and cross-cultural respect that the people of the Marshall Islands and the people of the United States have developed since the middle of the last century when American missionaries first came to the Marshall Islands;

Whereas the people of the United States and its allies paid a high price, including great loss of life and injuries in the heroic battles for Kwajalein and Roi-Namur, to liberate the Marshall Islands during World War II and again made sacrifices as a result of the Cold War nuclear arms race;

Whereas the people of the Marshall Islands suffered great injury and hardship due to the exposure of individuals to nuclear test radiation and the radiological contamination of the Marshall Islands;

Whereas, in recognition of the unique role of the Republic of the Marshall Islands in supporting the United States during the Cold War, the 104th Congress provided additional assistance, pursuant to the Compact of Free Association Act of 1985, to meet the special need of the people of the Marshall Islands arising from the nuclear testing program, including funding for radiological monitoring, island rehabilitation, and community resettlement programs;

Whereas within the framework of the settlement of all legal claims under section 177 of the Compact of Free Association Act of 1985, the Congress continues to monitor and evaluate measures being taken to implement programs authorized under Federal law to promote the recovery, resettlement, health, and safety of individuals and communities affected by the nuclear testing program in the Marshall Islands;

Whereas the special relationship between our nations and our peoples is a bond that has grown strong as a result of our shared history and common struggle and sacrifices in the cause, not of conquest, but to promote international peace and security and secure liberty for future generations; and

Whereas, just as the extraordinary demands of world leadership fell on the United States in this century, among this Nation's allies the Marshall Islands bore an immensely disproportionate share of the burden of the Cold War, and this remote island nation continues to play an important strategic role in the preservation of global peace as well as in the military and scientific programs which promote the United States, the Republic of the Marshall Islands, and the other people of the world: Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That Congress——

(1) recognizes the value of continued friendly relations between the United States and the Republic of the Marshall Islands;

(2) intends to maintain, through appropriate mutually agreed political and economic measures, the long-term military alliance and strategic partnership defined by the Compact of Free Association as a primary element of bilateral relations between the United States and the Republic of the Marshall Island in the future;

(3) recognizes the importance of ongoing measures to address, in accordance with the legal settlement set forth in section 177 of the Compact of Free Association of 1985, the impact on the Marshall Islands of the nuclear testing program; and

(4) intends, through its oversight responsibilities and the exercise of its Constitutional authority regarding negotiation and approval of bilateral agreements with respect to those provisions of the Compact of Free Association which expire in 2001, in exercise vigilance in preserving the strategic interests of the United States in ensuring that the friendship between the United States and the Republic of the Marshall Islands is sustained as mutually agreed pursuant to their respective constitutional processes.

BIOGRAPHICAL DATA FOR HIS EXCELLENCY IMATA KABUA, PRESIDENT OF THE REPUBLIC OF THE MARSHALL ISLANDS

His Excellency Iroijlaplap Imata Kabua was elected President of the Republic of the Marshall Islands on January 13, 1997 following the sudden passing of his cousin, the late Iroijlaplap President Amata Kabua, in December 1996. President Imata Kabua is both Head of Government and Head of State.

President Imata Kabua is the current serving chairman of the South Pacific Forum.

Born on May 20, 1943 on Enmat, Kwajalein Atoll in the Marshall Islands, Mr. Kabua first attended the Ebeye Public Elementary School in Kwajalein and later went to Marshall Christian Elementary and Laura Intermediate School, Majuro. Mr Kabua attended the Kauai Technical School, Honolulu Christian College and later Ventura College, California, USA.

President Kabua began his public service career as principal of the Ebeye Christian Elementary School. Later, he served as Postmaster of Ebeye Post Office.

Mr. Kabua's political career began when he first served in 1976 as senator to the Nitijela under the US Trusteeship, followed by his consecutive election as delegate to the first and second Marshall Islands Constitutional Conventions (MICC) in 1978 and 1990 respectively. In 1994, he was elected to the third MICC as delegate Iroij from Ralik. He then served as senator to the Nitijela under the Constitutional Government in 1979, until 1996 when he was appointed as Minister without Portfolio for the Ralik Chain.

As Iroijlaplap, Mr. Kabua is an active leader in cultural affairs. He is presently one of the four major Iroijlaplaps from the Ralik Chain in the Marshall Islands.

President Kabua continues to lead and guide the development work on his constituent island atoll, Kwajalein, where in the past he served in a range of key positions including as president of the Kwajalein Atoll Corporation (KAC), chairman for Kwajalein Atoll Development Authority (KADA), and chairman for Kwajalein Atoll Joint Utility Resource (KAJUR).

President Kabua's hobbies include tennis, chess, table tennis, checkers and fishing. In 1969, Mr. Kabua was awarded a gold medal each for volleyball and table tennis at the 1969 Micronesian Olympic Games in Saipan.

President Kabua is married to the First Lady Hiromi Konou Kabua. They have 8 children.

President Kabua is a member of the Protestant Church.

RECESS

The SPEAKER pro tempore (Mr. PEASE). Pursuant to clause 12 of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 10 o'clock and 37 minutes p.m.), the House stood in recess subject to the call of the Chair.

□ 0105

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. MCINNIS) at 1 o'clock and 5 minutes a.m.

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF H.R. 2015, BALANCED BUDGET ACT, AND H.R. 2014, TAXPAYER RELIEF ACT

Mr. SOLOMON, from the Committee on Rules, submitted a privileged report (Rept. No. 105–52) on the resolution (H. Res. 174) providing for the consideration of the bill (H.R. 2015) to provide for reconciliation pursuant to subsections (b)(1) and (c) of section 105 of the concurrent resolution on the budget for fiscal year 1998, and for the consideration of the bill (H.R. 2014) to provide for reconciliation pursuant to subsections (b)(2) and (d) of section 105 of the concurrent resolution on the budget for fiscal year 1998, which was referred to the House Calendar and ordered to be printed.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mr. YATES (at the request of Mr. GEPHARDT), for today, on account of personal reasons.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Ms. ROYBAL-ALLARD) to revise and extend their remarks and include extraneous material:)

Mr. DAVIS of Illinois, for 5 minutes, today.

Ms. WOOLSEY, for 5 minutes, today.

Mr. REYES, for 5 minutes, today.

Mr. GEJDENSON, for 5 minutes, today.

Ms. ROYBAL-ALLARD, for 5 minutes, today.

Mr. MINGE, for 5 minutes, today.

Ms. JACKSON-LEE of Texas, for 5 minutes, today.

Ms. MILLENDER-MCDONALD, for 5 minutes, today.

Mr. OLVER, for 5 minutes, today.

Mrs. CLAYTON, for 5 minutes, today.

(The following Members (at the request of Mr. PAUL) to revise and extend their remarks and to include extraneous material:)

Mr. DREIER, for 5 minutes each day on June 24, 25, and 26.

Mr. BEREUTER, for 5 minutes, today.

EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

(The following Members (at the request of Ms. ROYBAL-ALLARD) and to include extraneous matter:

Mr. RANGEL.

Mrs. MALONEY of New York.

Mr. SKAGGS.

Mr. STARK.

Mr. PASCRELL.

Ms. WOOLSEY.

Mr. SKELTON.

Mr. MCNULTY.

Mr. BLAGOJEVICH.

Mr. MATSUI.

Ms. EDDIE BERNICE JOHNSON of Texas.

Mr. CONDIT.

Mr. CAPPS.

Mr. KUCINICH.

Ms. NORTON.

Mr. LIPINSKI.

Mr. TRAFICANT.

Mr. TORRES.

Mr. BLUMENAUER.

Mr. MCGOVERN.

Mr. TOWNS.

(The following Members (at the request of Mr. PAUL) to revise and extend their remarks and to include extraneous material:)

Mr. GILMAN.

Mr. JENKINS.

Mr. FORBES.

Mr. GINGRICH.

Mr. BLILEY.

Mr. ARCHER.

Mr. TAYLOR of North Carolina.

Mr. PICKERING.

Mr. SOLOMON.

(The following Members (at the request of Mr. SOLOMON) to revise and extend their remarks and to include extraneous material:)

Mr. HORN.

Mr. COOKSEY.

Mr. WAXMAN.

Ms. SANCHEZ.

Ms. FURSE.

Mr. MCINNIS.

ENROLLED BILL SIGNED

Mr. THOMAS, from the Committee on House Oversight, reported that that committee had examined and found truly enrolled a bill of the House of the following title, which was thereupon signed by the Speaker:

H.R. 363. An act to amend section 2118 of the Energy Policy Act of 1992 to extend the Electric and Magnetic Fields Research and Public Information Dissemination program.

BILL PRESENTED TO THE PRESIDENT

Mr. THOMAS, from the Committee on House Oversight reported that that committee did on this day present to the President, for his approval, a bill of the House of the following title:

H.R. 363. An act to amend section 2118 of the Energy Policy Act of 1992 to extend the Electric and Magnetic Fields Research and Public Information Dissemination program.

ADJOURNMENT

Mr. SOLOMON. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 1 o'clock and 6 minutes a.m.), the House adjourned until today, Wednesday, June 25, 1997, at 10 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

3932. A letter from the Congressional Review Coordinator, Animal and Plant Health Inspection Service, transmitting the Service's ''Major'' final rule—Importation of Beef from Argentina [Docket No. 94–106–5] (RIN: 0579–AA71) received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3933. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Tebuconazole; Pesticide Tolerance for Emergency Exemption [OPP–300506; FRL–5725–7] (RIN: 2070–AB78) received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3934. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Bentazon; Pesticide Tolerance for Emergency Exemption [OPP–300496; FRL–5720–4] (RIN: 2070–AB78) received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3935. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Terbacil; Pesticide Tolerances for Emergency Exemptions [OPP–300348; FRL–5718–7] (RIN: 2070–AC78) received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Agriculture.

3936. A letter from the Secretary of Agriculture, transmitting a report of two violations of the Anti-Deficiency Act, pursuant to 31 U.S.C. 1517(b); to the Committee on Appropriations.

3937. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Approval and Promulgation of Air Quality Implementation Plans; Revised Format of 40 CFR Part 52 for Materials Being Incorporated by Reference for Mississippi and South Carolina [FRL–5838–7] received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Commerce.

3938. A letter from the Chairman, District of Columbia Financial Responsibility and Management Assistance Authority, transmitting the revised District of Columbia Fiscal Year 1998 Financial Plan and Budget; to the Committee on Government Reform and Oversight.

3939. A letter from the Director, Office of Personnel Management, transmitting the Office's final rule—Intergovernmental Personnel Act Programs; Standards for a Merit System of Personnel Administration (RIN: 3206–AH90) received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on Government Reform and Oversight.

3940. A letter from the Director, Office of Regulatory Management and Information, Environmental Protection Agency, transmitting the Agency's final rule—Civil Monetary Penalty Inflation Adjustment Rule [FRL–5849–2] received June 24, 1997, pursuant to 5 U.S.C. 801(a)(1)(A); to the Committee on the Judiciary.

3941. A letter from the Secretary of Veterans Affairs, transmitting a draft of proposed legislation to amend title 38, United States Code, to amend provisions of law governing benefits for certain children of Vietnam veterans who are born with spina bifida; to the Committee on Veterans' Affairs.

3942. A letter from the Secretary of Labor, transmitting the quarterly report on the expenditure and need for worker adjustment assistance training funds under the Trade Act of 1974, pursuant to 19 U.S.C. 2296(a)(2); to the Committee on Ways and Means.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. PACKARD: Committee on Appropriations. H.R. 2016. A bill making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 1998, and for other purposes (Rept. 105–150). Referred to the Committee of the Whole House on the State of the Union.

Mr. LIVINGSTON: Committee on Appropriations. Report on the subdivision of budget totals for fiscal year 1998 (Rept. 105–151). Referred to the Committee of the Whole House on the State of the Union.

June 25 (Legislative Day of June 24), 1997

Mr. SOLOMON: Committee on Rules. House Resolution 174. Resolution providing for consideration of the bill (H.R. 2015) to provide for reconciliation pursuant to subsections (b)(1) and (c) of section 105 of the concurrent resolution on the budget for fiscal year 1998, and for consideration of the bill (H.R. 2014) to provide for reconciliation pursuant to subsections (b)(2) and (d) of section 105 of the concurrent resolution (Rept. 105–152). Referred to the House Calendar.

BILLS PLACED ON THE CORRECTIONS CALENDAR

Under clause 4 of rule XIII, the Speaker filed with the Clerk a notice requesting that the following bills be placed upon the Corrections Calendar:

[Omitted from the Record of June 23, 1997]

H.R. 849. A bill to prohibit an alien who is not lawfully present in the United States from receiving assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

PUBLIC BILLS AND RESOLUTIONS

Under clause 5 of rule X and clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BISHOP:

H.R. 2017. A bill to amend section 1926 of the Public Health Service Act to encourage States to strengthen their efforts to prevent the sale and distribution of tobacco products to individuals under the age of 18, and for other purposes; to the Committee on Commerce.

By Mr. PAXON (for himself, Mr. TOWNS, Mr. ENGEL, Mr. LAZIO of New York, and Mr. MANTON):

H.R. 2018. A bill to waive temporarily the Medicaid enrollment composition rule for the Better Health Plan of Amherst, NY; to the Committee on Commerce.

By Mr. JONES (for himself, Mr. ACKERMAN, Mr. MANTON, and Mr. MCCOLLUM):

H.R. 2019. A bill to amend the Consumer Credit Protection Act to assure meaningful disclosures of the terms of rental-purchase agreements, including disclosures of all costs to consumers under such agreements, to provide certain substantive rights to consumers under such agreements, and for other purposes; to the Committee on Banking and Financial Services.

By Mr. GINGRICH:

H.R. 2020. A bill to amend title XIX of the Social Security Act to provide for coverage of community attendant services under the Medicaid Program; to the Committee on Commerce.

By Mr. ARMEY (for himself, Mr. MORAN of Virginia, Mr. SAXTON, Mr. COX of California, and Mr. MCINTOSH):

H.R. 2021. A bill to provide for competition between forms of motor vehicle insurance, to permit an owner of a motor vehicle to choose the most appropriate form of insurance for that person, to guarantee affordable premiums, to provide for more adequate and timely compensation for accident victims, and for other purposes; to the Committee on Commerce.

By Mr. CAPPS (for himself, Mr. MATSUI, Mr. DREIER, Mr. DOOLEY of California, Mr. ROEMER, Mr. SALMON, Mr. FAZIO of California, and Mr. BEREUTER):

H.R. 2022. A bill to amend trade laws and related provisions to clarify the designation of normal trade relations; to the Committee on Ways and Means.

By Ms. DELAURO (for herself, Ms. NORTON, and Mr. GEPHARDT):

H.R. 2023. A bill to amend the Equal Pay Act, the Fair Labor Standards Act of 1938, and the Civil Rights Act of 1964 to provide more effective remedies to victims of discrimination in the payment of wages on the basis of sex, and for other purposes; to the Committee on Education and the Workforce.

By Mr. HERGER:

H.R. 2024. A bill to amend the National Kiwifruit Research, Promotion, and Consumer Information Act to provide for proportional representation of kiwifruit producers, exporters, and importers on the National Kiwifruit Board; to the Committee on Agriculture.

By Mr. HINCHEY:

H.R. 2025. A bill to amend part A of title IV of the Social Security Act to allow up to 24 months of postsecondary education or vocational educational training to count as a permissible work activity under the program of block grants to States for temporary assistance for needy families, and for other purposes; to the Committee on Ways and Means.

By Mr. KENNEDY of Massachusetts (for himself, Mr. BEREUTER, Mr. CANADY of Florida, Mr. CLYBURN, Mr. DELAHUNT, Mr. DELLUMS, Mr. EVANS, Mr. FATTAH, Mr. FILNER, Mr. FOX of Pennsylvania, Mr. FROST, Ms. HOOLEY of Oregon, Mr. KANJORSKI, Ms. KILPATRICK, Ms. LOFGREN, Mrs. MALONEY of New York, Mr. SISISKY, and Mr. TORRES):

H.R. 2026. A bill to amend the Internal Revenue Code of 1986 to provide assistance to first-time homebuyers; to the Committee on Ways and Means.

By Mr. LATOURETTE:

H.R. 2027. A bill to provide for the revision of the requirements for a Canadian border boat landing permit pursuant to section 235 of the Immigration and Nationality Act, and to require the Attorney General to report to the Congress on the impact of such revision; to the Committee on the Judiciary.

By Ms. NORTON:

H.R. 2028. A bill to amend the Internal Revenue Code of 1986 to increase the taxes on certain alcoholic beverages and to provide additional funds for alcohol abuse prevention programs; to the Committee on Ways and Means, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. PAUL (for himself, Mr. BLUNT, Mr. COOKSEY, Mr. DOOLITTLE, Mr. HILLEARY, Mr. HERGER, Mr. HOSTETTLER, Mr. HUTCHINSON, Mr. SAM JOHNSON, Mr. MANZULLO, Mr. ROYCE, Mr. SOUDER, Mr. STUMP, Mr. TIAHRT, and Mr. WELDON of Florida):

H.R. 2029. A bill to prohibit the Corporation for National and Community Service from receiving information from the Selective Service System or otherwise using the Selective Service System to notify young people of service opportunities with the Corporation or recruit national service participants; to the Committee on Education and the Workforce, and in addition to the Committee on National Security, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. PETRI (for himself and Mr. SENSENBRENNER):

H.R. 2030. A bill to require the Federal Government to approve certain waiver requests submitted by the State of Wisconsin under the food stamp and medical assistance programs; to the Committee on Agriculture, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. RANGEL (for himself, Mr. THOMPSON, Mr. DELLUMS, Mr. TOWNS, Ms. NORTON, Mr. CLAY, Ms. CARSON, Mr. DIXON, Mrs. CLAYTON, Mr. HILLIARD, Mr. HASTINGS of Florida, Mr. CONYERS, Mr. PAYNE, Mr. LEWIS of Georgia, Mr. JEFFERSON, Ms. CHRISTIAN-GREEN, Mr. FORD, and Mr. CUMMINGS):

H.R. 2031. A bill to amend the Controlled Substances Act and the Controlled Substances Import and Export Act to eliminate certain mandatory minimum penalties relating to crack cocaine offenses; to the Committee on the Judiciary, and in addition to the Committee on Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

By Mr. WAXMAN:

H.R. 2032. A bill to make correct certain provisions of the Safe Drinking Water Act; to the Committee on Commerce.

By Mr. BLILEY (for himself, Mr. GOODE, Mr. KOLBE, Mr. DEAL of Georgia, Mr. GILLMOR, Mr. SPENCE, and Mr. COOK):

H.J. Res. 84. Joint resolution proposing an amendment to the Constitution of the United States to provide a procedure by which the States may propose constitutional amendments; to the Committee on the Judiciary.

By Mr. TRAFICANT:

H. Con. Res. 105. Concurrent resolution expressing the sense of the Congress relating to the elections in Albania scheduled for June 29, 1997; to the Committee on International Relations.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII,

Mr. QUINN introduced a bill (H.R. 2033) to authorize the Secretary of Transportation to issue a certificate of documentation with appropriate endorsement for employment in the coastwise trade for the vessel *Samakee;*

which was referred to the Committee on Transportation and Infrastructure.

ADDITIONAL SPONSORS

Under clause 4 of rule XXII, sponsors were added to public bills and resolutions as follows:

H.R. 51: Mr. GUTIERREZ, Mr. FILNER, and Mr. TORRES.
H.R. 66: Mr. KLECZKA.
H.R. 108: Mr. PORTER.
H.R. 113: Mr. BLUNT.
H.R. 143: Mr. SMITH of Texas, Mr. NEY, and Mr. FORBES.
H.R. 216: Mr. MCDADE and Mr. GIBBONS.
H.R. 367: Mr. HOEKSTRA.
H.R. 450: Mr. NEUMANN.
H.R. 519: Mrs. MCCARTHY of New York.
H.R. 695: Mr. BOB SCHAFFER, Mr. BARTON of Texas, Mr. LARGENT, Mr. CLEMENT, Mr. HILLIARD, and Mr. LUTHER.
H.R. 873: Mr. EHLERS and Mr. GOODLING.
H.R. 900: Mr. RUSH.
H.R. 947: Mr. FORBES.
H.R. 950: Mr. MILLER of California.
H.R. 993: Mr. TAYLOR of North Carolina.
H.R. 1010: Mr. TALENT, Mr. RIGGS, Mr. TRAFICANT, Mr. ROHRABACHER, Mr. RYUN, Mr. GOODLATTE, and Mr. HAYWORTH.
H.R. 1038: Mr. STARK.
H.R. 1053: Ms. PRYCE of Ohio.
H.R. 1080: Mr. LOBIONDO.
H.R. 1134: Mr. ETHERIDGE, Ms. KAPTUR, Mr. BONIOR, Mr. DAVIS of Illinois, and Ms. LOFGREN.
H.R. 1145: Mr. WICKER, Mr. BARTON of Texas, Mr. GOODE, Mr. MICA, Mrs. CUBIN, Mr. LUCAS of Oklahoma, Mr. HEFLEY, Ms. PRYCE of Ohio, Ms. GRANGER, and Mr. FORBES.
H.R. 1158: Mr. GOODLING.
H.R. 1165: Mr. FILNER.
H.R. 1166: Mr. RAMSTAD, Ms. KILPATRICK, Ms. LOFGREN, Mr. KENNEDY of Massachusetts, Ms. ROS-LEHTINEN, Ms. SANCHEZ, Mr. GILCHREST, and Mr. MARKEY.
H.R. 1204: Mr. GRAHAM.
H.R. 1260: Mr. WATTS of Oklahoma and Mr. HAMILTON.
H.R. 1302: Mr. PASTOR, Mr. BONIOR, Ms. SANCHEZ, and Mr. MCGOVERN.
H.R. 1320: Mr. ADAM SMITH of Washington and Mr. KLINK.
H.R. 1322: Mr. GEKAS, Mr. WEXLER, Mr. SALMON, Mr. HAYWORTH, and Mr. SHADEGG.
H.R. 1323: Mr. WYNN.
H.R. 1334: Mr. FROST.
H.R. 1348: Mr. PICKERING.
H.R. 1375: Mr. NEY.
H.R. 1451: Mr. JEFFERSON.
H.R. 1494: Mr. SENSENBRENNER.
H.R. 1524: Mr. CANADY of Florida and Mr. BLUMENAUER.
H.R. 1531: Mr. MENENDEZ.
H.R. 1556: Mr. JEFFERSON.
H.R. 1570: Ms. WOOLSEY.
H.R. 1613: Mr. GRAHAM.
H.R. 1682: Mr. FORD.
H.R. 1711: Mr. BARRETT of Nebraska, Mr. BUNNING of Kentucky, Mr. GOODE, Mr. HAYWORTH, Mr. LEWIS of Kentucky, and Mr. STUMP.
H.R. 1818: Mr. SAWYER.
H.R. 1859: Mr. KLUG.
H.R. 1903: Mr. GUTKNECHT and Mr. BRADY.
H.R. 1908: Mr. HASTINGS of Florida.
H.R. 1955: Mrs. MORELLA, Mr. GILCHREST, Mr. FOX of Pennsylvania, Mr. WICKER, Mr. CRAMER, Mr. BLILEY, Mr. NEY, Mr. HORN, Mr. HALL of Texas, Ms. DELAURO, Mr. MCINTOSH, Mr. SCHUMER, Mr. SAM JOHNSON, and Mr. HOLDEN.
H.R. 1989: Mr. MICA.
H.R. 2003: Mr. MEEHAN, Mr. DOOLEY of California, Mr. DOYLE, Mrs. MORELLA, Mrs. ROUKEMA, and Mr. HALL of Texas.
H.J. Res. 71: Mr. GEKAS, Mr. WEXLER, Mr. SALMON, Mr. HAYWORTH, and Mr. SHADEGG.
H.J. Res. 76: Mrs. MINK of Hawaii.
H. Con. Res. 37: Mr. TOWNS and Mr. BURTON of Indiana.
H. Con. Res. 71: Mr. DELLUMS, Mr. ENGEL, Mr. CLAY, and Mr. FORD.
H. Con. Res. 80: Mr. JACKSON, Mr. KLINK, and Mr. PALLONE.
H. Con. Res. 103: Ms. BROWN of Florida, Mr. BROWN of California, Ms. DELAURO, Mr. GONZALEZ, Mrs. MCCARTHY of New York, Mr. MCDERMOTT, Mr. MENENDEZ, and Ms. SLAUGHTER.
H. Res. 38: Mrs. MEEK of Florida, Mr. SNYDER, Mr. DOOLEY of California, and Mr. NADLER.
H. Res. 119: Ms. VELAZQUEZ.

DELETIONS OF SPONSORS FROM PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, sponsors were deleted from public bills and resolutions as follows:

H.R. 1515: Mr. JACKSON.

AMENDMENTS

Under clause 6 of rule XXIII, proposed amendments were submitted as follows:

H.R. 2014

OFFERED BY: MR. RANGEL

(Amendment in the Nature of a Substitute)

AMENDMENT NO. 1:

Strike all after enacting clause, and insert the following:

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This Act may be cited as the ''Revenue Reconciliation Act of 1997''.

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

(c) TABLE OF CONTENTS.—

SEC. 2. MODIFICATIONS OF CERTAIN REQUIREMENTS.

(a) MODIFICATION OF DEPOSIT OF AIRLINE TICKET TAX REVENUES.—Deposits of taxes imposed by section 4261 of the Internal Revenue Code of 1986 which (but for this subsection) would be required to be made on or after July 1, 2001, and before October 1, 2001, shall be made on October 10, 2001.

(b) MODIFICATION OF ESTIMATED TAX PROVISIONS.—Subparagraph (C) of section 6654(d)(1) of the Internal Revenue Code of 1986 shall not apply in determining the amount of any required installment for a taxable year beginning in calendar year 2001.

TITLE I—TAX INCENTIVES FOR HIGHER EDUCATION

SEC. 101. HOPE SCHOLARSHIP CREDITS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 23 the following new section:

"SEC. 24. HOPE SCHOLARSHIP CREDITS.

''(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year the amount equal to the sum of—

''(1) the 100-Percent Hope Scholarship Credit, and

''(2) the 20-Percent Hope Scholarship Credit.

''(b) AMOUNT OF CREDITS.—For purposes of this section—

''(1) HOPE CREDIT.—

''(A) IN GENERAL.—The 100-Percent Hope Scholarship Credit is the amount of the qualified higher education expenses paid by the taxpayer during the taxable year for education furnished to an individual during any academic period beginning in such taxable year, but only if this paragraph applies to such individual for such taxable year.

''(B) DOLLAR LIMITATION.—The amount of the 100-Percent Hope Scholarship Credit determined under this paragraph with respect to any individual shall not exceed—

''(i) $1,100 for taxable years beginning in 1997, 1998, or 1999,

''(ii) $1,200 for taxable years beginning in 2000, or

''(iii) $1,500 for taxable years beginning in 2001 or thereafter.

''(C) 100-PERCENT HOPE SCHOLARSHIP CREDIT ALLOWED FOR ONLY 2 TAXABLE YEARS.—This paragraph shall apply for a taxable year with respect to the qualified higher education expenses of an individual only if the taxpayer elects to have this section apply with respect to such individual for such year. An election under this subparagraph shall not take effect with respect to an individual for any taxable year if an election under this subparagraph (by the taxpayer or any other individual) is in effect with respect to such individual for any 2 prior taxable years.

''(D) 100-PERCENT HOPE SCHOLARSHIP CREDIT ALLOWED ONLY FOR FIRST 2 YEARS OF POSTSECONDARY EDUCATION.—This paragraph shall not apply for a taxable year with respect to the qualified higher education expenses of an individual if the individual has completed (before the beginning of such taxable year) the first 2 years of postsecondary education at an institution of higher education.

''(2) 20-PERCENT HOPE SCHOLARSHIP CREDIT.—

''(A) IN GENERAL.—The 20-Percent Hope Scholarship Credit is 20 percent of the qualified higher education expenses paid by the taxpayer during the taxable year for education furnished to an individual during any academic period beginning in such taxable year. Education expenses with respect to an individual for whom a Hope credit is determined for the taxable year shall not be taken into account under this paragraph.

''(B) DOLLAR LIMITATION.—The amount of qualified higher education expenses taken into account under subparagraph (A) for any taxable year shall not exceed—

''(i) $4,000 for taxable years beginning in 1997, 1998, or 1999,

''(ii) $5,000 for taxable years beginning in 2000,

''(iii) $7,500 for taxable years beginning in 2001, or

''(iv) $10,000 for taxable years beginning in 2002 or thereafter.

''(3) CREDIT ALLOWED FOR YEAR ONLY IF INDIVIDUAL IS AT LEAST ½ TIME STUDENT FOR PORTION OF YEAR.—No credit shall be allowed under subsection (a) for a taxable year with respect to the qualified higher education expenses of an individual unless such individual is an eligible student for at least one academic period which begins during such year.

''(c) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(1) IN GENERAL.—The amount which would (but for this section) be allowed as a credit under subsection (a) for the taxable year shall be reduced (but not below zero) by the amount determined under paragraph (2).

''(2) AMOUNT OF REDUCTION.—The amount determined under this paragraph is the amount which bears the same ratio to the credit which would be so allowed as—

''(A) the excess of—

''(i) the taxpayer's modified adjusted gross income for such taxable year, over

''(ii) $50,000 ($80,000 in the case of a joint return), bears to

''(B) $20,000.

''(3) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

''(d) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED HIGHER EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified higher education expenses' means tuition and fees required for the enrollment or attendance of—

''(i) the taxpayer,

''(ii) the taxpayer's spouse, or

''(iii) any dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151,

at an institution of higher education.

''(B) EXCEPTION FOR EDUCATION INVOLVING SPORTS, ETC.—Such term does not include expenses with respect to any course or other education involving sports, games, or hobbies, unless such course or other education is part of the individual's degree program.

''(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include student activity fees, athletic fees, insurance expenses, or other expenses unrelated to an individual's academic course of instruction.

''(2) INSTITUTION OF HIGHER EDUCATION.—The term 'institution of higher education' means an institution—

''(A) which is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and

''(B) which is eligible to participate in a program under title IV of such Act.

''(3) ELIGIBLE STUDENT.—The term 'eligible student' means, with respect to any academic period, a student who—

''(A) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on the date of the enactment of this section, and

''(B) is carrying at least ½ the normal full-time work load for the course of study the student is pursuing.

''(e) TREATMENT OF EXPENSES PAID BY DEPENDENT.—If a deduction under section 151 with respect to an individual is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins—

''(1) no credit shall be allowed under subsection (a) to such individual for such individual's taxable year, and

''(2) qualified higher education expenses paid by such individual during such individual's taxable year shall be treated for purposes of this section as paid by such other taxpayer.

''(f) TREATMENT OF CERTAIN PREPAYMENTS.—If qualified higher education expenses are paid by the taxpayer during a taxable year for an academic period which begins during the first 3 months following such taxable year, such academic period shall be treated for purposes of this section as beginning during such taxable year.

''(g) SPECIAL RULES.—

''(1) DENIAL OF CREDIT IF INDIVIDUAL CONVICTED OF DRUG OFFENSE.—No credit shall be allowed under subsection (a) with respect to the qualified higher education expenses of an individual for any taxable year if the individual has been convicted before the end of such year of a Federal or State felony offense consisting of the possession or distribution of a controlled substance.

''(2) DENIAL OF CREDIT IF INDIVIDUAL FAILS TO MAKE SATISFACTORY ACADEMIC PROGRESS.—If—

''(A) if a credit is allowable under this section with respect to the qualified higher education expenses of an individual for any taxable year, and

''(B) such individual failed to make satisfactory academic progress described in section 484(c) of the Higher Education Act of 1965 during such year,

no credit shall be allowed under subsection (a) with respect to qualified higher education expenses of such individual for a succeeding taxable year.

''(3) NO DOUBLE BENEFIT.—No credit shall be allowed under subsection (a) for any taxable year for any expense for which a deduction is allowed under any other provision of this chapter.

''(4) IDENTIFICATION REQUIREMENT.—No credit shall be allowed under subsection (a) to a taxpayer with respect to the qualified higher education expenses of an individual unless the taxpayer includes the name and taxpayer identification number of such individual on the return of tax for the taxable year.

''(5) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS.—The amount of qualified higher education expenses otherwise taken into account under subsection (b) with respect to an individual for an academic period shall be reduced (before the application of any dollar limitation under this section) by the sum of—

''(A) any amounts paid for the benefit of such individual which are allocable to such period as—

''(i) a qualified scholarship which is excludable from gross income under section 117,

''(ii) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or under chapter 1606 of title 10, United States Code,

''(iii) a payment which is excludable from gross income under section 127, or

''(iv) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for such individual's educational expenses, or attributable to such individual's enrollment at an institution of higher education, which is excludable from gross income under any law of the United States, and

''(B) the amount excludable from gross income under section 135 which is allocable to such expenses with respect to such individual for such period.

''(6) NO CREDIT FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

''(7) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

''(h) INFLATION ADJUSTMENTS.—

''(1) DOLLAR LIMITATION ON AMOUNT OF CREDIT.—

''(A) IN GENERAL.—In the case of a taxable year beginning after 2001, each applicable dollar amount contained in subsection (b) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2000' for 'calendar year 1992' in subparagraph (B) thereof.

''(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

''(2) INCOME LIMITS.—

''(A) IN GENERAL.—In the case of a taxable year beginning after 2000, the $50,000 and $80,000 amounts in subsection (c)(2) shall each be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

''(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not a multiple of $5,000, such amount shall be rounded to the next lowest multiple of $5,000.

''(i) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations providing for a recapture of credit allowed under this section in cases where there is a refund in a subsequent taxable year of any amount which was taken into account in determining the amount of such credit.''

(b) EXTENSION OF PROCEDURES APPLICABLE TO MATHEMATICAL OR CLERICAL ERRORS.—Paragraph (2) of section 6213(g) (relating to the definition of mathematical or clerical errors) is amended by striking ''and'' at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting '', and'', and by inserting after subparagraph (H) the following new subparagraph:

''(I) an omission of a correct TIN required under section 24(g)(4) (relating to higher education tuition and fees) to be included on a return.''

(c) RETURNS RELATING TO HIGHER EDUCATION EXPENSES.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons) is amended by inserting after section 6050R the following new section:

''SEC. 6050S. RETURNS RELATING TO HIGHER EDUCATION EXPENSES.

''(a) IN GENERAL.—Any person—

''(1) which is an institution of higher education which receives payments for qualified higher education expenses with respect to any individual for any calendar year, or

''(2) which is engaged in a trade or business which, in the course of such trade or business makes payments during any calendar year to any individual which constitute reimbursements or refunds (or similar amounts) of qualified higher education expenses of such individual,

shall make the return described in subsection (b) with respect to the individual at such time as the Secretary may by regulations prescribe.

''(b) FORM AND MANNER OF RETURNS.—A return is described in this subsection if such return—

''(1) is in such form as the Secretary may prescribe,

''(2) contains—

''(A) the name, address, and TIN of the individual with respect to whom payments described in subsection (a) were received from (or were paid to),

''(B) the name, address, and TIN of any individual certified by the individual described in subparagraph (A) as the taxpayer who will claim the individual as a dependent for purposes of the deduction allowable under section 151 for any taxable year ending with or within the calendar year,

''(C) the—

''(i) aggregate amount of payments for qualified higher education expenses received with respect to the individual described in subparagraph (A) during the calendar year, and

''(ii) aggregate amount of reimbursements or refunds (or similar amounts) paid to such individual during the calendar year, and

''(D) such other information as the Secretary may prescribe.

''(c) APPLICATION TO GOVERNMENTAL UNITS.—For purposes of this section—

''(1) a governmental unit or any agency or instrumentality thereof shall be treated as a person, and

''(2) any return required under subsection (a) by such governmental entity shall be made by the officer or employee appropriately designated for the purpose of making such return.

''(d) STATEMENTS TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return under subparagraph (A) or (B) of subsection (b)(2) a written statement showing—

''(1) the name, address, and phone number of the information contact of the person required to make such return, and

''(2) the aggregate amounts described in subparagraph (C) of subsection (b)(2).

The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year for which the return under subsection (a) was required to be made.

''(e) DEFINITIONS.—For purposes of this section, the terms 'institution of higher education' and 'qualified higher education expenses' have the respective meanings given such terms by section 24.

''(f) RETURNS WHICH WOULD BE REQUIRED TO BE MADE BY 2 OR MORE PERSONS.—Except to the extent provided in regulations prescribed by the Secretary, in the case of any amount received by any person on behalf of another person, only the person first receiving such amount shall be required to make the return under subsection (a).

''(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this section. No penalties shall be imposed under section 6724 with respect to any return or statement required under this section until such time as such regulations are issued.''

(2) ASSESSABLE PENALTIES.—Section 6724(d) (relating to definitions) is amended—

(A) in paragraph (1)(B) by redesignating clauses (x) through (xv) as clauses (xi) through (xvi), respectively, and by inserting after clause (ix) of such paragraph the following new clause:

''(x) section 6050S (relating to returns relating to payments for qualified higher education expenses),'', and

(B) in paragraph (2) by striking ''or'' at the end of the next to last subparagraph, by striking the period at the end of the last subparagraph and inserting '', or'', and by adding at the end the following new subparagraph:

''(Z) section 6050S(d) (relating to returns relating to qualified higher education expenses).''

(3) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6050R the following new item:

''Sec. 6050S. Returns relating to higher education expenses.''

(d) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 23 the following new item:

''Sec. 24. Hope scholarship credits.''

(e) CREDIT ALLOWED AGAINST MINIMUM TAX.—Section 26 is amended by adding at the end the following new subsection:

''(c) SCHOLARSHIP CREDITS ALLOWED AGAINST MINIMUM TAX.—Subsection (a) shall not apply to the credit allowable under section 24, but the amount of the credit allowed by that section shall not exceed the sum of—

''(1) the regular tax liability for the taxable year reduced by the sum of the credits allowable under this subpart (other than section 24), and

''(2) the minimum tax imposed by section 55.''

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to expenses paid after December 31, 1996 (in taxable years ending after such date), for education furnished in academic periods beginning after June 30, 1997.

SEC. 102. EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE PROGRAMS.

(a) PERMANENT EXTENSION.—Section 127 (relating to exclusion for educational assistance programs) is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(b) REPEAL OF LIMITATION ON GRADUATE EDUCATION.—The last sentence of section 127(c)(1) is amended by striking '', and such term also does not include any payment for, or the provision of any benefits with respect to, any graduate level course of a kind normally taken by an individual pursuing a program leading to a law, business, medical, or other advanced academic or professional degree''.

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 1996.

(2) GRADUATE EDUCATION.—The amendment made by subsection (b) shall apply with respect to expenses relating to courses beginning after June 30, 1997.

TITLE II—PUBLIC-PRIVATE EDUCATION PARTNERSHIPS

SEC. 201. PURPOSE.

The purpose of this title is to facilitate the establishment of working partnerships of public school educators, businesses, labor, and community groups to—

(1) enhance the academic curriculum for education and training below the postsecondary level,

(2) increase graduation and employment rates,

(3) better prepare students for the rigors of college and the increasingly complex workforce, and

(4) promote the global leadership position of the United States economy,

by providing a no-cost source of capital to eligible local education agencies for the cost of establishing specialized academies in distressed areas (referred to as ''education zones'').

SEC. 202. INCENTIVES FOR EDUCATION ZONES.

(a) IN GENERAL.—Part III of subchapter U of chapter 1 (relating to additional incentives for empowerment zones), as amended by subsection (b), is amended by inserting after subpart B the following new subpart:

''Subpart C—Incentives for Education Zones

''Sec. 1397B. Credit to holders of qualified zone academy bonds.''

''SEC. 1397B. CREDIT TO HOLDERS OF QUALIFIED ZONE ACADEMY BONDS.

''(a) ALLOWANCE OF CREDIT.—In the case of a taxpayer who holds a qualified zone academy bond on the credit allowance date of such bond which occurs during the taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year the amount determined under subsection (b).

''(b) AMOUNT OF CREDIT.—

''(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any qualified zone academy bond is the amount equal to the product of—

''(A) the credit rate determined by the Secretary under paragraph (2) for the month in which such bond was issued, multiplied by

''(B) the face amount of the bond held by the taxpayer on the credit allowance date.

''(2) DETERMINATION.—During each calendar month, the Secretary shall determine a credit rate which shall apply to bonds issued during the following calendar month. The credit rate for any month is the percentage which the Secretary estimates will permit the issuance of qualified zone academy bonds without discount and without interest cost to the issuer.

''(c) LIMITATION BASED ON AMOUNT OF TAX.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

''(1) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

''(2) the sum of the credits allowable under part IV of subchapter A (other than subpart C thereof, relating to refundable credits).

''(d) QUALIFIED ZONE ACADEMY BOND.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified zone academy bond' means any bond issued as part of an issue if—

''(A) 95 percent or more of the proceeds of such issue are to be used for a qualified purpose with respect to a qualified zone academy established by an eligible local education agency,

''(B) the bond is issued by a State or local government within the jurisdiction of which such academy is located,

''(C) the issuer—

''(i) designates such bond for purposes of this section,

''(ii) certifies that it has written assurances that the private business contribution requirement of paragraph (2) will be met with respect to such academy, and

''(iii) certifies that it has the written approval of the eligible local education agency for such bond issuance, and

''(D) the term of each bond which is part of such issue does not exceed the maximum term permitted under paragraph (3).

''(2) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—

''(A) IN GENERAL.—For purposes of paragraph (1), the private business contribution requirement of this paragraph is met with respect to any issue if the eligible local education agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

''(B) QUALIFIED CONTRIBUTIONS.—For purposes of subparagraph (A), the term 'qualified contribution' means any contribution (of a type and quality acceptable to the eligible local education agency) of—

''(i) equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),

''(ii) technical assistance in developing curriculum or in training teachers in order to promote appropriate market driven technology in the classroom,

''(iii) services of employees as volunteer mentors,

''(iv) internships, field trips, or other educational opportunities outside the academy for students, or

''(v) any other property or service specified by the eligible local education agency.

''(3) TERM REQUIREMENT.—During each calendar month, the Secretary shall determine the maximum term permitted under this paragraph for bonds issued during the following calendar month. Such maximum term shall be the term which the Secretary estimates will result in the present value of the obligation to repay the principal on the bond being equal to 50 percent of the face amount of the bond. Such present value shall be determined using as a discount rate the average annual interest rate of tax-exempt obligations having a term of 10 years or more which are issued during the month. If the term as so determined is not a multiple of a whole year, such term shall be rounded to the next highest whole year.

''(4) QUALIFIED ZONE ACADEMY.—

''(A) IN GENERAL.—The term 'qualified zone academy' means any public school (or academic program within a public school) which is established by and operated under the supervision of an eligible local education agency to provide education or training below the postsecondary level if—

''(i) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

''(ii) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the eligible local education agency,

''(iii) the comprehensive education plan of such public school or program is approved by the eligible local education agency, and

''(iv)(I) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

''(II) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-cost lunches under the school lunch program established under the National School Lunch Act.

''(B) ELIGIBLE LOCAL EDUCATION AGENCY.—The term 'eligible local education agency' means any local education agency as defined in section 14101 of the Elementary and Secondary Education Act of 1965.

''(5) QUALIFIED PURPOSE.—The term 'qualified purpose' means, with respect to any qualified zone academy—

''(A) constructing or renovating the public school facility in which the academy is established,

''(B) providing equipment for use at such academy,

''(C) developing course materials for education to be provided at such academy, and

''(D) training teachers and other school personnel in such academy.

''(e) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

''(1) NATIONAL LIMITATION.—There is a national zone academy bond limitation for each calendar year. Such limitation is $10,000,000,000 for 1998, 1999, 2000, 2001, and 2002, and zero thereafter.

''(2) ALLOCATION OF LIMITATION.—The national zone academy bond limitation for a calendar year shall be allocated by the Secretary among the States on the basis of their respective populations of individuals below the poverty line (as defined by the Office of Management and Budget). The limitation amount allocated to a State under the preceding sentence shall be allocated by the State education agency to qualified zone academies within such State.

''(3) DESIGNATION SUBJECT TO LIMITATION AMOUNT.—The maximum aggregate face amount of bonds issued during any calendar year which may be designated under subsection (d)(1) with respect to any qualified zone academy shall not exceed the limitation amount allocated to such academy under paragraph (2) for such calendar year.

''(4) CARRYOVER OF USED LIMITATION.—If for any calendar year—

''(A) the limitation amount for any State, exceeds

''(B) the amount of bonds issued during such year which are designated under subsection (d)(1) with respect to qualified zone academies within such State,

the limitation amount for such State for the following calendar year shall be increased by the amount of such excess.

''(f) OTHER DEFINITIONS.—For purposes of this section—

''(1) CREDIT ALLOWANCE DATE.—The term 'credit allowance date' means, with respect to any issue, the last day of the 1-year period beginning on the date of issuance of such issue and the last day of each successive 1-year period thereafter.

''(2) BOND.—The term 'bond' includes any obligation.

''(3) STATE.—The term 'State' includes the District of Columbia and any possession of the United States.

''(g) CREDIT INCLUDED IN GROSS INCOME.—Gross income includes the amount of the credit allowed to the taxpayer under this section.''

(b) CONFORMING AMENDMENTS.—

(1) Subchapter U of chapter 1 (as in effect before the amendment made by subsection (a)) is amended by redesignating subpart C as subpart D, and by redesignating sections 1397B, 1397C, and 1397D as sections 1397D, 1397E, and 1397F, respectively.

(2) Subsection (b) of section 1394 is amended—

(A) by striking ''section 1397C'' in paragraph (2) and inserting ''section 1397E'', and

(B) by striking ''section 1397B'' in paragraph (3) and inserting ''section 1397D''.

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

''Subpart C. Incentives for education zones.

''Subpart D. General provisions.''

(4) The table of sections for subpart D of such part III, as so redesignated, is amended to read as follows:

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

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

(5) The table of sections for part IV of subchapter U of chapter 1 is amended to read as follows:

''Sec. 1397F. Regulations.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to obligations issued after December 31, 1997.

TITLE III—FAMILY TAX RELIEF

SEC. 301. CREDIT FOR FAMILIES WITH YOUNG CHILDREN.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 (relating to refundable credits) is amended by inserting after section 34 the following new section:

''SEC. 34A. FAMILIES WITH YOUNG CHILDREN.

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to $500 multiplied by the number of eligible children of the taxpayer for the taxable year.

''(2) PHASE-IN OF CREDIT.—In the case of taxable years beginning before January 1, 2001, paragraph (1) shall be applied by substituting '$300' for '$500'.

''(b) PHASEOUT OF CREDIT.—

''(1) IN GENERAL.—The amount of the credit allowed under subsection (a) shall be reduced (but not below zero) by the amount determined under paragraph (2).

''(2) AMOUNT OF REDUCTION.—The amount determined under this paragraph equals the amount which bears the same ratio to the credit (determined without regard to this subsection) as—

''(A) the excess of—

''(i) the taxpayer's adjusted gross income for such taxable year, over

''(ii) $60,000, bears to

''(B) $15,000.

Any amount determined under this paragraph which is not a multiple of $10 shall be rounded to the next lowest $10.

''(3) ADJUSTED GROSS INCOME.—For purposes of this subsection, adjusted gross income of any taxpayer shall be increased by any amount excluded from gross income under section 911, 931, or 933.

''(c) ELIGIBLE CHILD.—For purposes of this section, the term 'eligible child' means any child (as defined in section 151(c)(3)) of the taxpayer—

''(1) who has not attained age 18 as of the close of the calendar year in which the taxable year of the taxpayer begins,

''(2) who is a dependent of the taxpayer with respect to whom the taxpayer is allowed a deduction under section 151 for such taxable year, and

''(3) whose TIN is included on the taxpayer's return for such taxable year.

''(d) LIMITATION BASED ON AMOUNT OF TAX.—

''(1) IN GENERAL.—The credit allowed by subsection (a) for the taxable year shall not exceed the sum of—

''(A) the tax imposed by this chapter for the taxable year (reduced by the sum of the other credits allowable under this part against such tax other than under this subpart, relating to refundable credits), and

''(B) the taxpayer's social security taxes for such taxable year.

''(2) SOCIAL SECURITY TAXES.—For purposes of paragraph (1)—

''(A) IN GENERAL.—The term 'social security taxes' means, with respect to any taxpayer for any taxable year—

''(i) the amount of the taxes imposed by sections 3101 and 3201(a) on amounts received by the taxpayer during the calendar year in which the taxable year begins,

''(ii) ½ of the amount of the taxes imposed by section 1401 on the self-employment income of the taxpayer for the taxable year, and

''(iii) ½ of the amount of the taxes imposed by section 3211(a)(1) on amounts received by the taxpayer during the calendar year in which the taxable year begins.

''(B) COORDINATION WITH SPECIAL REFUND OF SOCIAL SECURITY TAXES.—The term 'social security taxes' shall not include any taxes to the extent the taxpayer is entitled to a special refund of such taxes under section 6413(c).

''(C) SPECIAL RULE.—Any amounts paid pursuant to an agreement under section 3121(l) (relating to agreements entered into by American employers with respect to foreign affiliates) which are equivalent to the taxes referred to in subparagraph (A)(i) shall be treated as taxes referred to in such subparagraph.

''(e) INFLATION ADJUSTMENTS.—In the case of a taxable year beginning in a calendar year after 2000—

''(1) IN GENERAL.—The $500 and $60,000 amounts contained in subsections (a)(1) and (b)(2) shall each be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1999' for 'calendar year 1992' in subparagraph (B) thereof.

''(2) INCREASE IN PHASEOUT RANGE.—If the dollar amount in effect under subsection (a)(1) for any taxable year exceeds $500, subsection (b)(2)(B) shall be applied by substituting an amount equal to 30 times such dollar amount for '$15,000'.

''(3) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of $100, such amount shall be rounded to the next lowest multiple of $100.

''(f) SPECIAL RULES.—

''(1) AMOUNT OF CREDIT MAY BE DETERMINED UNDER TABLES.—The amount of the credit allowed by this section may be determined under tables prescribed by the Secretary.

''(2) CERTAIN OTHER RULES APPLY.—Rules similar to the rules of subsections (c)(1)(E) and (F), (d), and (e) of section 32 shall apply for purposes of this section.''

(b) CLERICAL AMENDMENT.—The table of sections for subpart C of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 34 the following new item:

''Sec. 34A. Families with young children.''

(c) CONFORMING AMENDMENT.—Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period '', or from section 34A of such Code''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

TITLE IV—CAPITAL GAINS RELIEF

Subtitle A—Exemption From Tax for Gain on Sale of Principal Residence

SEC. 401. EXEMPTION FROM TAX FOR GAIN ON SALE OF PRINCIPAL RESIDENCE.

(a) IN GENERAL.—Section 121 (relating to one-time exclusion of gain from sale of principal residence by individual who has attained age 55) is amended to read as follows:

''SEC. 121. EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE.

''(a) EXCLUSION.—Gross income shall not include gain from the sale or exchange of property if, during the 5-year period ending on the date of the sale or exchange, such property has been owned and used by the

taxpayer as the taxpayer's principal residence for periods aggregating 2 years or more.

''(b) LIMITATIONS.—

''(1) DOLLAR LIMITATION.—The amount of gain excluded from gross income under subsection (a) with respect to any sale or exchange shall not exceed $250,000 ($500,000 in the case of a joint return where both spouses meet the use requirement of subsection (a)).

''(2) APPLICATION TO ONLY 1 SALE OR EXCHANGE EVERY 2 YEARS.—

''(A) IN GENERAL.—Subsection (a) shall not apply to any sale or exchange by the taxpayer if, during the 2-year period ending on the date of such sale or exchange, there was any other sale or exchange by the taxpayer to which subsection (a) applied.

''(B) PRIOR SALES BY SPOUSE NOT TAKEN INTO ACCOUNT.—If, but for this subparagraph, subsection (a) would not apply to a sale or exchange by a married individual filing a joint return solely by reason of a prior sale or exchange by such individual's spouse—

''(i) subparagraph (A) shall be applied without regard to the sale or exchange by such individual's spouse or any ownership or use by such spouse, but

''(ii) the amount of gain excluded from gross income under subsection (a) with respect to the sale or exchange by such individual shall not exceed $250,000.

''(C) PRE-EFFECTIVE DATE SALES NOT TAKEN INTO ACCOUNT.—Subparagraph (A) shall be applied without regard to any sale or exchange before May 7, 1997.

''(c) EXCLUSION FOR TAXPAYERS FAILING TO MEET CERTAIN REQUIREMENTS.—

''(1) IN GENERAL.—In the case of a sale or exchange to which this subsection applies, the ownership and use requirements of subsection (a) shall not apply and subsection (b)(2) shall not apply; but the amount of gain excluded from gross income under subsection (a) with respect to such sale of exchange shall not exceed—

''(A) the amount which bears the same ratio to the amount which would be so excluded if such requirements had been met, as

''(B) the shorter of—

''(i) the aggregate periods, during the 5-year period ending on the date of such sale or exchange, such property has been owned and used by the taxpayer as the taxpayer's principal residence, or

''(ii) the period after the date of the most recent prior sale or exchange by the taxpayer or his spouse to which subsection (a) applied and before the date of such sale or exchange,

bears to 2 years.

''(2) SALES AND EXCHANGES TO WHICH SUBSECTION APPLIES.—This subsection shall apply to any sale or exchange if—

''(A) subsection (a) would not (but for this subsection) apply to such sale or exchange by reason of—

''(i) a failure to meet the ownership and use requirements of subsection (a), or

''(ii) subsection (b)(2), and

''(B) such sale or exchange is by reason of a change in place of employment, health, or other unforeseen circumstances.

''(d) SPECIAL RULES.—

''(1) JOINT RETURNS.—For purposes of this section, if a husband and wife make a joint return for the taxable year of the sale or exchange of property, both spouses shall be treated as meeting the ownership requirement of subsection (a) with respect to such property if either spouse meets such requirement.

''(2) PROPERTY OF DECEASED SPOUSE.—For purposes of this section, in the case of an unmarried individual whose spouse is deceased on the date of the sale or exchange of property, the period such unmarried individual owned such property shall include the period such deceased spouse held such property before death.

''(3) TENANT-STOCKHOLDER IN COOPERATIVE HOUSING CORPORATION.—For purposes of this section, if the taxpayer holds stock as a tenant-stockholder (as defined in section 216) in a cooperative housing corporation (as defined in such section), then—

''(A) the holding requirements of subsection (a) shall be applied to the holding of such stock, and

''(B) the use requirements of subsection (a) shall be applied to the house or apartment which the taxpayer was entitled to occupy as such stockholder.

''(4) INVOLUNTARY CONVERSIONS.—

''(A) IN GENERAL.—For purposes of this section, the destruction, theft, seizure, requisition, or condemnation of property shall be treated as the sale of such property.

''(B) APPLICATION OF SECTION 1033.—In applying section 1033 (relating to involuntary conversions), the amount realized from the sale or exchange of property shall be treated as being the amount determined without regard to this section, reduced by the amount of gain not included in gross income pursuant to this section.

''(C) PROPERTY ACQUIRED AFTER INVOLUNTARY CONVERSION.—If the basis of the property sold or exchanged is determined (in whole or in part) under section 1033(b) (relating to basis of property acquired through involuntary conversion), then the holding and use by the taxpayer of the converted property shall be treated for purposes of this section as holding and use by the taxpayer of the property sold or exchanged.

''(5) RECOGNITION OF GAIN ATTRIBUTABLE TO DEPRECIATION.—Subsection (a) shall not apply to so much of the gain from the sale of any property as does not exceed the portion of the depreciation adjustments (as defined in section 1250(b)(3)) attributable to periods after December 31, 1996, in respect of such property.

''(6) DETERMINATION OF USE DURING PERIODS OF OUT-OF-RESIDENCE CARE.—In the case of a taxpayer who—

''(A) becomes physically or mentally incapable of self-care, and

''(B) owns property and uses such property as the taxpayer's principal residence during the 5-year period described in subsection (a) for periods aggregating at least 1 year,

then the taxpayer shall be treated as using such property as the taxpayer's principal residence during any time during such 5-year period in which the taxpayer owns the property and resides in any facility (including a nursing home) licensed by a State or political subdivision to care for an individual in the taxpayer's condition.

''(7) DETERMINATION OF MARITAL STATUS.—In the case of any sale or exchange, for purposes of this section—

''(A) the determination of whether an individual is married shall be made as of the date of the sale or exchange, and

''(B) an individual legally separated from his spouse under a decree of divorce or of separate maintenance shall not be considered as married.

''(e) ELECTION TO HAVE SECTION NOT APPLY.—This section shall not apply to any sale or exchange with respect to which the taxpayer elects not to have this section apply.

''(f) RESIDENCES ACQUIRED IN ROLLOVERS UNDER SECTION 1034.—For purposes of this section, in the case of property the acquisition of which by the taxpayer resulted under section 1034 (as in effect on the day before the date of the enactment of this sentence) in the nonrecognition of any part of the gain realized on the sale or exchange of another residence, in determining the period for which the taxpayer has owned and used such property as the taxpayer's principal residence, there shall be included the aggregate periods for which such other residence (and each prior residence taken into account under section 1223(7) in determining the holding period of such property) had been so owned and used.''

(b) REPEAL OF NONRECOGNITION OF GAIN ON ROLLOVER OF PRINCIPAL RESIDENCE.—Section 1034 (relating to rollover of gain on sale of principal residence) is hereby repealed.

(c) CONFORMING AMENDMENTS.—

(1) The following provisions of the Internal Revenue Code of 1986 are each amended by striking ''section 1034'' and inserting ''section 121'': sections 25(e)(7), 56(e)(1)(A), 56(e)(3)(B)(i), 143(i)(1)(C)(i)(I), 163(h)(4)(A)(i)(I), 280A(d)(4)(A), 464(f)(3)(B)(i), 1033(k)(3), 1274(c)(3)(B), 6334(a)(13), and 7872(f)(11)(A).

(2) Paragraph (4) of section 32(c) is amended by striking ''(as defined in section 1034(h)(3))'' and by adding at the end the following new sentence: ''For purposes of the preceding sentence, the term 'extended active duty' means any period of active duty pursuant to a call or order to such duty for a period in excess of 90 days or for an indefinite period.''

(3) Subparagraph (A) of 143(m)(6) is amended by inserting ''(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1997)'' after ''1034(e)''.

(4) Subsection (e) of section 216 is amended by striking ''such exchange qualifies for nonrecognition of gain under section 1034(f)'' and inserting ''such dwelling unit is used as his principal residence (within the meaning of section 121)''.

(5) Section 512(a)(3)(D) is amended by inserting ''(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1997)'' after ''1034''.

(6) Paragraph (7) of section 1016(a) is amended by inserting ''(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1997)'' after ''1034'' and by inserting ''(as so in effect)'' after ''1034(e)''.

(7) Paragraph (3) of section 1033(k) is amended to read as follows:

''(3) For exclusion from gross income of gain from involuntary conversion of principal residence, see section 121.''

(8) Subsection (e) of section 1038 is amended to read as follows:

''(e) PRINCIPAL RESIDENCES.—If—

''(1) subsection (a) applies to a reacquisition of real property with respect to the sale of which gain was not recognized under section 121 (relating to gain on sale of principal residence), and

''(2) within 1 year after the date of the reacquisition of such property by the seller, such property is resold by him,

then, under regulations prescribed by the Secretary, subsections (b), (c), and (d) of this section shall not apply to the reacquisition of such property and, for purposes of applying section 121, the resale of such property shall be treated as a part of the transaction constituting the original sale of such property.''

(9) Paragraph (7) of section 1223 is amended by inserting ''(as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1997)'' after ''1034''.

(10) Section 1250(d)(7) is amended to read as follows:

''(7) PRINCIPAL RESIDENCE.—Subsection (a) shall not apply to a disposition to the extent that gain from the disposition is excluded from gross income under section 121.''

(11) Paragraph (2) of section 6212(c) is amended by striking subparagraph (C) and

by redesignating the succeeding subparagraphs accordingly.

(12) Section 6504 is amended by striking paragraph (4) and by redesignating the succeeding paragraphs accordingly.

(13) The item relating to section 121 in the table of sections for part III of subchapter B of chapter 1 is amended to read as follows:

''Sec. 121. Exclusion of gain from sale of principal residence.''

(14) The table of sections for part III of subchapter O of chapter 1 is amended by striking the item relating to section 1034.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to sales and exchanges on or after May 7, 1997.

(2) TRANSITIONAL RULE.—At the election of the taxpayer, the amendments made by this section shall not apply to—

(A) a sale or exchange on or before the date of the enactment of this Act, or

(B) a sale or exchange after such date of enactment, if—

(i) such sale or exchange is pursuant to a contract which was binding on such date, and at all times thereafter before such sale or exchange, or

(ii) without regard to such amendments, gain would not be recognized under section 1034 of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act) on such sale or exchange by reason of a new residence acquired on or before such date.

SEC. 402. CAPITAL LOSS DEDUCTION ALLOWED WITH RESPECT TO SALE OR EXCHANGE OF PRINCIPAL RESIDENCE.

(a) IN GENERAL.—Subsection (c) of section 165 (relating to limitation on losses of individuals) is amended by striking ''and'' at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting ''; and'', and by adding at the end the following new paragraph:

''(4) losses (not in excess of $250,000) arising from the sale or exchange of the principal residence (within the meaning of section 121) of the taxpayer.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to sales and exchanges on or after May 7, 1997, in taxable years ending after such date.

Subtitle B—Lifetime Capital Gains Rate Reduction for Nontradable Property

SEC. 411. LIFETIME CAPITAL GAINS RATE REDUCTION FOR NONTRADABLE PROPERTY.

(a) IN GENERAL.—Subsection (h) of section 1 (relating to maximum capital gains rate) is amended to read as follows:

''(h) MAXIMUM CAPITAL GAINS RATE.—If a taxpayer has a net capital gain for any taxable year, the tax imposed by this section for such taxable year shall not exceed the sum of—

''(1) a tax computed at the rates and in the manner as if this subsection had not been enacted on the greater of—

''(A) taxable income reduced by the amount of the net capital gain, or

''(B) the amount of taxable income taxed at a rate below 18 percent, plus

''(2) the sum of—

''(A) 18 percent of the lifetime qualified net capital gain (or if lesser, the amount of taxable income in excess of the amount taxed under paragraph (1)), plus

''(B) 28 percent of the excess of the net capital gain (or if lesser, the amount of taxable income in excess of the amount taxed under paragraph (1)) over the lifetime qualified net capital gain for the taxable year.

For purposes of the preceding sentence, the net capital gain for any taxable year shall be reduced (but not below zero) by the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(iii). In the case of a taxpayer only subject to tax under this section at the 15 percent rate, the amount of the tax under paragraph (1)(B) on net capital gain shall be determined at a rate of 7.5 percent.''

(b) DEFINITION.—Section 1 is amended by adding at the end thereof the following new subsection:

''(i) LIFETIME QUALIFIED NET CAPITAL GAIN

''(1) IN GENERAL.—For purposes of subsection (h), the lifetime qualified net capital gain is the qualified net gain for the taxable year.

''(2) LIMITATION.—

''(A) IN GENERAL.—The amount of the qualified net gain taken into account under paragraph (1) for any taxable year shall not exceed $600,000 reduced by the aggregate amount of the qualified net gain taken into account under this subsection by the taxpayer for prior taxable years.

''(B) SPECIAL RULE FOR JOINT RETURNS.—The amount of the qualified net gain taken into account under this subsection on a joint return for any taxable year shall be allocated equally between the spouses for purposes of determining the limitation under subparagraph (A) for any succeeding taxable year.

''(3) QUALIFIED NET GAIN.—For purposes of paragraph (1), the term 'qualified net gain' means the lesser of—

''(A) the net capital gain for the taxable year, or

''(B) the net capital gain for the taxable year determined by only taking into account gains and losses from sales and exchanges on or after May 7, 1997, of qualified assets.

A taxpayer may elect for any taxable year not to take into account under this subsection all (or any portion) of the qualified net gain for such taxable year. Such an election, once made, shall be irrevocable.

''(4) QUALIFIED ASSETS.—For purposes of this subsection, the term 'qualified assets' means any property held for more than 3 years other than—

''(A) stock or securities for which there is a market on an established securities market or otherwise, and

''(B) property (other than stock or securities) of a kind regularly traded on an established market.

Such term shall not include any qualified small business stock (as defined in section 1202) nor the principal residence of the taxpayer.

''(5) SUBSECTION NOT TO APPLY TO CERTAIN INDIVIDUALS.—This subsection shall not apply to any individual who has not attained age 25 before the close of the taxable year.

''(6) SUBSECTION NOT TO APPLY TO CERTAIN TAXPAYERS.—This subsection shall not apply to—

''(A) a married individual (within the meaning of section 7703) filing a separate return for the taxable year, or

''(B) an estate or trust.

''(7) SPECIAL RULES.—

''(A) TREATMENT OF CERTAIN SALES OF INTERESTS IN PARTNERSHIPS, ETC.—For purposes of this subsection, any gain from the sale or exchange of a qualified asset which is an interest in a partnership, S corporation, or trust shall not be treated as gain from the sale or exchange of a qualified asset to the extent such gain is attributable to unrealized appreciation in the value of property described in subparagraph (A) or (B) of paragraph (4) which is held by such entity. Rules similar to the rules of section 751(f) shall apply for purposes of the preceding sentence.

''(B) SPECIAL RULE FOR PASS-THRU ENTITIES.—

''(i) IN GENERAL.—In applying this subsection with respect to any pass-thru entity—

''(I) the determination of when the sale or exchange occurs shall be made at the entity level, and

''(II) any gain attributable to such entity shall in no event be treated as gain from sale or exchange of a qualified asset if interests in such entity are described in subparagraph (A) or (B) of paragraph (4).

''(ii) PASS-THRU ENTITY DEFINED.—For purposes of clause (i), the term 'pass-thru-entity' means—

''(I) a regulated investment company,

''(II) a real estate investment trust,

''(III) an S corporation,

''(IV) a partnership,

''(V) an estate or trust, and

''(VI) a common trust fund.''

(c) TREATMENT OF COLLECTIBLES.—

(1) IN GENERAL.—Section 1222 is amended by inserting after paragraph (11) the following new paragraph:

''(12) SPECIAL RULE FOR COLLECTIBLES.—

''(A) IN GENERAL.—Any gain or loss from the sale or exchange of a collectible shall be treated as a short-term capital gain or loss (as the case may be), without regard to the period such asset was held. The preceding sentence shall apply only to the extent the gain or loss is taken into account in computing taxable income.

''(B) TREATMENT OF CERTAIN SALES OF INTERESTS IN PARTNERSHIPS, ETC.—For purposes of subparagraph (A), any gain from the sale or exchange of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 751(f) shall apply for purposes of the preceding sentence.

''(C) COLLECTIBLE.—For purposes of this paragraph, the term 'collectible' means any capital asset which is a collectible (as defined in section 408(m) without regard to paragraph (3) thereof).''

(2) CHARITABLE DEDUCTION NOT AFFECTED.—

(A) Paragraph (1) of section 170(e) is amended by adding at the end thereof the following new sentence: ''For purposes of this paragraph, section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles).''

(B) Clause (iv) of section 170(b)(1)(C) is amended by inserting before the period at the end thereof the following: ''and section 1222 shall be applied without regard to paragraph (12) thereof (relating to special rule for collectibles)''.

(d) MINIMUM TAX TREATMENT.—Clause (i) of section 55(b)(1)(A) is amended to read as follows:

''(i) IN GENERAL.—In the case of a taxpayer other than a corporation, the tentative minimum tax for the taxable year is the sum of—

''(I) 18 percent of so much of the taxable excess as does not exceed the lifetime qualified net capital gain for the taxable year,

''(II) 26 percent of so much of the ordinary taxable excess as does not exceed $175,000, plus

''(III) 28 percent of so much of the ordinary taxable excess as exceeds $175,000.

For purposes of the preceding sentence, the term 'ordinary taxable excess' means the taxable excess reduced by the lifetime qualified net capital gain. The amount determined under this clause shall be reduced by the alternative minimum tax foreign tax credit for the taxable year.''

(e) EFFECTIVE DATE.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years ending on or after May 7, 1997.

TITLE V—ESTATE TAX RELIEF

SEC. 501. FAMILY-OWNED BUSINESS EXCLUSION.

(a) IN GENERAL.—Part III of subchapter A of chapter 11 (relating to gross estate) is amended by inserting after section 2033 the following new section:

"SEC. 2033A. FAMILY-OWNED BUSINESS EXCLUSION.

''(a) IN GENERAL.—In the case of an estate of a decedent to which this section applies, the value of the gross estate shall not include the lesser of—

''(1) the adjusted value of the qualified family-owned business interests of the decedent otherwise includible in the estate, or

''(2) $400,000, increased by the amount (if any) of the limitation under this paragraph not claimed by the estate of a previously deceased spouse of the decedent.

''(b) ESTATES TO WHICH SECTION APPLIES.—

''(1) IN GENERAL.—This section shall apply to an estate if—

''(A) the decedent was (at the date of the decedent's death) a citizen or resident of the United States,

''(B) the sum of—

''(i) the adjusted value of the qualified family-owned business interests described in paragraph (2), plus

''(ii) the amount of the gifts of such interests determined under paragraph (3),

exceeds 50 percent of the adjusted gross estate, and

''(C) during the 8-year period ending on the date of the decedent's death there have been periods aggregating 5 years or more during which—

''(i) such interests were owned by the decedent or a member of the decedent's family, and

''(ii) there was material participation (within the meaning of section 2032A(e)(6)) by the decedent or a member of the decedent's family in the operation of the business to which such interests relate.

''(2) INCLUDIBLE QUALIFIED FAMILY-OWNED BUSINESS INTERESTS.—The qualified family-owned business interests described in this paragraph are the interests which—

''(A) are included in determining the value of the gross estate (without regard to this section), and

''(B) are acquired by any qualified heir from, or passed to any qualified heir from, the decedent (within the meaning of section 2032A(e)(9)).

''(3) INCLUDIBLE GIFTS OF INTERESTS.—The amount of the gifts of qualified family-owned business interests determined under this paragraph is the excess of—

''(A) the sum of—

''(i) the amount of such gifts from the decedent to members of the decedent's family taken into account under subsection 2001(b)(1)(B), plus

''(ii) the amount of such gifts otherwise excluded under section 2503(b),

to the extent such interests are continuously held by members of such family (other than the decedent's spouse) between the date of the gift and the date of the decedent's death, over

''(B) the amount of such gifts from the decedent to members of the decedent's family otherwise included in the gross estate.

''(c) ADJUSTED GROSS ESTATE.—For purposes of this section, the term 'adjusted gross estate' means the value of the gross estate (determined without regard to this section)—

''(1) reduced by any amount deductible under paragraph (3) or (4) of section 2053(a), and

''(2) increased by the excess of—

''(A) the sum of—

''(i) the amount of gifts determined under subsection (b)(3),

''(ii) the amount (if more than de minimis) of other transfers from the decedent to the decedent's spouse (at the time of the transfer) within 10 years of the date of the decedent's death, plus

''(iii) the amount of other gifts (not included under clause (i) or (ii)) from the decedent within 3 years of such date, other than gifts to members of the decedent's family otherwise excluded under section 2503(b), over

''(B) the sum of the amounts described in clauses (i), (ii), and (iii) of subparagraph (A) which are otherwise includible in the gross estate.

For purposes of the preceding sentence, the Secretary may provide that de minimis gifts to persons other than members of the decedent's family shall not be taken into account.

''(d) ADJUSTED VALUE OF THE QUALIFIED FAMILY-OWNED BUSINESS INTERESTS.—For purposes of this section, the adjusted value of any qualified family-owned business interest is the value of such interest for purposes of this chapter (determined without regard to this section), reduced by the excess of—

''(1) any amount deductible under paragraph (3) or (4) of section 2053(a), over

''(2) the sum of—

''(A) any indebtedness on any qualified residence of the decedent the interest on which is deductible under section 163(h)(3),

''(B) any indebtedness to the extent the taxpayer establishes that the proceeds of such indebtedness were used for the payment of educational and medical expenses of the decedent, the decedent's spouse, or the decedent's dependents (within the meaning of section 152), plus

''(C) any indebtedness not described in clause (i) or (ii), to the extent such indebtedness does not exceed $10,000.

''(e) QUALIFIED FAMILY-OWNED BUSINESS INTEREST.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified family-owned business interest' means—

''(A) an interest as a proprietor in a trade or business carried on as a proprietorship, or

''(B) an interest in an entity carrying on a trade or business, if—

''(i) at least—

''(I) 50 percent of such entity is owned (directly or indirectly) by the decedent and members of the decedent's family,

''(II) 70 percent of such entity is so owned by members of 2 families, or

''(III) 90 percent of such entity is so owned by members of 3 families, and

''(ii) for purposes of subclause (II) or (III) of clause (i), at least 30 percent of such entity is so owned by the decedent and members of the decedent's family.

''(2) LIMITATION.—Such term shall not include—

''(A) any interest in a trade or business the principal place of business of which is not located in the United States,

''(B) any interest in an entity, if the stock or debt of such entity or a controlled group (as defined in section 267(f)(1)) of which such entity was a member was readily tradable on an established securities market or secondary market (as defined by the Secretary) at any time within 3 years of the date of the decedent's death,

''(C) any interest in a trade or business not described in section 542(c)(2), if more than 35 percent of the adjusted ordinary gross income of such trade or business for the taxable year which includes the date of the decedent's death would qualify as personal holding company income (as defined in section 543(a)), or

''(D) that portion of an interest in a trade or business that is attributable to—

''(i) cash or marketable securities, or both, in excess of the reasonably expected day-to-day working capital needs of such trade or business, and

''(ii) any other assets of the trade or business (other than assets used in the active conduct of a trade or business described in section 542(c)(2)), the income of which is described in section 543(a) or in subparagraph (B), (C), (D), or (E) of section 954(c)(1) (determined by substituting 'trade or business' for 'controlled foreign corporation').

''(3) RULES REGARDING OWNERSHIP.—

''(A) OWNERSHIP OF ENTITIES.—For purposes of paragraph (1)(B)—

''(i) CORPORATIONS.—Ownership of a corporation shall be determined by the holding of stock possessing the appropriate percentage of the total combined voting power of all classes of stock entitled to vote and the appropriate percentage of the total value of shares of all classes of stock.

''(ii) PARTNERSHIPS.—Ownership of a partnership shall be determined by the owning of the appropriate percentage of the capital interest in such partnership.

''(B) OWNERSHIP OF TIERED ENTITIES.—For purposes of this section, if by reason of holding an interest in a trade or business, a decedent, any member of the decedent's family, any qualified heir, or any member of any qualified heir's family is treated as holding an interest in any other trade or business—

''(i) such ownership interest in the other trade or business shall be disregarded in determining if the ownership interest in the first trade or business is a qualified family-owned business interest, and

''(ii) this section shall be applied separately in determining if such interest in any other trade or business is a qualified family-owned business interest.

''(C) INDIVIDUAL OWNERSHIP RULES.—For purposes of this section, an interest owned, directly or indirectly, by or for an entity described in paragraph (1)(B) shall be considered as being owned proportionately by or for the entity's shareholders, partners, or beneficiaries. A person shall be treated as a beneficiary of any trust only if such person has a present interest in such trust.

''(f) TAX TREATMENT OF FAILURE TO MATERIALLY PARTICIPATE IN BUSINESS OR DISPOSITIONS OF INTERESTS.—

''(1) IN GENERAL.—There is imposed an additional estate tax if, within 10 years after the date of the decedent's death and before the date of the qualified heir's death—

''(A) the material participation requirements described in section 2032A(c)(6)(B) are not met with respect to the qualified family-owned business interest which was acquired (or passed) from the decedent,

''(B) the qualified heir disposes of any portion of a qualified family-owned business interest (other than by a disposition to a member of the qualified heir's family or through a qualified conservation contribution under section 170(h)),

''(C) the qualified heir loses United States citizenship (within the meaning of section 877) or with respect to whom an event described in subparagraph (A) or (B) of section 877(e)(1) occurs, and such heir does not comply with the requirements of subsection (g), or

''(D) the principal place of business of a trade or business of the qualified family-owned business interest ceases to be located in the United States.

''(2) ADDITIONAL ESTATE TAX.—

''(A) IN GENERAL.—The amount of the additional estate tax imposed by paragraph (1) shall be equal to—

''(i) the applicable percentage of the adjusted tax difference attributable to the qualified family-owned business interest (as

determined under rules similar to the rules of section 2032A(c)(2)(B)), plus

''(ii) interest on the amount determined under clause (i) at the underpayment rate established under section 6621 for the period beginning on the date the estate tax liability was due under this chapter and ending on the date such additional estate tax is due.

''(B) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined under the following table:

''If the event described in paragraph (1) occurs in the following year of material participation:	The applicable percentage is:
1 through 6	100
7	80
8	60
9	40
10	20.

''(g) SECURITY REQUIREMENTS FOR NONCITIZEN QUALIFIED HEIRS.—

''(1) IN GENERAL.—Except upon the application of subparagraph (F) or (M) of subsection (h)(3), if a qualified heir is not a citizen of the United States, any interest under this section passing to or acquired by such heir (including any interest held by such heir at a time described in subsection (f)(1)(C)) shall be treated as a qualified family-owned business interest only if the interest passes or is acquired (or is held) in a qualified trust.

''(2) QUALIFIED TRUST.—The term 'qualified trust' means a trust—

''(A) which is organized under, and governed by, the laws of the United States or a State, and

''(B) except as otherwise provided in regulations, with respect to which the trust instrument requires that at least 1 trustee of the trust be an individual citizen of the United States or a domestic corporation.

''(h) OTHER DEFINITIONS AND APPLICABLE RULES.—For purposes of this section—

''(1) QUALIFIED HEIR.—The term 'qualified heir'—

''(A) has the meaning given to such term by section 2032A(e)(1), and

''(B) includes any active employee of the trade or business to which the qualified family-owned business interest relates if such employee has been employed by such trade or business for a period of at least 10 years before the date of the decedent's death.

''(2) MEMBER OF THE FAMILY.—The term 'member of the family' has the meaning given to such term by section 2032A(e)(2).

''(3) APPLICABLE RULES.—Rules similar to the following rules shall apply:

''(A) Section 2032A(b)(4) (relating to decedents who are retired or disabled).

''(B) Section 2032A(b)(5) (relating to special rules for surviving spouses).

''(C) Section 2032A(c)(2)(D) (relating to partial dispositions).

''(D) Section 2032A(c)(3) (relating to only 1 additional tax imposed with respect to any 1 portion).

''(E) Section 2032A(c)(4) (relating to due date).

''(F) Section 2032A(c)(5) (relating to liability for tax; furnishing of bond).

''(G) Section 2032A(c)(7) (relating to no tax if use begins within 2 years; active management by eligible qualified heir treated as material participation).

''(H) Section 2032A(e)(10) (relating to community property).

''(I) Section 2032A(e)(14) (relating to treatment of replacement property acquired in section 1031 or 1033 transactions).

''(J) Section 2032A(f) (relating to statute of limitations).

''(K) Section 6166(b)(3) (relating to farmhouses and certain other structures taken into account).

''(L) Subparagraphs (B), (C), and (D) of section 6166(g)(1) (relating to acceleration of payment).

''(M) Section 6324B (relating to special lien for additional estate tax).''

(b) CLERICAL AMENDMENT.—The table of sections for part III of subchapter A of chapter 11 is amended by inserting after the item relating to section 2033 the following new item:

''Sec. 2033A. Family-owned business exclusion.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 1997.

TITLE VI—EXTENSION OF EXPIRING PROVISIONS

SEC. 601. RESEARCH CREDIT.

(a) IN GENERAL.—Section 41(h)(1) is amended—

(1) by striking ''May 31, 1997'' and inserting ''May 31, 1998'', and

(2) by striking the last sentence.

(b) CONFORMING AMENDMENT.—Section 45C(b)(1)(D) is amended by striking ''1997'' and inserting ''1998''.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years ending after May 31, 1997.

SEC. 602. ORPHAN DRUG CREDIT MADE PERMANENT.

(a) IN GENERAL.—Subsection (e) of section 45C is hereby repealed.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to amounts paid or incurred in taxable years ending after May 31, 1997.

SEC. 603. CONTRIBUTIONS OF APPRECIATED STOCK.

(a) IN GENERAL.—Clause (ii) of section 170(e)(5)(D) is amended by striking ''May 31, 1997'' and inserting ''May 31, 1998''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to contributions made after May 31, 1997.

SEC. 604. EXTENSION AND MODIFICATION OF WORK OPPORTUNITY CREDIT.

(a) EXTENSION OF CREDIT.—Subparagraph (B) of section 51(c)(4) (relating to termination) is amended by striking ''September 30, 1997'' and inserting ''September 30, 1998''.

(b) PERCENTAGE OF WAGES ALLOWED AS CREDIT.—

(1) IN GENERAL.—Subsection (a) of section 51 (relating to determination of amount) is amended by striking ''35 percent'' and inserting ''40 percent''.

(2) APPLICATION OF CREDIT FOR INDIVIDUALS PERFORMING FEWER THAN 400 HOURS OF SERVICES.—Paragraph (3) of section 51(i) is amended to read as follows:

''(3) INDIVIDUALS NOT MEETING MINIMUM EMPLOYMENT PERIODS.—

''(A) REDUCTION OF CREDIT FOR INDIVIDUALS PERFORMING FEWER THAN 400 HOURS OF SERVICES.—In the case of an individual who has completed at least 120 hours, but less than 400 hours, of services performed for the employer, subsection (a) shall be applied by substituting '25 percent' for '40 percent'.

''(B) DENIAL OF CREDIT FOR INDIVIDUALS PERFORMING FEWER THAN 120 HOURS OF SERVICES.—No wages shall be taken into account under subsection (a) with respect to any individual unless such individual has completed at least 120 hours of services performed for the employer.''

(c) MODIFICATION OF ELIGIBILITY REQUIREMENT BASED ON PERIOD ON WELFARE.—Subparagraph (A) of section 51(d)(2) (defining qualified IV–A recipient) is amended by striking all that follows ''a IV–A program'' and inserting ''for any 9 months during the 18-month period ending on the hiring date.''

(d) CERTAIN OLDER FOOD STAMP RECIPIENTS TREATED AS MEMBERS OF TARGETED GROUP.—Paragraph (8) of section 51(d) (defining qualified food stamp recipient) is amended to read as follows:

''(8) QUALIFIED FOOD STAMP RECIPIENT.—

''(A) IN GENERAL.—The term 'qualified food stamp recipient' means any individual who is certified by the designated local agency—

''(i) as having attained age 18 but not age 25 on the hiring date, and

''(ii) as being a member of a family receiving assistance under a food stamp program under the Food Stamp Act of 1977 for the 6-month period ending on the hiring date.

''(B) CERTAIN OLDER RECIPIENTS.—The term 'qualified food stamp recipient' includes any individual who is certified by the designated local agency—

''(i) as having attained age 18 but not age 50 on the hiring date,

''(ii) as being a recipient of benefits under the food stamp program who is affected by section 6(o) of the Food Stamp Act of 1977 but who has not been made ineligible for refusing to work in accordance with section 6(o)(2)(A) of such Act, or failing to comply with the requirements of a work program under subparagraph (B), (C), or (D) of section 6(o)(2)(A) of such Act, and

''(iii) as having a hiring date which is not more than 1 year after the date of such cessation.

''(C) TERMINATION.—In lieu of applying subsection (c)(4), this subsection shall not apply to amounts paid or incurred with respect to an individual who begins work for the employer after September 30, 2000.''

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after the date of the enactment of this Act.

TITLE VII—EMPOWERMENT ZONES, ETC.

Subtitle A—Empowerment Zones

SEC. 701. ADDITIONAL EMPOWERMENT ZONES WITH CURRENT LAW BENEFITS.

(a) IN GENERAL.—Paragraph (2) of section 1391(b) (relating to designations of empowerment zones and enterprise communities) is amended—

(1) by striking ''9'' and inserting ''11'',

(2) by striking ''6'' and inserting ''8'', and

(3) by striking ''750,000'' and inserting ''1,000,000''.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act, except that designations of new empowerment zones made pursuant to such amendments shall be made during the 180-day period beginning on the date of the enactment of this Act.

SEC. 702. DESIGNATION OF ADDITIONAL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.

(a) IN GENERAL.—Section 1391 (relating to designation procedure for empowerment zones and enterprise communities) is amended by adding at the end the following new subsection:

''(g) ADDITIONAL DESIGNATIONS PERMITTED.—

''(1) IN GENERAL.—In addition to the areas designated under subsection (a)—

''(A) ENTERPRISE COMMUNITIES.—The appropriate Secretaries may designate in the aggregate an additional 80 nominated areas as enterprise communities under this section, subject to the availability of eligible nominated areas. Of that number, not more than 50 may be designated in urban areas and not more than 30 may be designated in rural areas.

''(B) EMPOWERMENT ZONES.—The appropriate Secretaries may designate in the aggregate an additional 20 nominated areas as

empowerment zones under this section, subject to the availability of eligible nominated areas. Of that number, not more than 15 may be designated in urban areas and not more than 5 may be designated in rural areas.

''(2) PERIOD DESIGNATIONS MAY BE MADE.—A designation may be made under this subsection after the date of the enactment of this subsection and before January 1, 1999.

''(3) MODIFICATIONS TO ELIGIBILITY CRITERIA, ETC.—

''(A) POVERTY RATE REQUIREMENT.—

''(i) IN GENERAL.—A nominated area shall be eligible for designation under this subsection only if the poverty rate for each population census tract within the nominated area is not less than 20 percent and the poverty rate for at least 90 percent of the population census tracts within the nominated area is not less than 25 percent.

''(ii) TREATMENT OF CENSUS TRACTS WITH SMALL POPULATIONS.—A population census tract with a population of less than 2,000 shall be treated as having a poverty rate of not less than 25 percent if—

''(I) more than 75 percent of such tract is zoned for commercial or industrial use, and

''(II) such tract is contiguous to 1 or more other population census tracts which have a poverty rate of not less than 25 percent (determined without regard to this clause).

''(iii) EXCEPTION FOR DEVELOPABLE SITES.—Clause (i) shall not apply to up to 3 noncontiguous parcels in a nominated area which may be developed for commercial or industrial purposes. The aggregate area of noncontiguous parcels to which the preceding sentence applies with respect to any nominated area shall not exceed 1,000 acres (2,000 acres in the case of an empowerment zone).

''(iv) CERTAIN PROVISIONS NOT TO APPLY.—Section 1392(a)(4) (and so much of paragraphs (1) and (2) of section 1392(b) as relate to section 1392(a)(4)) shall not apply to an area nominated for designation under this subsection.

''(v) SPECIAL RULE FOR RURAL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.—The Secretary of Agriculture may designate not more than 1 empowerment zone, and not more than 5 enterprise communities, in rural areas without regard to clause (i) if such areas satisfy emigration criteria specified by the Secretary of Agriculture.

''(B) SIZE LIMITATION.—

''(i) IN GENERAL.—The parcels described in subparagraph (A)(iii) shall not be taken into account in determining whether the requirement of subparagraph (A) or (B) of section 1392(a)(3) is met.

''(ii) SPECIAL RULE FOR RURAL AREAS.—If a population census tract (or equivalent division under section 1392(b)(4)) in a rural area exceeds 1,000 square miles or includes a substantial amount of land owned by the Federal, State, or local government, the nominated area may exclude such excess square mileage or governmentally owned land and the exclusion of that area will not be treated as violating the continuous boundary requirement of section 1392(a)(3)(B).

''(C) AGGREGATE POPULATION LIMITATION.—The aggregate population limitation under the last sentence of subsection (b)(2) shall not apply to a designation under paragraph (1)(B).

''(D) PREVIOUSLY DESIGNATED ENTERPRISE COMMUNITIES MAY BE INCLUDED.—Subsection (e)(5) shall not apply to any enterprise community designated under subsection (a) that is also nominated for designation under this subsection.

''(E) INDIAN RESERVATIONS MAY BE NOMINATED.—

''(i) IN GENERAL.—Section 1393(a)(4) shall not apply to an area nominated for designation under this subsection.

''(ii) SPECIAL RULE.—An area in an Indian reservation shall be treated as nominated by a State and a local government if it is nominated by the reservation governing body (as determined by the Secretary of Interior).''

(b) EMPLOYMENT CREDIT NOT TO APPLY TO NEW EMPOWERMENT ZONES.—Section 1396 (relating to empowerment zone employment credit) is amended by adding at the end the following new subsection:

''(e) CREDIT NOT TO APPLY TO EMPOWERMENT ZONES DESIGNATED UNDER SECTION 1391(g).—This section shall be applied without regard to any empowerment zone designated under section 1391(g).''

(c) INCREASED EXPENSING UNDER SECTION 179 NOT TO APPLY IN DEVELOPABLE SITES.—Section 1397A (relating to increase in expensing under section 179) is amended by adding at the end the following new subsection:

''(c) LIMITATION.—For purposes of this section, qualified zone property shall not include any property substantially all of the use of which is in any parcel described in section 1391(g)(3)(A)(iii).''

(d) SET ASIDE FOR AREAS WITH EMPLOYMENT LOSSES IN FINANCIAL SERVICE INDUSTRIES.—Section 1391 is amended by adding at the end the following new subsection:

''(g) SET ASIDE FOR AREAS WITH EMPLOYMENT LOSSES IN FINANCIAL SERVICE INDUSTRIES.—

''(1) IN GENERAL.—At least 3 of the additional empowerment zones authorized under this section by reason of the enactment of the Revenue Reconciliation Act of 1997 shall be nominated areas described in paragraph (2).

''(2) DESCRIPTION.—A nominated area is described in this paragraph if—

''(A) at least 12 percent of the wages attributable to private, nonagricultural employment in the area during 1989, and subject to tax under section 3301 during such year, were in the financial institution and real estate sectors, and

''(B) the employment in such area in such sectors for the calendar year preceding the calendar year in which such area is nominated for designation is 10 percent (or, if lesser, 5,000 full-time equivalent jobs) less than such employment during 1989.

The requirement of subparagraph (B) shall not be met if substantially all of such decline in employment is attributable to 1 employer. Data for the labor market area which includes the nominated area may be used for purposes of this paragraph if data is not separately available for the nominated area.

''(3) CENTRAL BUSINESS DISTRICT ELIGIBLE.—Subparagraph (D) of section 1392(a)(3) shall not apply to a nominated area described in paragraph (2).

''(4) FINANCIAL SERVICES BUSINESSES ELIGIBLE.—For purposes of this part, the term 'enterprise zone business' includes any entity (or portion of an entity) if substantially all the activities of such entity (or portion thereof) consists of engaging in a banking, insurance, financing, or similar business in an empowerment zone designated by reason of this subsection.''

(e) CONFORMING AMENDMENTS.—

(1) Subsections (e) and (f) of section 1391 are each amended by striking ''subsection (a)'' and inserting ''this section''.

(2) Section 1391(c) is amended by striking ''this section'' and inserting ''subsection (a)''.

SEC. 703. VOLUME CAP NOT TO APPLY TO ENTERPRISE ZONE FACILITY BONDS WITH RESPECT TO NEW EMPOWERMENT ZONES.

(a) IN GENERAL.—Section 1394 (relating to tax-exempt enterprise zone facility bonds) is amended by adding at the end the following new subsection:

''(f) BONDS FOR EMPOWERMENT ZONES DESIGNATED UNDER SECTION 1391(g).—

''(1) IN GENERAL.—In the case of a new empowerment zone facility bond—

''(A) such bond shall not be treated as a private activity bond for purposes of section 146, and

''(B) subsection (c) of this section shall not apply.

''(2) LIMITATION ON AMOUNT OF BONDS.—

''(A) IN GENERAL.—Paragraph (1) shall apply to a new empowerment zone facility bond only if such bond is designated for purposes of this subsection by the local government which nominated the area to which such bond relates.

''(B) LIMITATION ON BONDS DESIGNATED.—The aggregate face amount of bonds which may be designated under subparagraph (A) with respect to any empowerment zone shall not exceed—

''(i) $60,000,000 if such zone is in a rural area,

''(ii) $130,000,000 if such zone is in an urban area and the zone has a population of less than 100,000, and

''(iii) $230,000,000 if such zone is in an urban area and the zone has a population of at least 100,000.

''(C) SPECIAL RULES.—

''(i) COORDINATION WITH LIMITATION IN SUBSECTION (c).—Bonds to which paragraph (1) applies shall not be taken into account in applying the limitation of subsection (c) to other bonds.

''(ii) CURRENT REFUNDING NOT TAKEN INTO ACCOUNT.—In the case of a refunding (or series of refundings) of a bond designated under this paragraph, the refunding obligation shall be treated as designated under this paragraph (and shall not be taken into account in applying subparagraph (B)) if—

''(I) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, and

''(II) the refunded bond is redeemed not later than 90 days after the date of issuance of the refunding bond.

''(3) NEW EMPOWERMENT ZONE FACILITY BOND.—For purposes of this subsection, the term 'new empowerment zone facility bond' means any bond which would be described in subsection (a) if only empowerment zones designated under section 1391(g) were taken into account under sections 1397B and 1397C.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to obligations issued after the date of the enactment of this Act.

SEC. 704. MODIFICATIONS TO ENTERPRISE ZONE FACILITY BOND RULES FOR ALL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.

(a) MODIFICATIONS RELATING TO ENTERPRISE ZONE BUSINESS.—Paragraph (3) of section 1394(b) (defining enterprise zone business) is amended to read as follows:

''(3) ENTERPRISE ZONE BUSINESS.—

''(A) IN GENERAL.—Except as modified in this paragraph, the term 'enterprise zone business' has the meaning given such term by section 1397B.

''(B) MODIFICATIONS.—In applying section 1397B for purposes of this section—

''(i) BUSINESSES IN ENTERPRISE COMMUNITIES ELIGIBLE.—References in section 1397B to empowerment zones shall be treated as including references to enterprise communities.

''(ii) WAIVER OF REQUIREMENTS DURING STARTUP PERIOD.—A business shall not fail to be treated as an enterprise zone business during the startup period if—

''(I) as of the beginning of the startup period, it is reasonably expected that such

business will be an enterprise zone business (as defined in section 1397B as modified by this paragraph) at the end of such period, and

''(II) such business makes bona fide efforts to be such a business.

''(iii) REDUCED REQUIREMENTS AFTER TESTING PERIOD.—A business shall not fail to be treated as an enterprise zone business for any taxable year beginning after the testing period by reason of failing to meet any requirement of subsection (b) or (c) of section 1397B if at least 35 percent of the employees of such business for such year are residents of an empowerment zone or an enterprise community. The preceding sentence shall not apply to any business which is not a qualified business by reason of paragraph (1), (4), or (5) of section 1397B(d).

''(C) DEFINITIONS RELATING TO SUBPARAGRAPH (B).—For purposes of subparagraph (B)—

''(i) STARTUP PERIOD.—The term 'startup period' means, with respect to any property being provided for any business, the period before the first taxable year beginning more than 2 years after the later of—

''(I) the date of issuance of the issue providing such property, or

''(II) the date such property is first placed in service after such issuance (or, if earlier, the date which is 3 years after the date described in subclause (I)).

''(ii) TESTING PERIOD.—The term 'testing period' means the first 3 taxable years beginning after the startup period.

''(D) PORTIONS OF BUSINESS MAY BE ENTERPRISE ZONE BUSINESS.—The term 'enterprise zone business' includes any trades or businesses which would qualify as an enterprise zone business (determined after the modifications of subparagraph (B)) if such trades or businesses were separately incorporated.''

(b) MODIFICATIONS RELATING TO QUALIFIED ZONE PROPERTY.—Paragraph (2) of section 1394(b) (defining qualified zone property) is amended to read as follows:

''(2) QUALIFIED ZONE PROPERTY.—The term 'qualified zone property' has the meaning given such term by section 1397C; except that—

''(A) the references to empowerment zones shall be treated as including references to enterprise communities, and

''(B) section 1397C(a)(2) shall be applied by substituting 'an amount equal to 15 percent of the adjusted basis' for 'an amount equal to the adjusted basis'.''

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

SEC. 705. MODIFICATIONS TO ENTERPRISE ZONE BUSINESS DEFINITION FOR ALL EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES.

(a) IN GENERAL.—Section 1397B (defining enterprise zone business) is amended—

(1) by striking ''80 percent'' in subsections (b)(2) and (c)(1) and inserting ''50 percent'',

(2) by striking ''substantially all'' each place it appears in subsections (b) and (c) and inserting ''a substantial portion'',

(3) by striking '', and exclusively related to,'' in subsections (b)(4) and (c)(3),

(4) by adding at the end of subsection (d)(2) the following new flush sentence:

''For purposes of subparagraph (B), the lessor of the property may rely on a lessee's certification that such lessee is an enterprise zone business.'',

(5) by striking ''substantially all'' in subsection (d)(3) and inserting ''at least 50 percent'', and

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

''(f) TREATMENT OF BUSINESSES STRADDLING CENSUS TRACT LINES.—For purposes of this section, if—

''(1) a business entity or proprietorship uses real property located within an empowerment zone,

''(2) the business entity or proprietorship also uses real property located outside the empowerment zone,

''(3) the amount of real property described in paragraph (1) is substantial compared to the amount of real property described in paragraph (2), and

''(4) the real property described in paragraph (2) is contiguous to part or all of the real property described in paragraph (1),

then all the services performed by employees, all business activities, all tangible property, and all intangible property of the business entity or proprietorship that occur in or is located on the real property described in paragraphs (1) and (2) shall be treated as occurring or situated in an empowerment zone.''

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning on or after the date of the enactment of this Act.

(2) SPECIAL RULE FOR ENTERPRISE ZONE FACILITY BONDS.—For purposes of section 1394(b) of the Internal Revenue Code of 1986, the amendments made by this section shall apply to obligations issued after the date of the enactment of this Act.

Subtitle B—Brownfields

SEC. 711. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 is amended by adding at the end the following new section:

''SEC. 198. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

''(a) IN GENERAL.—A taxpayer may elect to treat any qualified environmental remediation expenditure which is paid or incurred by the taxpayer as an expense which is not chargeable to capital account. Any expenditure which is so treated shall be allowed as a deduction for the taxable year in which it is paid or incurred.

''(b) QUALIFIED ENVIRONMENTAL REMEDIATION EXPENDITURE.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified environmental remediation expenditure' means any expenditure—

''(A) which is otherwise chargeable to capital account, and

''(B) which is paid or incurred in connection with the abatement or control of hazardous substances at a qualified contaminated site.

''(2) SPECIAL RULE FOR EXPENDITURES FOR DEPRECIABLE PROPERTY.—Such term shall not include any expenditure for the acquisition of property of a character subject to the allowance for depreciation which is used in connection with the abatement or control of hazardous substances at a qualified contaminated site; except that the portion of the allowance under section 167 for such property which is otherwise allocated to such site shall be treated as a qualified environmental remediation expenditure.

''(c) QUALIFIED CONTAMINATED SITE.—For purposes of this section—

''(1) QUALIFIED CONTAMINATED SITE.—

''(A) IN GENERAL.—The term 'qualified contaminated site' means any area—

''(i) which is held by the taxpayer for use in a trade or business or for the production of income, or which is property described in section 1221(1) in the hands of the taxpayer,

''(ii) which is within a targeted area, and

''(iii) at or on which there has been a release (or threat of release) or disposal of any hazardous substance.

''(B) TAXPAYER MUST RECEIVE STATEMENT FROM STATE ENVIRONMENTAL AGENCY.—An area shall be treated as a qualified contaminated site with respect to expenditures paid or incurred during any taxable year only if the taxpayer receives a statement from the appropriate agency of the State in which such area is located that such area meets the requirements of clauses (ii) and (iii) of subparagraph (A).

''(C) APPROPRIATE STATE AGENCY.— For purposes of subparagraph (B), the appropriate agency of a State is the agency designated by the Administrator of the Environmental Protection Agency for purposes of this section. If no agency of a State is designated under the preceding sentence, the appropriate agency for such State shall be the Environmental Protection Agency.

''(2) TARGETED AREA.—

''(A) IN GENERAL.—The term 'targeted area' means—

''(i) any population census tract with a poverty rate of not less than 20 percent,

''(ii) a population census tract with a population of less than 2,000 if—

''(I) more than 75 percent of such tract is zoned for commercial or industrial use, and

''(II) such tract is contiguous to 1 or more other population census tracts which meet the requirement of clause (i) without regard to this clause,

''(iii) any empowerment zone or enterprise community (and any supplemental zone designated on December 21, 1994), and

''(iv) any site announced before February 1, 1997, as being included as a brownfields pilot project of the Environmental Protection Agency.

''(B) NATIONAL PRIORITIES LISTED SITES NOT INCLUDED.—Such term shall not include any site which is on, or proposed for, the national priorities list under section 105(a)(8)(B) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (as in effect on the date of the enactment of this section).

''(C) CERTAIN RULES TO APPLY.—For purposes of this paragraph the rules of sections 1392(b)(4) and 1393(a)(9) shall apply.

''(d) HAZARDOUS SUBSTANCE.—For purposes of this section—

''(1) IN GENERAL.—The term 'hazardous substance' means—

''(A) any substance which is a hazardous substance as defined in section 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, and

''(B) any substance which is designated as a hazardous substance under section 102 of such Act.

''(2) EXCEPTION.—Such term shall not include any substance with respect to which a removal or remedial action is not permitted under section 104 of such Act by reason of subsection (a)(3) thereof.

''(e) DEDUCTION RECAPTURED AS ORDINARY INCOME ON SALE, ETC.—Solely for purposes of section 1245, in the case of property to which a qualified environmental remediation expenditure would have been capitalized but for this section—

''(1) the deduction allowed by this section for such expenditure shall be treated as a deduction for depreciation, and

''(2) such property (if not otherwise section 1245 property) shall be treated as section 1245 property solely for purposes of applying section 1245 to such deduction.

''(f) COORDINATION WITH OTHER PROVISIONS.—Sections 280B and 468 shall not apply to amounts which are treated as expenses under this section.

''(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.''

(b) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by adding at the end the following new item:

''Sec. 198. Expensing of environmental remediation costs.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to expenditures paid or incurred after the date of the enactment of this Act, in taxable years ending after such date.

SEC. 712. USE OF REDEVELOPMENT BONDS FOR ENVIRONMENTAL REMEDIATION.

(a) ENVIRONMENTAL REMEDIATION INCLUDED AS REDEVELOPMENT PURPOSE.—Subparagraph (A) of section 144(c)(3) (relating to redevelopment purposes) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by adding at the end the following new clause:

''(v) costs incurred in connection with abatement or control of hazardous substances at a qualified contaminated site (as defined in section 198(c)) if such costs are incurred pursuant to an environmental remediation plan which was approved by the Administrator of the Environmental Protection Agency or by the head of any State or local government agency designated by the Administrator to carry out the Administrator's functions under this clause.''

(b) CERTAIN REQUIREMENTS NOT TO APPLY TO REDEVELOPMENT BONDS FOR ENVIRONMENTAL REMEDIATION.—Subsection (c) of section 144 is amended by adding at the end the following new paragraph:

''(9) CERTAIN REQUIREMENTS NOT TO APPLY TO REDEVELOPMENT BONDS FOR ENVIRONMENTAL REMEDIATION.—In the case of any bond issued as part of an issue 95 percent or more of the proceeds of which are to finance costs referred to in paragraph (3)(A)(v)—

''(A) paragraph (2)(A)(i) shall not apply,

''(B) paragraph (2)(A)(ii) shall not apply to any issue issued by the governing body described in paragraph (4)(A) with respect to the area which includes the site,

''(C) the requirement of paragraph (2)(B)(ii) shall be treated as met if—

''(i) the payment of the principal and interest on such issue is secured by taxes imposed by a governmental unit, or

''(ii) such issue is approved by the applicable elected representative (as defined in section 147(f)(2)(E)) of the governmental unit which issued such issue (or on behalf of which such issue was issued),

''(D) subparagraphs (C) and (D) of paragraph (2) shall not apply,

''(E) subparagraphs (C) and (D) of paragraph (4) shall not apply, and

''(F) if the real property referred to in clause (iii) of paragraph (3)(A) is 1 or more dwelling units, such clause shall apply only if the requirements of section 142(d) or 143 (as the case may be) are met with respect to such units.''

(c) PENALTY FOR FAILURE TO SATISFACTORILY COMPLETE REMEDIATION PLAN.—Subsection (b) of section 150 is amended by adding at the end thereof the following new paragraph:

''(7) QUALIFIED CONTAMINATED SITE REMEDIATION BONDS.—In the case of financing provided for costs described in section 144(c)(3)(A)(v), no deduction shall be allowed under this chapter for interest on such financing during any period during which there is a determination by the Administrator of the Environmental Protection Agency (or by the head of any State or local government agency designated by the Administrator to carry out the Administrator's functions under this paragraph) that the remediation plan under which such costs were incurred was not satisfactorily completed.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after the date of the enactment of this Act.

Subtitle C—Welfare to Work Credit

SEC. 721. WELFARE TO WORK CREDIT.

(a) ADDITIONAL TEMPORARY INCENTIVES FOR EMPLOYING LONG-TERM FAMILY ASSISTANCE RECIPIENTS.—Section 51 (relating to amount of work opportunity credit) is amended by inserting after subsection (d) the following new subsection:

''(e) ADDITIONAL TEMPORARY INCENTIVES FOR EMPLOYING LONG-TERM FAMILY ASSISTANCE RECIPIENTS.—

''(1) TREATMENT AS MEMBER OF TARGETED GROUP.—A long-term family assistance recipient shall be treated for purposes of this section as a member of a targeted group.

''(2) MODIFICATION TO PERCENTAGE AND YEARS OF CREDIT.—In the case of a long-term family assistance recipient, the amount of the work opportunity credit determined under this section for the taxable year shall be equal to the sum of—

''(A) 50 percent of the qualified first-year wages, and

''(B) 50 percent of the qualified second-year wages.

''(3) MODIFICATION TO AMOUNT OF WAGES TAKEN INTO ACCOUNT.—In the case of a long-term family assistance recipient—

''(A) $10,000 OF WAGES MAY BE TAKEN INTO ACCOUNT.—In lieu of applying subsection (b)(3), the amount of the qualified first-year wages, and the amount of qualified second-year wages, which may be taken into account with respect to any individual shall not exceed $10,000 per year.

''(B) CERTAIN AMOUNTS TREATED AS WAGES.—The term 'wages' includes amounts paid or incurred by the employer which are excludable from such recipient's gross income under—

''(i) section 105 (relating to amounts received under accident and health plans),

''(ii) section 106 (relating to contributions by employer to accident and health plans),

''(iii) section 127 (relating to educational assistance programs) or would be so excludable but for section 127(d), but only to the extent paid or incurred to a person not related to the employer, or

''(iv) section 129 (relating to dependent care assistance programs).

The amount treated as wages by clause (i) or (ii) for any period shall be based on the reasonable cost of coverage for the period, but shall not exceed the applicable premium for the period under section 4980B(f)(4).

''(C) SPECIAL RULES FOR AGRICULTURAL AND RAILWAY LABOR.—If such recipient is an employee to which subparagraph (A) or (B) of subsection (h)(1) applies—

''(i) such subparagraph (A) shall be applied by substituting '$10,000' for '$6,000', and

''(ii) such subparagraph (B) shall be applied by substituting '$825' for '$500'.

''(D) TERMINATION.—In lieu of applying subsection (c)(4), this subsection shall not apply to amounts paid or incurred with respect to an individual who begins work for the employer after September 30, 2000.

''(4) LONG-TERM FAMILY ASSISTANCE RECIPIENT.—For purposes of this subsection, the term 'long-term family assistance recipient' means any individual who is certified by the designated local agency—

''(A) as being a member of a family receiving assistance under a IV-A program (as defined in subsection (d)(2)(B)) for at least the 18-month period ending on the hiring date,

''(B)(i) as being a member of a family receiving such assistance for any 18-month period beginning after the date of the enactment of this subsection, and

''(ii) as having a hiring date which is not more than 2 years after the end of the earliest such 18-month period, or

''(C)(i) as being a member of a family which ceased to be eligible after the date of the enactment of this subsection for such assistance by reason of any limitation imposed by Federal or State law on the maximum period such assistance is payable to a family, and

''(ii) as having a hiring date which is not more than 2 years after the date of such cessation.

''(5) QUALIFIED SECOND-YEAR WAGES.—For purposes of this subsection, the term 'qualified second-year wages' means, with respect to any individual, the qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under subsection (b)(2).''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to individuals who begin work for the employer after the date of the enactment of this Act.

Subtitle D—Community Development Financial Institutions

SEC. 731. CREDIT FOR QUALIFIED EQUITY INVESTMENTS IN COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business-related credits) is amended by adding at the end the following new section:

''SEC. 45E. QUALIFIED EQUITY INVESTMENTS IN COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS.

''(a) GENERAL RULE.—For purposes of section 38, the community development financial institution investment credit for any taxable year is an amount equal to the applicable percentage of the qualified equity investment made by the taxpayer during the taxable year.

''(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a), the term 'applicable percentage' means, with respect to any investment, 25 percent, or, if the CDFI Fund establishes a lower percentage with respect to such investment for purposes of this section, such lower percentage.

''(c) QUALIFIED EQUITY INVESTMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified equity investment' means any stock or partnership interest in a community development financial institution (as defined in section 103 of the Community Development Banking and Financial Institutions Act of 1994 (12 U.S.C. 4702))—

''(A) if such institution is designated for purposes of this section by the CDFI Fund,

''(B) if such stock or partnership interest is acquired by the taxpayer at its original issue from the institution (directly or through an underwriter) in exchange for money or other property, and

''(C) to the extent the amount of such investment is designated for such purposes by such Fund.

Rules similar to the rules of section 1202(c)(3) shall apply for purposes of subparagraph (B).

''(2) CRITERIA FOR DESIGNATING INSTITUTIONS.—Designations under paragraph (1)(A) shall be made in accordance with criteria established by the CDFI Fund. In establishing such criteria, the CDFI Fund shall take into account the requirements and criteria set forth in sections 105(b) and 107 of such Act.

''(3) CDFI FUND.—The term 'CDFI Fund' means the Community Development Financial Institutions Fund established by section 104 of such Act.

''(d) LIMITATION ON AMOUNT OF CREDIT.—

''(1) IN GENERAL.—The amount of credit determined under this section for any qualified

equity investment shall not exceed the credit amount allocated to such investment by the CDFI Fund.

''(2) OVERALL LIMITATION.—The aggregate credit amount which may be allocated by the CDFI Fund under this section shall not exceed $100,000,000.

''(e) RECAPTURE OF CREDIT WHERE DISPOSITION OF EQUITY INVESTMENT WITHIN 5 YEARS.—

''(1) IN GENERAL.—If the taxpayer disposes of any investment with respect to which a credit was determined under subsection (a) (or any other property the basis of which is determined in whole or in part by reference to the adjusted basis of such investment) before the end of the 5-year period beginning on the date such investment was made, the tax imposed by this chapter for the taxable year in which such disposition occurs shall be increased by the aggregate decrease in tax of the taxpayer resulting from the credit determined under this subsection (a) with respect to such investment.

''(2) EXCEPTIONS.—Paragraph (1) shall not apply to any gift, transfer, or transaction described in paragraph (1), (2), or (3) of section 1245(b).

''(3) SPECIAL RULE.—Any increase in tax under paragraph (1) shall not be treated as a tax imposed by this chapter for purposes of—

''(A) determining the amount of any credit allowable under this chapter, and

''(B) determining the amount of the tax imposed by section 55.

''(f) BASIS REDUCTION.—The basis of any qualified equity investment shall be reduced by the amount of any credit determined under this section with respect to such investment.

''(g) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section. Such regulations may provide for the recapture of the credit under this section with respect to investments in institutions which cease to satisfy the criteria established by the CDFI Fund for designation under subsection (c)(1)(A).

''(h) TERMINATION.—This section shall not apply to any investment made after December 31, 2006.''

(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 is amended by striking ''plus'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', plus'', and by adding at the end the following new paragraph:

''(13) the community development financial institution investment credit determined under section 45E(a).''

(c) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) SPECIAL RULES FOR COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION INVESTMENT CREDIT.—

''(A) IN GENERAL.—In the case of the community development financial institution investment credit—

''(i) this section and section 39 shall be applied separately with respect to the credit, and

''(ii) in applying paragraph (1) to the credit—

''(I) 75 percent of the tentative minimum tax shall be substituted for the tentative minimum tax under subparagraph (A) thereof, and

''(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the community development financial institution investment credit).

''(B) COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION INVESTMENT CREDIT.—For purposes of this subsection, the term 'community development financial institution investment credit' means the credit allowable under subsection (a) by reason of section 45E(a).''

(2) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting ''and the community development financial institution investment credit'' after ''employment credit''.

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

''(9) NO CARRYBACK OF COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION INVESTMENT CREDIT BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 45E may be carried back to a taxable year ending before the date of the enactment of section 45E.''

(e) DEDUCTION FOR UNUSED CREDIT.—Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (6), by striking the period at the end of paragraph (7) and inserting '', and'', and by adding at the end the following new paragraph:

''(8) the community development financial institution investment credit determined under section 45E(a).''

(f) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 45E. Qualified equity investments in community development financial institutions.''

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

TITLE VIII—OTHER TAX RELIEF

SEC. 801. SUSPENSION OF STATUTE OF LIMITATIONS ON FILING REFUND CLAIMS DURING PERIODS OF DISABILITY.

(a) IN GENERAL.—Section 6511 (relating to limitations on credit or refund) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

''(h) RUNNING OF PERIODS OF LIMITATION SUSPENDED WHILE TAXPAYER IS FINANCIALLY DISABLED.—

''(1) IN GENERAL.—In the case of an individual, the running of the periods specified in subsections (a), (b), and (c) shall be suspended during any period of such individual's life that such individual is financially disabled.

''(2) FINANCIALLY DISABLED.—

''(A) IN GENERAL.—For purposes of paragraph (1), an individual is financially disabled if such individual is unable to manage his financial affairs by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An individual shall not be considered to have such an impairment unless proof of the existence thereof is furnished in such form and manner as the Secretary may require.

''(B) EXCEPTION WHERE INDIVIDUAL HAS GUARDIAN, ETC.—An individual shall not be treated as financially disabled during any period that such individual's spouse or any other person is authorized to act on behalf of such individual in financial matters.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to claims for credit or refund for periods ending after the date of the enactment of this Act.

SEC. 802. MODIFICATIONS OF PUERTO RICO ECONOMIC ACTIVITY CREDIT.

(a) EXTENSION OF CREDIT.—Section 30A(g) (relating to application of credit) is amended by striking '', and before January 1, 2006''.

(b) TAXPAYERS OTHER THAN EXISTING CLAIMANTS ELIGIBLE FOR CREDIT.—Section 30A(a)(2) (defining qualified domestic corporation) is amended to read as follows:

''(2) QUALIFIED DOMESTIC CORPORATION.—For purposes of paragraph (1), the term 'qualified domestic corporation' means a domestic corporation with respect to which section 936(a)(4)(B) does not apply for the taxable year.''

(c) REPEAL OF BASE PERIOD CAP.—Section 30A(a)(1) is amended by striking the last sentence.

(d) CONFORMING AMENDMENTS.—

(1) Section 30A(a)(3) is amended to read as follows:

''(3) SEPARATE APPLICATION.—For purposes of determining the amount of the credit allowed under this section, this section (and so much of section 936 as relates to this section) shall be applied separately with respect to Puerto Rico.''

(2) Section 30A(e)(1) is amended by inserting ''but not including subsection (j) thereof'' after ''thereunder''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

SEC. 803. TREATMENT OF SOFTWARE AS FSC EXPORT PROPERTY.

(a) IN GENERAL.—Section 927(a)(2)(B) (relating to excluded property) is amended by inserting ''computer software,'' after ''other than''.

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section shall apply to software licenses granted after the date of the enactment of this Act in taxable years ending after such date.

(2) EXCEPTION FOR EXISTING LICENSES.—The amendment made by this section shall not apply to software licenses granted by a licensor after the date of the enactment of this Act if, on such date, the person to whom the license is granted (or any related person) held a substantially similar license granted by the licensor (or any related person).

TITLE IX—INCENTIVES FOR THE DISTRICT OF COLUMBIA

SEC. 901. TAX INCENTIVES FOR REVITALIZATION OF THE DISTRICT OF COLUMBIA.

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

''Subchapter W—Incentives for Revitalization of the District of Columbia

''SEC. 1400A. EMPLOYMENT CREDIT.

''(a) AMOUNT OF CREDIT.—For purposes of section 38, the amount of the District of Columbia employment credit determined under this section for the taxable year shall be equal to 40 percent of the qualified first-year wages for such year.

''(b) QUALIFIED FIRST-YEAR WAGES.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified first-year wages' means wages paid or incurred by

the employer during the taxable year which are attributable to services rendered by an employee of the employer—

''(A) during the 1-year period beginning on the day the employee begins work for the employer, and

''(B) while the employee is a qualified District employee.

''(2) ONLY FIRST $10,000 OF WAGES TAKEN INTO ACCOUNT.—The amount of the qualified first-year wages which may be taken into account with respect to any individual for all taxable years of an employer shall not exceed $10,000.

''(3) COORDINATION WITH WORK OPPORTUNITY CREDIT.—The amount of the credit determined under this section with respect to qualified first-year wages of an individual shall be reduced by the amount of the work opportunity credit determined under section 51 with respect to such wages.

''(c) QUALIFIED DISTRICT EMPLOYEE.—For purposes of this section—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'qualified District employee' means any employee of an employer if—

''(A) the principal place of abode of such employee throughout the 1-year period described in subsection (b)(1)(A)—

''(i) is within the District of Columbia, and

''(ii) in the case of an individual who is not a member of a targeted group (within the meaning of section 51(d)), is within a population census tract having a poverty rate of at least 15 percent,

''(B)(i) substantially all of the services performed during such period by such employee for such employer are performed within the District of Columbia in a trade or business of the employer, or

''(ii) the principal place of business of the employer is within the District of Columbia, and

''(C) in the case of an individual who is not a member of a targeted group (within the meaning of section 51(d)), as of the beginning of such period it is reasonable to expect that the compensation to be paid to such individual for services performed during such period for the employer will be less than $28,500.

''(2) CERTAIN PERSONS NOT ELIGIBLE.—The term 'qualified District employee' shall not include—

''(A) any individual described in subparagraph (A), (B), or (C) of section 51(i)(1) (relating to related individuals),

''(B) any individual described in section 51(i)(2) (relating to nonqualifying rehires), determined by treating qualified District employees as members of a targeted group,

''(C) any 5-percent owner (as defined in section 416(i)(1)(B)),

''(D) any individual employed by the employer unless such individual—

''(i) is employed by the employer for at least 180 days, or

''(ii) has completed at least 400 hours of services performed for the employer, and

''(E) any individual employed by the employer at any facility described in section 144(c)(6)(B).

Rules similar to the rules of section 1396(d)(3) shall apply for purposes of subparagraph (D).

''(d) DEFINITION AND SPECIAL RULES.—For purposes of this section—

''(1) WAGES.—The term 'wages' has the same meaning as when used in section 51, including amounts treated as wages by section 51(e)(3)(B); except that subsections (c)(4) and (e)(3)(D) shall not apply.

''(2) CONTROLLED GROUPS.—All employers treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single employer, and the credit (if any) determined under this section with respect to each such employer shall be its proportionate share of the wages giving rise to such credit.

''(3) CERTAIN OTHER RULES MADE APPLICABLE.—Rules similar to the rules of subsections (j) and (k) of section 51, and subsections (c), (d), and (e) of section 52, shall apply.

''(4) CERTIFICATION OF PRINCIPAL PLACE OF ABODE.—An individual shall not be treated as meeting the requirement of subsection (c)(1)(A) unless requirements similar to the requirements of section 51(d)(11) are met.

''(5) COST-OF-LIVING ADJUSTMENT OF $28,500 LIMIT.—In the case of any period during a calendar year after 1997, the dollar amount contained in subsection (c)(1)(C) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1996' for 'calendar year 1992' in subparagraph (B) thereof.

''(6) OTHER INCENTIVES.—

''(A) EXTENSION OF ADDITIONAL TEMPORARY INCENTIVE FOR EMPLOYING LONG-TERM FAMILY ASSISTANCE RECIPIENTS RESIDING IN THE DISTRICT OF COLUMBIA.—In the case of a long-term family assistance recipient (as defined in section 51(e)(4)), section 51(e)(3)(D) shall be applied by substituting 'September 30, 2002' for 'September 30, 2000' if—

''(i) such individual's principal place of abode is within the District of Columbia during the period described in section 51(e)(3), and

''(ii) the requirement of clause (i) or (ii) of subsection (c)(1)(B) is met during such period with respect to such individual.

''(B) EXTENSION OF WORK OPPORTUNITY CREDIT.—In the case of wages paid to a member of a targeted group (within the meaning of section 51(d)) while such member's principal place of abode is within the District of Columbia, section 51(c)(4)(B) shall be applied by substituting 'September 30, 2002' for 'September 30, 1998'.

''(e) APPLICATION OF SECTION.—This section shall apply with respect to individuals who begin work for the employer on and after the date of the enactment of this section and before October 1, 2002.

"SEC. 1400B. ADDITIONAL EXPENSING.

''(a) GENERAL RULE.—In the case of a qualified District business, for purposes of section 179—

''(1) the limitation under section 179(b)(1) shall be increased by the lesser of—

''(A) $20,000, or

''(B) the cost of section 179 property which is qualified District property placed in service during the taxable year, and

''(2) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified District property shall be 50 percent of the cost thereof.

''(b) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified District property which ceases to be used in the District of Columbia by a District business.

''(c) COORDINATION WITH SECTION 1397A.—In no event shall qualified District property be treated as qualified zone property for purposes of section 1397A.

''(d) APPLICATION OF SECTION.—This section shall apply to property placed in service after December 31, 1997, and before January 1, 2002.

"SEC. 1400C. TAX-EXEMPT ECONOMIC DEVELOPMENT BONDS.

''(a) IN GENERAL.—For purposes of part IV of subchapter B of this chapter (relating to tax exemption requirements for State and local bonds), the term 'exempt facility bond' includes any bond issued as part of an issue 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of which are to be used to provide any District facility.

''(b) DISTRICT FACILITY.—For purposes of this section, the term 'District facility' means any District property the principal user of which is a qualified District business, and any land which is functionally related and subordinate to such property.

''(c) LIMITATION ON AMOUNT OF BONDS.—Subsection (a) shall not apply to any issue if the aggregate amount of outstanding District facility bonds allocable to any person (taking into account such issue) exceeds $15,000,000.

''(d) CERTAIN RULES TO APPLY.—

''(1) IN GENERAL.—Rules similar to the rules of subsections (c)(2), (d), and (e) of section 1394, and subparagraphs (B)(ii), (C), and (D) of section 1394(b)(3), shall apply for purposes of this section.

''(2) REQUIREMENTS AFTER TESTING PERIOD.—A business shall not fail to be treated as a qualified District business for purposes of this section for any taxable year beginning after the testing period (as defined in section 1394(b)(3)(C)) by reason of failing to meet any requirement of subsection (b) or (c) of section 1397B. The preceding sentence shall not apply to any business which is not a qualified business by reason of paragraph (1), (4), or (5) of section 1397B(d).

''(e) APPLICATION OF SECTION.—This section shall apply to bonds issued after the date of the enactment of this section and before January 1, 2003.

"SEC. 1400D. CREDIT FOR EQUITY INVESTMENTS IN AND LOANS TO DISTRICT OF COLUMBIA BUSINESSES.

''(a) GENERAL RULE.—For purposes of section 38, the District investment credit determined under this section for any taxable year is—

''(1) the qualified lender credit for such year, and

''(2) the qualified equity investment credit for such year.

''(b) QUALIFIED LENDER CREDIT.—For purposes of this section—

''(1) IN GENERAL.—The qualified lender credit for any taxable year is the amount of credit specified for such year by the Economic Development Corporation with respect to qualified District loans made by the taxpayer.

''(2) LIMITATION.—In no event may the qualified lender credit with respect to any loan exceed 25 percent of the cost of the property purchased with the proceeds of the loan.

''(3) QUALIFIED DISTRICT LOAN.—For purposes of paragraph (1), the term 'qualified district loan' means any loan for the purchase (as defined in section 179(d)(2)) of property to which section 168 applies (or would apply but for section 179) (or land which is functionally related and subordinate to such property) and substantially all of the use of which is in the District of Columbia and is in the active conduct of a trade or business in the District of Columbia. A rule similar to the rule of section 1397C(a)(2) shall apply for purposes of the preceding sentence.

''(c) QUALIFIED EQUITY INVESTMENT CREDIT.—

''(1) IN GENERAL.—For purposes of this section, the qualified equity investment credit determined under this section for any taxable year is an amount equal to the percentage specified by the Economic Development Corporation (but not greater than 25 percent) of the aggregate amount paid in cash by the taxpayer during the taxable year for the purchase of District business investments.

''(2) DISTRICT BUSINESS INVESTMENT.—For purposes of this subsection, the term 'District business investment' means—

''(A) any District business stock, and

''(B) any District partnership interest.

''(3) DISTRICT BUSINESS STOCK.—For purposes of this subsection—

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

''(i) such stock is acquired by the taxpayer at its original issue (directly or through an underwriter) in exchange for cash, and

''(ii) as of the time such stock was issued, such corporation was engaged in a trade or business in the District of Columbia (or, in the case of a new corporation, such corporation was being organized for purposes of engaging in such a trade or business).

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

''(4) QUALIFIED DISTRICT PARTNERSHIP INTEREST.—For purposes of this subsection, the term 'qualified District partnership interest' means any interest in a partnership if—

''(A) such interest is acquired by the taxpayer from the partnership solely in exchange for cash, and

''(B) as of the time such interest was acquired, such partnership was engaging in a trade or business in the District of Columbia (or, in the case of a new partnership, such partnership was being organized for purposes of engaging in such a trade or business).

''(5) DISPOSITIONS OF DISTRICT BUSINESS INVESTMENTS.—

''(A) IN GENERAL.—If a taxpayer disposes of any District business investment (or any other property the basis of which is determined in whole or in part by reference to the adjusted basis of such investment) before the end of the 5-year period beginning on the date such investment was acquired by the taxpayer, the taxpayer's tax imposed by this chapter for the taxable year in which such distribution occurs shall be increased by the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted solely from reducing to zero any credit determined under this section with respect to such investment.

''(B) EXCEPTIONS.—Subparagraph (A) shall not apply to any gift, transfer, or transaction described in paragraph (1), (2), or (3) of section 1245(b).

''(C) SPECIAL RULE.—Any increase in tax under subparagraph (A) shall not be treated as a tax imposed by this chapter for purposes of—

''(i) determining the amount of any credit allowable under this chapter, and

''(ii) determining the amount of the tax imposed by section 55.

''(6) BASIS REDUCTION.—For purposes of this title, the basis of any District business investment shall be reduced by the amount of the credit determined under this section with respect to such investment.

''(d) LIMITATION ON AMOUNT OF CREDIT.—

''(1) IN GENERAL.—The amount of the District investment credit determined under this section with respect to any taxpayer for any taxable year shall not exceed the credit amount allocated to such taxpayer for such taxable year by the Economic Development Corporation.

''(2) OVERALL LIMITATION.—The aggregate credit amount which may be allocated by the Economic Development Corporation under this section shall not exceed $95,000,000.

''(3) CRITERIA FOR ALLOCATING CREDIT AMOUNTS.—The allocation of credit amounts under this section shall be made in accordance with criteria established by the Economic Development Corporation. In establishing such criteria, such Corporation shall take into account—

''(A) the degree to which the business receiving the loan or investment will provide job opportunities for low and moderate income residents of the District of Columbia, and

''(B) whether such business is within a population census tract in the District of Columbia having a poverty rate of at least 15 percent.

''(e) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out this section.

''(f) APPLICATION OF SECTION.—This section shall apply to any credit amount allocated for taxable years beginning after December 31, 1997, and before January 1, 2003.

''SEC. 1400E. DEFINITIONS.

''(a) QUALIFIED DISTRICT BUSINESS.—For purposes of this subchapter, the term 'qualified District business' means a corporation, partnership, or proprietorship which would be a qualified business entity (as defined in section 1397B) or a qualified proprietorship (as defined in such section) if—

''(1) the District of Columbia were an empowerment zone (and there were no other empowerment zones or enterprise communities), and

''(2) section 1397B(b)(1) did not apply.

''(b) QUALIFIED DISTRICT PROPERTY.—For purposes of this subchapter, the term 'qualified District property' means any property which would be qualified zone property (as defined in section 1397C) if—

''(1) the District of Columbia were an empowerment zone (and there were no other empowerment zones or enterprise communities),

''(2) paragraph (1)(A) of section 1397C(a) referred to the date of the enactment of this section,

''(3) paragraph (1)(B) of section 1397C(a) did not apply, and

''(4) paragraph (2) of section 1397C(a) were applied by substituting 'an amount equal to 15 percent of the adjusted basis' for 'an amount equal to the adjusted basis'.

''(c) ECONOMIC DEVELOPMENT CORPORATION.—For purposes of this subchapter, the term 'Economic Development Corporation' means the Economic Development Corporation hereafter established by law for the District of Columbia.

''SEC. 1400F. STATUS OF ECONOMIC DEVELOPMENT CORPORATION FOR DISTRICT OF COLUMBIA.

''(a) IN GENERAL.—For purposes of this title and the Social Security Act, the Economic Development Corporation is an agency of the District of Columbia.

''(b) BOND AUTHORITY.—The Economic Development Corporation shall be allocated 50 percent of the private activity bond volume cap allocated to the District of Columbia under section 146. Notwithstanding section 146(e), the District of Columbia may not alter the allocation under the preceding sentence.''

(b) CREDITS MADE PART OF GENERAL BUSINESS CREDIT.—

(1) Subsection (b) of section 38 is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting a comma, and by adding at the end the following new paragraphs:

''(14) the District of Columbia employment credit determined under section 1400A(a), plus

''(15) the District investment credit determined under section 1400D(a).''

(2) Subsection (d) of section 39 is amended by adding at the end the following new paragraph:

''(10) NO CARRYBACK OF DISTRICT OF COLUMBIA EMPLOYMENT AND INVESTMENT CREDITS BEFORE EFFECTIVE DATE.—No portion of the unused business credit for any taxable year which is attributable to the credit under section 1400A or 1400D may be carried back to a taxable year ending before the date of the enactment of such sections.''

(3) Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (7), by striking the period at the end of paragraph (8) and inserting a comma, and by adding at the end the following new paragraphs:

''(9) the District of Columbia employment credit determined under section 1400A(a), and

''(10) the District investment credit determined under section 1400D(a).''

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

''Subchapter W. Incentives for revitalization of the District of Columbia.''

(d) EFFECTIVE DATE.—This section shall take effect on the date of the enactment of this Act.

TITLE X—REVENUES

Subtitle A—Financial Products

SEC. 1001. CONSTRUCTIVE SALES TREATMENT FOR APPRECIATED FINANCIAL POSITIONS.

(a) IN GENERAL.—Part IV of subchapter P of chapter 1 is amended by adding at the end the following new section:

''SEC. 1259. CONSTRUCTIVE SALES TREATMENT FOR APPRECIATED FINANCIAL POSITIONS.

''(a) IN GENERAL.—If there is a constructive sale of an appreciated financial position—

''(1) the taxpayer shall recognize gain as if such position were sold, assigned, or otherwise terminated at its fair market value on the date of such constructive sale (and any gain shall be taken into account for the taxable year which includes such date), and

''(2) for purposes of applying this title for periods after the constructive sale—

''(A) proper adjustment shall be made in the amount of any gain or loss subsequently realized with respect to such position for any gain taken into account by reason of paragraph (1), and

''(B) the holding period of such position shall be determined as if such position were originally acquired on the date of such constructive sale.

''(b) APPRECIATED FINANCIAL POSITION.—For purposes of this section—

''(1) IN GENERAL.—Except as provided in paragraph (2), the term 'appreciated financial position' means any position with respect to any stock, debt instrument, or partnership interest if there would be gain were such position sold, assigned, or otherwise terminated at its fair market value.

''(2) EXCEPTIONS.—The term 'appreciated financial position' shall not include—

''(A) any position with respect to straight debt (as defined in section 1361(c)(5)(B) without regard to clause (iii) thereof), and

''(B) any position which is marked to market under any provision of this title or the regulations thereunder.

''(3) POSITION.—The term 'position' means an interest, including a futures or forward contract, short sale, or option.

''(c) CONSTRUCTIVE SALE.—For purposes of this section—

''(1) IN GENERAL.—A taxpayer shall be treated as having made a constructive sale of an appreciated financial position if the taxpayer (or a related person)—

''(A) enters into a short sale of the same or substantially identical property,

''(B) enters into an offsetting notional principal contract with respect to the same or substantially identical property,

''(C) enters into a futures or forward contract to deliver the same or substantially identical property,

''(D) in the case of an appreciated financial position that is a short sale or a contract described in subparagraph (B) or (C) with respect to any property, acquires the same or substantially identical property, or

''(E) to the extent prescribed by the Secretary in regulations, enters into 1 or more other transactions (or acquires 1 or more positions) that have substantially the same effect as a transaction described in any of the preceding subparagraphs.

''(2) EXCEPTION FOR SALES OF NONPUBLICLY TRADED PROPERTY.—The term 'constructive sale' shall not include any contract for sale of any stock, debt instrument, or partnership interest which is not a marketable security (as defined in section 453(f)) if the contract settles within 1 year after the date such contract is entered into.

''(3) EXCEPTION FOR CERTAIN CLOSED TRANSACTIONS.—In applying this section, there shall be disregarded any transaction (which would otherwise be treated as a constructive sale) during the taxable year if—

''(A) such transaction is closed before the end of the 30th day after the close of such taxable year, and

''(B) in the case of a transaction which is closed during the 90-day period ending on such 30th day—

''(i) the taxpayer holds the appreciated financial position throughout the 60-day period beginning on the date such transaction is closed, and

''(ii) at no time during such 60-day period is the taxpayer's risk of loss with respect to such position reduced by reason of a circumstance which would be described in section 246(c)(4) if references to stock included references to such position.

''(4) RELATED PERSON.—A person is related to another person with respect to a transaction if—

''(A) the relationship is described in section 267 or 707(b), and

''(B) such transaction is entered into with a view toward avoiding the purposes of this section.

''(d) OTHER DEFINITIONS.—For purposes of this section—

''(1) FORWARD CONTRACT.—The term 'forward contract' means a contract to deliver a substantially fixed amount of property for a substantially fixed price.

''(2) OFFSETTING NOTIONAL PRINCIPAL CONTRACT.—The term 'offsetting notional principal contract' means, with respect to any property, an agreement which includes—

''(A) a requirement to pay (or provide credit for) all or substantially all of the investment yield (including appreciation) on such property for a specified period, and

''(B) a right to be reimbursed for (or receive credit for) all or substantially all of any decline in the value of such property.

''(e) SPECIAL RULES.—

''(1) TREATMENT OF SUBSEQUENT SALE OF POSITION WHICH WAS DEEMED SOLD.—If—

''(A) there is a constructive sale of any appreciated financial position,

''(B) such position is subsequently disposed of, and

''(C) at the time of such disposition, the transaction resulting in the constructive sale of such position is open with respect to the taxpayer or any related person,

solely for purposes of determining whether the taxpayer has entered into a constructive sale of any other appreciated financial position held by the taxpayer, the taxpayer shall be treated as entering into such transaction immediately after such disposition. For purposes of the preceding sentence, an assignment or other termination shall be treated as a disposition.

''(2) CERTAIN TRUST INSTRUMENTS TREATED AS STOCK.—For purposes of this section, an interest in a trust which is actively traded (within the meaning of section 1092(d)(1)) shall be treated as stock.

''(3) MULTIPLE POSITIONS IN PROPERTY.—If a taxpayer holds multiple positions in property, the determination of whether a specific transaction is a constructive sale and, if so, which appreciated financial position is deemed sold shall be made in the same manner as actual sales.

''(f) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section.''

(b) ELECTION OF MARK TO MARKET FOR SECURITIES TRADERS AND FOR TRADERS AND DEALERS IN COMMODITIES.—Subsection (d) of section 475 (relating to mark to market accounting method for dealers in securities) is amended by adding at the end the following new paragraph:

''(4) ELECTION OF MARK TO MARKET FOR SECURITIES TRADERS AND FOR TRADERS AND DEALERS IN COMMODITIES.—

''(A) IN GENERAL.—In the case of a person—

''(i) who is engaged in a trade or business to which this paragraph applies, and

''(ii) who elects to be treated as a dealer in securities for purposes of this section with respect to such trade or business,

subsections (a), (b)(3), (c)(3), and (e) and the preceding provisions of this subsection (or, in the case of a dealer in commodities, this section) shall apply to all commodities and securities held by such person in any trade or business with respect to which such election is in effect in the same manner as if such person were a dealer in securities and all references to securities included references to commodities.

''(B) APPLICATION OF PARAGRAPH.—This paragraph shall apply to any active trade or business—

''(i) as a trader in securities, or

''(ii) as a trader or dealer in commodities.

''(C) EXCEPTION FOR CERTAIN HOLDINGS OF TRADERS.—In the case of a trader in securities or commodities, subsection (a) shall not apply to any security or commodity (to which subsection (a) would otherwise apply solely by reason of this paragraph) if such security or commodity is clearly identified in the trader's records (before the close of the day applicable under subsection (b)(2)) as being held other than in a trade or business to which the election under subparagraph (A) is in effect. A security or commodity so identified shall be treated as described in subsection (b)(1).

''(D) COMMODITY.—For purposes of this paragraph, the term 'commodities' includes only commodities of a kind customarily dealt in on an organized commodity exchange.

''(E) ELECTION.—An election under this paragraph may be made separately for each trade or business and without the consent of the Secretary. Such an election, once made, shall apply to the taxable year for which made and all subsequent taxable years unless revoked with the consent of the Secretary.''

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

''Sec. 1259. Constructive sales treatment for appreciated financial positions.''

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to any constructive sale after June 8, 1997.

(2) EXCEPTION FOR SALES OF POSITIONS, ETC. HELD BEFORE JUNE 9, 1997.—A constructive sale before June 9, 1997, and the property to which the position involved in the transaction relates, shall not be taken into account in determining whether any other constructive sale after June 8, 1997, has occurred if, within before the close of the 30-day period beginning on the date of the enactment of this Act, such position and property are clearly identified in the taxpayer's records as offsetting. The preceding sentence shall cease to apply as of the date the taxpayer ceases to hold such position or property.

(3) SPECIAL RULE.—In the case of a decedent dying after June 8, 1997, if—

(A) there was a constructive sale on or before such date of any appreciated financial position,

(B) the transaction resulting in such constructive sale of such position remains open (with respect to the decedent or any related person) for not less than 2 years after the date of such transaction (whether such period is before or after such date), and

(C) such transaction is not closed within the 30-day period beginning on the date of the enactment of this Act,

then, for purposes of such Code, such position (and any property related thereto, as determined under the principles of section 1259(d)(1) of such Code (as so added)) shall be treated as property constituting rights to receive an item of income in respect of a decedent under section 691 of such Code.

(4) ELECTION OF SECURITIES TRADERS, AND FOR TRADERS AND DEALERS IN COMMODITIES, TO BE TREATED AS DEALERS IN SECURITIES.—

(A) IN GENERAL.—The amendment made by subsection (b) shall apply to taxable years ending after the date of the enactment of this Act.

(B) 4-YEAR SPREAD OF ADJUSTMENTS.—In the case of a taxpayer who elects under section 475(d)(4) of the Internal Revenue Code of 1986 (as added by this section) to change its method of accounting for its first taxable year ending after the date of the enactment of this Act, the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the 4-taxable year period beginning with such first taxable year.

SEC. 1002. LIMITATION ON EXCEPTION FOR INVESTMENT COMPANIES UNDER SECTION 351.

(a) IN GENERAL.—Paragraph (1) of section 351(e) (relating to exceptions) is amended by adding at the end the following: ''For purposes of the preceding sentence, the term 'investment company' includes any company if more than 80 percent of the value of the assets of such company (other than assets held in the ordinary course of a trade or business for sale to customers) is attributable to—

''(A) money,

''(B) any financial instrument (as defined in section 731(c)(2)(C)),

''(C) any foreign currency,

''(D) any interest in a real estate investment trust, a common trust fund, a regulated investment company, or a publicly traded partnership (as defined in section 7704(b)),

''(E) any interest described in clause (iv), (v), or (vi) of section 731(c)(2)(B) (or which would be so described without regard to any reference to active trading or marketability),

''(F) any other asset specified in regulations prescribed by the Secretary, or

''(G) any combination of the foregoing.''

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by subsection (a) shall apply to transfers after June 8, 1997, in taxable years ending after such date.

(2) BINDING CONTRACTS.—The amendment made by subsection (a) shall not apply to any transfer pursuant to a written binding contract in effect on June 8, 1997, that provides for the transfer of a fixed amount of

property, and at all times thereafter before such transfer.

SEC. 1003. MODIFICATION OF RULES FOR ALLOCATING INTEREST EXPENSE TO TAX-EXEMPT INTEREST.

(a) PRO RATA ALLOCATION RULES APPLICABLE TO CORPORATIONS.—

(1) IN GENERAL.—Paragraph (1) of section 265(b) is amended by striking ''In the case of a financial institution'' and inserting ''In the case of a corporation''.

(2) ONLY OBLIGATIONS ACQUIRED AFTER JUNE 8, 1997, TAKEN INTO ACCOUNT.—Subparagraph (A) of section 265(b)(2) is amended by striking ''August 7, 1986'' and inserting ''June 8, 1997 (August 7, 1986, in the case of a financial institution)''.

(3) SMALL ISSUER EXCEPTION NOT TO APPLY.—Subparagraph (A) of section 265(b)(3) is amended by striking ''Any qualified'' and inserting ''In the case of a financial institution, any qualified''.

(4) EXCEPTION FOR CERTAIN BONDS ACQUIRED ON SALE OF GOODS OR SERVICES.—Subparagraph (B) of section 265(b)(4) is amended by adding at the end the following new sentence: ''In the case of a taxpayer other than a financial institution, such term shall not include a nonsaleable obligation acquired by such taxpayer in the ordinary course of business as payment for goods or services provided by such taxpayer to any State or local government.''

(5) LOOK-THRU RULES FOR PARTNERSHIPS.—Paragraph (6) of section 265(b) is amended by adding at the end the following new subparagraph:

''(C) LOOK-THRU RULES FOR PARTNERSHIPS.—In the case of a corporation which is a partner in a partnership, such corporation shall be treated for purposes of this subsection as holding directly its allocable share of the assets of the partnership.''

(6) APPLICATION OF PRO RATA DISALLOWANCE ON AFFILIATED GROUP BASIS.—Subsection (b) of section 265 is amended by adding at the end the following new paragraph:

''(7) APPLICATION OF DISALLOWANCE ON AFFILIATED GROUP BASIS.—

''(A) IN GENERAL.—For purposes of this subsection, all members of an affiliated group filing a consolidated return under section 1501 shall be treated as 1 taxpayer.

''(B) TREATMENT OF INSURANCE COMPANIES.—This subsection shall not apply to an insurance company, and subparagraph (A) shall be applied without regard to any member of an affiliated group which is an insurance company.''

(6) DE MINIMIS EXCEPTION FOR NONFINANCIAL INSTITUTIONS.—Subsection (b) of section 265 is amended by adding at the end the following new paragraph:

''(8) DE MINIMIS EXCEPTION FOR NONFINANCIAL INSTITUTIONS.—In the case of a corporation, paragraph (1) shall not apply for any taxable year if the amount described in paragraph (2)(A) with respect to such corporation does not exceed the lesser of—

''(A) 2 percent of the amount described in paragraph (2)(B), or

''(B) $1,000,000.

The preceding sentence shall not apply to a financial institution or to a dealer in tax-exempt obligations.''

(7) CLERICAL AMENDMENT.—The subsection heading for section 265(b) is amended by striking ''FINANCIAL INSTITUTIONS'' and inserting ''CORPORATIONS''.

(b) APPLICATION OF SECTION 265(a)(2) WITH RESPECT TO CONTROLLED GROUPS.—Paragraph (2) of section 265(a) is amended after ''obligations'' by inserting ''held by the taxpayer (or any corporation which is a member of a controlled group (as defined in section 267(f)(1)) which includes the taxpayer)''.

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

SEC. 1004. GAINS AND LOSSES FROM CERTAIN TERMINATIONS WITH RESPECT TO PROPERTY.

(a) APPLICATION OF CAPITAL TREATMENT TO PROPERTY OTHER THAN PERSONAL PROPERTY.—

(1) IN GENERAL.—Paragraph (1) of section 1234A (relating to gains and losses from certain terminations) is amended by striking ''personal property (as defined in section 1092(d)(1))'' and inserting ''property''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall apply to terminations more than 30 days after the date of the enactment of this Act.

(b) APPLICATION OF CAPITAL TREATMENT, ETC. TO OBLIGATIONS ISSUED BY NATURAL PERSONS.—

(1) IN GENERAL.—Section 1271(b) is amended to read as follows:

''(b) EXCEPTION FOR CERTAIN OBLIGATIONS.—

''(1) IN GENERAL.—This section shall not apply to—

''(A) any obligation issued by a natural person before June 9, 1997, and

''(B) any obligation issued before July 2, 1982, by an issuer which is not a corporation and is not a government or political subdivision thereof.

''(2) TERMINATION.—Paragraph (1) shall not apply to any obligation purchased (within the meaning of section 179(d)(2)) after June 8, 1997.''

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect on the date of enactment of this Act.

SEC. 1005. DETERMINATION OF ORIGINAL ISSUE DISCOUNT WHERE POOLED DEBT OBLIGATIONS SUBJECT TO ACCELERATION.

(a) IN GENERAL.—Subparagraph (C) of section 1272(a)(6) (relating to debt instruments to which the paragraph applies) is amended by striking ''or'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting '', or'', and by inserting after clause (i) the following:

''(iii) any pool of debt instruments the yield on which may be reduced by reason of prepayments (or to the extent provided in regulations, by reason of other events).

To the extent provided in regulations prescribed by the Secretary, in the case of a small business engaged in the trade or business of selling tangible personal property at retail, clause (iii) shall not apply to debt instruments incurred in the ordinary course of such trade or business while held by such business.''

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by this section to change its method of accounting for its first taxable year beginning after the date of the enactment of this Act—

(A) such change shall be treated as initiated by the taxpayer,

(B) such change shall be treated as made with the consent of the Secretary, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account ratably over the 4-taxable year period beginning with such first taxable year.

SEC. 1006. DENIAL OF INTEREST DEDUCTIONS ON CERTAIN DEBT INSTRUMENTS.

(a) IN GENERAL.—Section 163 (relating to deduction for interest) is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

''(k) DISALLOWANCE OF DEDUCTION ON CERTAIN DEBT INSTRUMENTS OF CORPORATIONS.—

''(1) IN GENERAL.—No deduction shall be allowed under this chapter for any interest paid or accrued on a disqualified debt instrument.

''(2) DISQUALIFIED DEBT INSTRUMENT.—For purposes of this subsection, the term 'disqualified debt instrument' means any indebtedness of a corporation which is payable in equity of the issuer or a related party.

''(3) SPECIAL RULES FOR AMOUNTS PAYABLE IN EQUITY.—For purposes of paragraph (2), indebtedness shall be treated as payable in equity of the issuer or a related party only if—

''(A) a substantial amount of the principal or interest is required to be paid or converted, or at the option of the issuer or a related party is payable in, or convertible into, such equity,

''(B) a substantial amount of the principal or interest is required to be determined, or at the option of the issuer or a related party is determined, by reference to the value of such equity, or

''(C) the indebtedness is part of an arrangement which is reasonably expected to result in a transaction described in subparagraph (A) or (B).

For purposes of subparagraphs (A) and (B), principal or interest shall be treated as required to be so paid, converted, or determined if it may be required at the option of the holder or a related party and there is a substantial certainty the option will be exercised.

''(4) RELATED PARTY.—For purposes of this subsection, a person is a related party with respect to another person if such person bears a relationship to such other person described in section 267(b) or 707(b).

''(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection, including regulations preventing avoidance of this subsection through the use of an issuer other than a corporation.''

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to disqualified debt instruments issued after June 8, 1997.

(2) TRANSITION RULE.—The amendment made by this section shall not apply to any instrument issued after June 8, 1997, if such instrument is—

(A) issued pursuant to a written agreement which was binding on such date and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission required solely by reason of the distribution.

Subtitle B—Corporate Organizations and Reorganizations

SEC. 1011. TAX TREATMENT OF CERTAIN EXTRAORDINARY DIVIDENDS.

(a) TREATMENT OF EXTRAORDINARY DIVIDENDS IN EXCESS OF BASIS.—Paragraph (2) of section 1059(a) (relating to corporate shareholder's recognition of gain attributable to nontaxed portion of extraordinary dividends) is amended to read as follows:

''(2) AMOUNTS IN EXCESS OF BASIS.—If the nontaxed portion of such dividends exceeds such basis, such excess shall be treated as gain from the sale or exchange of such stock for the taxable year in which the extraordinary dividend is received.''

(b) TREATMENT OF REDEMPTIONS WHERE OPTIONS INVOLVED.—Paragraph (1) of section 1059(e) (relating to treatment of partial liquidations and non-pro rata redemptions) is amended to read as follows:

''(1) TREATMENT OF PARTIAL LIQUIDATIONS AND CERTAIN REDEMPTIONS.—Except as otherwise provided in regulations—

''(A) REDEMPTIONS.—In the case of any redemption of stock—

''(i) which is part of a partial liquidation (within the meaning of section 302(e)) of the redeeming corporation,

''(ii) which is not pro rata as to all shareholders, or

''(iii) which would not have been treated (in whole or in part) as a dividend if any options had not been taken into account under section 318(a)(4),

any amount treated as a dividend with respect to such redemption shall be treated as an extraordinary dividend to which paragraphs (1) and (2) of subsection (a) apply without regard to the period the taxpayer held such stock. In the case of a redemption described in clause (iii), only the basis in the stock redeemed shall be taken into account under subsection (a).

''(B) REORGANIZATIONS, ETC.—An exchange described in section 356(a)(1) which is treated as a dividend under section 356(a)(2) shall be treated as a redemption of stock for purposes of applying subparagraph (A).''

(c) TIME FOR REDUCTION.—Paragraph (1) of section 1059(d) is amended to read as follows:

''(1) TIME FOR REDUCTION.—Any reduction in basis under subsection (a)(1) shall be treated as occurring at the beginning of the ex-dividend date of the extraordinary dividend to which the reduction relates.''

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to distributions after May 3, 1995.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any distribution made pursuant to the terms of—

(A) a written binding contract in effect on May 3, 1995, and at all times thereafter before such distribution, or

(B) a tender offer outstanding on May 3, 1995.

(3) CERTAIN DIVIDENDS NOT PURSUANT TO CERTAIN REDEMPTIONS.—In determining whether the amendment made by subsection (a) applies to any extraordinary dividend other than a dividend treated as an extraordinary dividend under section 1059(e)(1) of the Internal Revenue Code of 1986 (as amended by this Act), paragraphs (1) and (2) shall be applied by substituting ''September 13, 1995'' for ''May 3, 1995''.

SEC. 1012. APPLICATION OF SECTION 355 TO DISTRIBUTIONS FOLLOWED BY ACQUISITIONS AND TO INTRAGROUP TRANSACTIONS.

(a) DISTRIBUTIONS FOLLOWED BY ACQUISITIONS.—Section 355 (relating to distribution of stock and securities of a controlled corporation) is amended by adding at the end the following new subsection:

''(e) RECOGNITION OF GAIN WHERE CERTAIN DISTRIBUTIONS OF STOCK OR SECURITIES ARE FOLLOWED BY ACQUISITION.—

''(1) GENERAL RULE.—If there is a distribution to which this subsection applies, the following rules shall apply:

''(A) ACQUISITION OF CONTROLLED CORPORATION.—If there is an acquisition described in paragraph (2)(A)(ii) with respect to any controlled corporation, any stock or securities in the controlled corporation shall not be treated as qualified property for purposes of subsection (c)(2) of this section or section 361(c)(2).

''(B) ACQUISITION OF DISTRIBUTING CORPORATION.—If there is an acquisition described in paragraph (2)(A)(ii) with respect to the distributing corporation, the controlled corporation shall recognize gain in an amount equal to the amount of net gain which would be recognized if all the assets of the distributing corporation (immediately after the distribution) were sold (at such time) for fair market value. Any gain recognized under the preceding sentence shall be treated as long-term capital gain and shall be taken into account for the taxable year which includes the day after the date of such distribution.

''(2) DISTRIBUTIONS TO WHICH SUBSECTION APPLIES.—

''(A) IN GENERAL.—This subsection shall apply to any distribution—

''(i) to which this section (or so much of section 356 as relates to this section) applies, and

''(ii) which is part of a plan (or series of related transactions) pursuant to which 1 or more persons acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or any controlled corporation.

''(B) PLAN PRESUMED TO EXIST IN CERTAIN CASES.—If 1 or more persons acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or any controlled corporation during the 4-year period beginning on the date which is 2 years before the date of the distribution, such acquisition shall be treated as pursuant to a plan described in subparagraph (A)(ii) unless it is established that the distribution and the acquisition are not pursuant to a plan or series of related transactions.

''(C) COORDINATION WITH SUBSECTION (d).—This subsection shall not apply to any distribution to which subsection (d) applies.

''(3) SPECIAL RULES RELATING TO ACQUISITIONS.—

''(A) CERTAIN ACQUISITIONS NOT TAKEN INTO ACCOUNT.—Except as provided in regulations, the following acquisitions shall not be treated as described in paragraph (2)(A)(ii):

''(i) The acquisition of stock in any controlled corporation by the distributing corporation.

''(ii) The acquisition by a person of stock in any controlled corporation by reason of holding stock in the distributing corporation.

''(iii) The acquisition by a person of stock in any successor corporation of the distributing corporation or any controlled corporation by reason of holding stock in such distributing or controlled corporation.

''(iv) The acquisition of stock in a corporation if shareholders owning directly or indirectly a 50-percent or greater interest in the distributing corporation or any controlled corporation before such acquisition own indirectly a 50-percent or greater interest in such distributing or controlled corporation after such acquisition.

This subparagraph shall not apply to any acquisition if the stock held before the acquisition was acquired pursuant to a plan described in subparagraph (A)(ii).

''(B) ASSET ACQUISITIONS.—Except as provided in regulations, for purposes of this subsection, if the assets of the distributing corporation or any controlled corporation are acquired by a successor corporation in a transaction described in subparagraph (A), (C), or (D) of section 368(a)(1) or any other transaction specified in regulations by the Secretary, the shareholders (immediately before the acquisition) of the corporation acquiring such assets shall be treated as acquiring stock in the corporation from which the assets were acquired.

''(4) DEFINITION AND SPECIAL RULES.—For purposes of this subsection—

''(A) 50-PERCENT OR GREATER INTEREST.—The term '50-percent or greater interest' has the meaning given such term by subsection (d)(4).

''(B) DISTRIBUTIONS IN TITLE 11 OR SIMILAR CASE.—Paragraph (1) shall not apply to any distribution made in a title 11 or similar case (as defined in section 368(a)(3)).

''(C) AGGREGATION AND ATTRIBUTION RULES.—

''(i) AGGREGATION.—The rules of paragraph (7)(A) of subsection (d) shall apply.

''(ii) ATTRIBUTION.—Section 355(d)(8)(A) shall apply in determining whether a person holds stock or securities in any corporation.

''(D) SUCCESSORS AND PREDECESSORS.—For purposes of this subsection, any reference to a controlled corporation or a distributing corporation shall include a reference to any predecessor or successor of such corporation.

''(E) STATUTE OF LIMITATIONS.—If there is an acquisition to which paragraph (1) (A) or (B) applies—

''(i) the statutory period for the assessment of any deficiency attributable to any part of the gain recognized under this subsection by reason of such acquisition shall not expire before the expiration of 3 years from the date the Secretary is notified by the taxpayer (in such manner as the Secretary may by regulations prescribe) that such acquisition occurred, and

''(ii) such deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.

''(5) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations—

''(A) providing for the application of this subsection where there is more than 1 controlled corporation,

''(B) treating 2 or more distributions as 1 distribution where necessary to prevent the avoidance of such purposes, and

''(C) providing for the application of rules similar to the rules of subsection (d)(6) where appropriate for purposes of paragraph (2)(B).''

(b) SECTION 355 NOT TO APPLY TO CERTAIN INTRAGROUP TRANSACTIONS.—Section 355, as amended by subsection (a), is amended by adding at the end the following new subsection:

''(f) SECTION NOT TO APPLY TO CERTAIN INTRAGROUP TRANSACTIONS.—Except as provided in regulations, this section shall not apply to the distribution of stock from 1 member of an affiliated group filing a consolidated return to another member of such group, and the Secretary shall provide proper adjustments for the treatment of such distribution, including (if necessary) adjustments to—

''(1) the adjusted basis of any stock which—

''(A) is in a corporation which is a member of such group, and

''(B) is held by another member of such group, and

''(2) the earnings and profits of any member of such group.''

(c) DETERMINATION OF CONTROL IN CERTAIN DIVISIVE TRANSACTIONS.—

(1) SECTION 351 TRANSACTIONS.—Section 351(c) (relating to special rule) is amended to read as follows:

''(c) SPECIAL RULES WHERE DISTRIBUTION TO SHAREHOLDERS.—

''(1) IN GENERAL.—In determining control for purposes of this section—

''(A) the fact that any corporate transferor distributes part or all of the stock in the corporation which it receives in the exchange to its shareholders shall not be taken into account, and

''(B) if the requirements of section 355 are met with respect to such distribution, the shareholders shall be treated as in control of such corporation immediately after the exchange if the shareholders hold at least a 50-percent interest in such corporation immediately after the distribution.

''(2) 50-PERCENT INTEREST.—For purposes of this subsection, the term '50-percent interest' means stock possessing 50 percent of the total combined voting power of all classes of stock entitled to vote and 50 percent of the total value of shares of all classes of stock.''

(2) D REORGANIZATIONS.—Section 368(a)(2)(H) (relating to special rule for determining whether certain transactions are qualified under paragraph (1)(D)) is amended to read as follows:

''(H) SPECIAL RULES FOR DETERMINING WHETHER CERTAIN TRANSACTIONS ARE QUALIFIED UNDER PARAGRAPH (1)(D).—For purposes of determining whether a transaction qualifies under paragraph (1)(D)—

''(i) in the case of a transaction with respect to which the requirements of subparagraphs (A) and (B) of section 354(b)(1) are met, the term 'control' has the meaning given such term by section 304(c), and

''(ii) in the case of a transaction with respect to which the requirements of section 355 are met, the shareholders described in paragraph (1)(D) shall be treated as having control of the corporation to which the assets are transferred if such shareholders hold a 50-percent or greater interest (as defined in section 351(c)(2)) in such corporation immediately after the transfer.''

(d) EFFECTIVE DATES.—

(1) SECTION 355 RULES.—The amendments made by subsections (a) and (b) shall apply to distributions after April 16, 1997.

(2) DIVISIVE TRANSACTIONS.—The amendments made by subsection (c) shall apply to transfers after the date of the enactment of this Act.

(3) TRANSITION RULE.—The amendments made by this section shall not apply to any distribution after April 16, 1997, if such distribution is—

(A) made pursuant to a written agreement which was binding on such date and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission required solely by reason of the distribution.

This subparagraph shall not apply to any written agreement, ruling request, or public announcement or filing unless it identifies the unrelated acquirer of the distributing corporation or of any controlled corporation, whichever is applicable.

SEC. 1013. TAX TREATMENT OF REDEMPTIONS INVOLVING RELATED CORPORATIONS.

(a) STOCK PURCHASES BY RELATED CORPORATIONS.—The last sentence of section 304(a)(1) (relating to acquisition by related corporation other than subsidiary) is amended to read as follows: ''To the extent that such distribution is treated as a distribution to which section 301 applies, the transferor and the acquiring corporation shall be treated in the same manner as if the transferor had transferred the stock so acquired to the acquiring corporation in exchange for stock of the acquiring corporation in a transaction to which section 351(a) applies, and then the acquiring corporation had redeemed the stock it was treated as issuing in such transaction.''

(b) COORDINATION WITH SECTION 1059.—Clause (iii) of section 1059(e)(1)(A), as amended by this title, is amended to read as follows:

''(iii) which would not have been treated (in whole or in part) as a dividend if—

''(I) any options had not been taken into account under section 318(a)(4), or

''(II) section 304(a) had not applied,''.

(c) SPECIAL RULE FOR ACQUISITIONS BY FOREIGN CORPORATIONS.—Section 304(b) (relating to special rules for application of subsection (a)) is amended by adding at the end the following new paragraph:

''(5) ACQUISITIONS BY FOREIGN CORPORATIONS.—

''(A) IN GENERAL.—In the case of any acquisition to which subsection (a) applies in which the acquiring corporation is a foreign corporation, the only earnings and profits taken into account under paragraph (2)(A) shall be those earnings and profits—

''(i) which are attributable (under regulations prescribed by the Secretary) to stock of the acquiring corporation owned (within the meaning of section 958(a)) by a corporation or individual which is—

''(I) a United States shareholder (within the meaning of section 951(b)) of the acquiring corporation, and

''(II) the transferor or a person who bears a relationship to the transferor described in section 267(b) or 707(b), and

''(ii) which were accumulated during the period or periods such stock was owned by such person while the acquiring corporation was a controlled foreign corporation.

''(B) APPLICATION OF SECTION 1248.—For purposes of subparagraph (A), the rules of section 1248(d) shall apply except to the extent otherwise provided by the Secretary.

''(C) REGULATIONS.—The Secretary shall prescribe such regulations as are appropriate to carry out the purposes of this paragraph.''

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to distributions and acquisitions after June 8, 1997.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any distribution or acquisition after June 8, 1997, if such distribution or acquisition is—

(A) made pursuant to a written agreement which was binding on such date and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described in a public announcement or filing with the Securities and Exchange Commission on or before such date.

SEC. 1014. MODIFICATION OF HOLDING PERIOD APPLICABLE TO DIVIDENDS RECEIVED DEDUCTION.

(a) IN GENERAL.—Subparagraph (A) of section 246(c)(1) is amended to read as follows:

''(A) which is held by the taxpayer for 45 days or less during the 90-day period beginning on the date which is 45 days before the date on which such share becomes ex-dividend with respect to such dividend, or''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 246(c) is amended to read as follows:

''(2) 90-DAY RULE IN THE CASE OF CERTAIN PREFERENCE DIVIDENDS.—In the case of stock having preference in dividends, if the taxpayer receives dividends with respect to such stock which are attributable to a period or periods aggregating in excess of 366 days, paragraph (1)(A) shall be applied—

''(A) by substituting '90 days' for '45 days' each place it appears, and

''(B) by substituting '180-day period' for '90-day period'.''

(2) Paragraph (3) of section 246(c) is amended by adding ''and'' at the end of subparagraph (A), by striking subparagraph (B), and by redesignating subparagraph (C) as subparagraph (B).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to dividends received or accrued after the 30th day after the date of the enactment of this Act.

Subtitle C—Other Corporate Provisions

SEC. 1021. REGISTRATION AND OTHER PROVISIONS RELATING TO CONFIDENTIAL CORPORATE TAX SHELTERS.

(a) IN GENERAL.—Section 6111 (relating to registration of tax shelters) is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and by inserting after subsection (c) the following new subsection:

''(d) CERTAIN CONFIDENTIAL ARRANGEMENTS TREATED AS TAX SHELTERS.—

''(1) IN GENERAL.—For purposes of this section, the term 'tax shelter' includes any entity, plan, arrangement, or transaction—

''(A) a significant purpose of the structure of which is the avoidance or evasion of Federal income tax for a direct or indirect participant which is a corporation,

''(B) which is offered to any potential participant under conditions of confidentiality, and

''(C) for which the tax shelter promoters may receive fees in excess of $100,000 in the aggregate.

''(2) CONDITIONS OF CONFIDENTIALITY.—For purposes of paragraph (1)(B), an offer is under conditions of confidentiality if—

''(A) the potential participant to whom the offer is made (or any other person acting on behalf of such participant) has an understanding or agreement with or for the benefit of any promoter of the tax shelter that such participant (or such other person) will limit disclosure of the tax shelter or any significant tax features of the tax shelter, or

''(B) any promoter of the tax shelter—

''(i) claims, knows, or has reason to know,

''(ii) knows or has reason to know that any other person (other than the potential participant) claims, or

''(iii) causes another person to claim,

that the tax shelter (or any aspect thereof) is proprietary to any person other than the potential participant or is otherwise protected from disclosure to or use by others.

For purposes of this subsection, the term 'promoter' means any person or any related person (within the meaning of section 267 or 707) who participates in the organization, management, or sale of the tax shelter.

''(3) PERSONS OTHER THAN PROMOTER REQUIRED TO REGISTER IN CERTAIN CASES.—

''(A) IN GENERAL.—If—

''(i) the requirements of subsection (a) are not met with respect to any tax shelter (as defined in paragraph (1)) by any tax shelter promoter, and

''(ii) no tax shelter promoter is a United States person,

then each United States person who discussed participation in such shelter shall register such shelter under subsection (a).

''(B) EXCEPTION.—Subparagraph (A) shall not apply to a United States person who discussed participation in a tax shelter if—

''(i) such person notified the promoter in writing (not later than the close of the 90th day after the day on which such discussions began) that such person would not participate in such shelter, and

''(ii) such person does not participate in such shelter.

''(4) OFFER TO PARTICIPATE TREATED AS OFFER FOR SALE.—For purposes of subsections (a) and (b), an offer to participate in a tax shelter (as defined in paragraph (1)) shall be treated as an offer for sale.''

(b) PENALTY.—Subsection (a) of section 6707 (relating to failure to furnish information regarding tax shelters) is amended by adding at the end the following new paragraph:

''(3) CONFIDENTIAL ARRANGEMENTS.—

''(A) IN GENERAL.—In the case of a tax shelter (as defined in section 6111(d)), the penalty imposed under paragraph (1) shall be an amount equal to the greater of—

''(i) 50 percent of the fees paid to all promoters of the tax shelter with respect to offerings made before the date such shelter is registered under section 6111, or

''(ii) $10,000.

Clause (i) shall be applied by substituting '75 percent' for '50 percent' in the case of an intentional failure or act described in paragraph (1).

''(B) SPECIAL RULE FOR PARTICIPANTS REQUIRED TO REGISTER SHELTER.—In the case of a person required to register such a tax shelter by reason of section 6111(d)(3)—

''(i) such person shall be required to pay the penalty under paragraph (1) only if such person actually participated in such shelter,

''(ii) the amount of such penalty shall be determined by taking into account under subparagraph (A)(i) only the fees paid by such person, and

''(iii) such penalty shall be in addition to the penalty imposed on any other person for failing to register such shelter.''

(c) MODIFICATIONS TO SUBSTANTIAL UNDERSTATEMENT PENALTY.—

(1) RESTRICTION ON REASONABLE BASIS FOR CORPORATE UNDERSTATEMENT OF INCOME TAX.—Subparagraph (B) of section 6662(d)(2) is amended by adding at the end the following new flush sentence:

''For purposes of clause (ii)(II), in no event shall a corporation be treated as having a reasonable basis for its tax treatment of an item attributable to a multiple-party financing transaction if such treatment does not clearly reflect the income of the corporation.''

(2) MODIFICATION TO DEFINITION OF TAX SHELTER.—Clause (iii) of section 6662(d)(2)(C) is amended by striking ''the principal purpose'' and inserting ''a significant purpose''.

(d) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 6707(a) is amended by striking ''The penalty'' and inserting ''Except as provided in paragraph (3), the penalty''.

(2) Subparagraph (A) of section 6707(a)(1) is amended by striking ''paragraph (2)'' and inserting ''paragraph (2) or (3), as the case may be''.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to any tax shelter (as defined in section 6111(d) of the Internal Revenue Code of 1986, as amended by this section) interests in which are offered to potential participants after the Secretary of the Treasury prescribes guidance with respect to meeting requirements added by such amendments.

(2) MODIFICATIONS TO SUBSTANTIAL UNDERSTATEMENT PENALTY.—The amendments made by subsection (c) shall apply to items with respect to transactions entered into after the date of the enactment of this Act.

SEC. 1022. CERTAIN PREFERRED STOCK TREATED AS BOOT.

(a) SECTION 351.—Section 351 (relating to transfer to corporation controlled by transferor) is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) NONQUALIFIED PREFERRED STOCK NOT TREATED AS STOCK.—

''(1) IN GENERAL.—For purposes of subsections (a) and (b), the term 'stock' shall not include nonqualified preferred stock.

''(2) NONQUALIFIED PREFERRED STOCK.—For purposes of paragraph (1)—

''(A) IN GENERAL.—The term 'nonqualified preferred stock' means preferred stock if—

''(i) the holder of such stock has the right to require the issuer or a related person to redeem or purchase the stock,

''(ii) the issuer or a related person is required to redeem or purchase such stock,

''(iii) the issuer or a related person has the right to redeem or purchase the stock and, as of the issue date, it is more likely than not that such right will be exercised, or

''(iv) the dividend rate on such stock varies in whole or in part (directly or indirectly) with reference to interest rates, commodity prices, or other similar indices.

''(B) LIMITATIONS.—Clauses (i), (ii), and (iii) of subparagraph (A) shall apply only if the right or obligation referred to therein may be exercised within the 20-year period beginning on the issue date of such stock and such right or obligation is not subject to a contingency which, as of the issue date, makes remote the likelihood of the redemption or purchase.

''(C) EXCEPTIONS FOR CERTAIN RIGHTS OR OBLIGATIONS.—

''(i) IN GENERAL.—A right or obligation shall not be treated as described in clause (i), (ii), or (iii) of subparagraph (A) if—

''(I) it may be exercised only upon the death, disability, or mental incompetency of the holder, or

''(II) in the case of a right or obligation to redeem or purchase stock transferred in connection with the performance of services for the issuer or a related person (and which represents reasonable compensation), it may be exercised only upon the holder's separation from service from the issuer or a related person.

''(ii) EXCEPTION.—Clause (i)(I) shall not apply if the stock relinquished in the exchange, or the stock acquired in the exchange is in—

''(I) a corporation if any class of stock in such corporation or a related party is readily tradable on an established securities market or otherwise, or

''(II) any other corporation if such exchange is part of a transaction or series of transactions in which such corporation is to become a corporation described in subclause (I).

''(3) DEFINITIONS.—For purposes of this subsection—

''(A) PREFERRED STOCK.—The term 'preferred stock' means stock which is limited and preferred as to dividends and does not participate (including through a conversion privilege) in corporate growth to any significant extent.

''(B) RELATED PERSON.—A person shall be treated as related to another person if they bear a relationship to such other person described in section 267(b) or 707(b).

''(4) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out the purposes of this subsection and sections 354(a)(2)(C), 355(a)(3)(D), and 356(e). The Secretary may also prescribe regulations, consistent with the treatment under this subsection and such sections, for the treatment of nonqualified preferred stock under other provisions of this title.''

(b) SECTION 354.—Paragraph (2) of section 354(a) (relating to exchanges of stock and securities in certain reorganizations) is amended by adding at the end the following new subparagraph:

''(C) NONQUALIFIED PREFERRED STOCK.—

''(i) IN GENERAL.—Nonqualified preferred stock (as defined in section 351(g)(2)) received in exchange for stock other than nonqualified preferred stock (as so defined) shall not be treated as stock or securities.

''(ii) RECAPITALIZATIONS OF FAMILY-OWNED CORPORATIONS.—

''(I) IN GENERAL.—Clause (i) shall not apply in the case of a recapitalization under section 368(a)(1)(E) of a family-owned corporation.

''(II) FAMILY-OWNED CORPORATION.—For purposes of this clause, except as provided in regulations, the term 'family-owned corporation' means any corporation which is described in clause (i) of section 447(d)(2)(C) throughout the 8-year period beginning on the date which is 5 years before the date of the recapitalization. For purposes of the preceding sentence, stock shall not be treated as owned by a family member during any period described in section 355(d)(6)(B).''

(c) SECTION 355.—Paragraph (3) of section 355(a) is amended by adding at the end the following new subparagraph:

''(D) NON QUALIFIED PREFERRED STOCK.—Nonqualified preferred stock (as defined in section 351(g)(2)) received in a distribution with respect to stock other than nonqualified preferred stock (as so defined) shall not be treated as stock or securities.''

(d) SECTION 356.—Section 356 is amended by redesignating subsections (e) and (f) as subsections (f) and (g), respectively, and by inserting after subsection (d) the following new subsection:

''(e) NONQUALIFIED PREFERRED STOCK TREATED AS OTHER PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—Except as provided in paragraph (2), the term 'other property' includes nonqualified preferred stock (as defined in section 351(g)(2)).

''(2) EXCEPTION.—The term 'other property' does not include nonqualified preferred stock (as so defined) to the extent that, under section 354 or 355, such preferred stock would be permitted to be received without the recognition of gain.''

(e) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 354(a)(2) and subparagraph (C) of section 355(a)(3)(C) are each amended by inserting ''(including nonqualified preferred stock, as defined in section 351(g)(2))'' after ''stock''.

(2) Subparagraph (A) of section 354(a)(3) and subparagraph (A) of section 355(a)(4) are each amended by inserting ''nonqualified preferred stock and'' after ''including''.

(3) Section 1036 is amended by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following new subsection:

''(b) NONQUALIFIED PREFERRED STOCK NOT TREATED AS STOCK.—For purposes of this section, nonqualified preferred stock (as defined in section 351(g)(2)) shall be treated as property other than stock.''

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to transactions after June 8, 1997.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any transaction after June 8, 1997, if such transaction is—

(A) made pursuant to a written agreement which was binding on such date and at all times thereafter,

(B) described in a ruling request submitted to the Internal Revenue Service on or before such date, or

(C) described on or before such date in a public announcement or in a filing with the Securities and Exchange Commission required solely by reason of the distribution.

Subtitle D—Administrative Provisions

SEC. 1031. REPORTING OF CERTAIN PAYMENTS MADE TO ATTORNEYS.

(a) IN GENERAL.—Section 6045 (relating to returns of brokers) is amended by adding at the end the following new subsection:

''(f) RETURN REQUIRED IN THE CASE OF PAYMENTS TO ATTORNEYS.—

''(1) IN GENERAL.—Any person engaged in a trade or business and making a payment (in the course of such trade or business) to which this subsection applies shall file a return under subsection (a) and a statement under subsection (b) with respect to such payment.

''(2) APPLICATION OF SUBSECTION.—

''(A) IN GENERAL.—This subsection shall apply to any payment to an attorney in connection with legal services (whether or not such services are performed for the payor).

''(B) EXCEPTION.—This subsection shall not apply to the portion of any payment which is required to be reported under section 6041(a) (or would be so required but for the dollar limitation contained therein) or section 6051.''

(b) REPORTING OF ATTORNEYS' FEES PAYABLE TO CORPORATIONS.—The regulations providing an exception under section 6041 of the Internal Revenue Code of 1986 for payments made to corporations shall not apply to payments of attorneys' fees.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made after December 31, 1997.

SEC. 1032. DECREASE OF THRESHOLD FOR REPORTING PAYMENTS TO CORPORATIONS PERFORMING SERVICES FOR FEDERAL AGENCIES.

(a) IN GENERAL.—Subsection (d) of section 6041A (relating to returns regarding payments of remuneration for services and direct sales) is amended by adding at the end the following new paragraph:

''(3) PAYMENTS TO CORPORATIONS BY FEDERAL EXECUTIVE AGENCIES.—

''(A) IN GENERAL.—Notwithstanding any regulation prescribed by the Secretary before the date of the enactment of this paragraph, subsection (a) shall apply to remuneration paid to a corporation by any Federal executive agency (as defined in section 6050M(b)).

''(B) EXCEPTION.—Subparagraph (A) shall not apply to—

''(i) services under contracts described in section 6050M(e)(3) with respect to which the requirements of section 6050M(e)(2) are met, and

''(ii) such other services as the Secretary may specify in regulations prescribed after the date of the enactment of this paragraph.''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to returns the due date for which (determined without regard to any extension) is more than 90 days after the date of the enactment of this Act.

SEC. 1033. DISCLOSURE OF RETURN INFORMATION FOR ADMINISTRATION OF CERTAIN VETERANS PROGRAMS.

(a) GENERAL RULE.—Subparagraph (D) of section 6103(l)(7) (relating to disclosure of return information to Federal, State, and local agencies administering certain programs) is amended by striking ''Clause (viii) shall not apply after September 30, 1998.''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 1034. CONTINUOUS LEVY ON CERTAIN PAYMENTS.

(a) IN GENERAL.—Section 6331 (relating to levy and distraint) is amended—

(1) by redesignating subsection (h) as subsection (i), and

(2) by inserting after subsection (g) the following new subsection:

''(h) CONTINUING LEVY ON CERTAIN PAYMENTS.—

''(1) IN GENERAL.—The effect of a levy on specified payments to or received by a taxpayer shall be continuous from the date such levy is first made until such levy is released. Notwithstanding section 6334, such levy shall attach up to 15 percent of any salary or pension payment due to the taxpayer.

''(2) SPECIFIED PAYMENTS.—For the purposes of paragraph (1), the term 'specified payments' means—

''(A) Federal payments other than payments for which eligibility is based on the income or assets (or both) of a payee,

''(B) payments described in subsection (a)(4) (relating to unemployment benefits), and

''(C) payments described in subsection (a)(11) (relating to certain public assistance payments).''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to levies issued after the date of the enactment of this Act.

SEC. 1035. RETURNS OF BENEFICIARIES OF ESTATES AND TRUSTS REQUIRED TO FILE RETURNS CONSISTENT WITH ESTATE OR TRUST RETURN OR TO NOTIFY SECRETARY OF INCONSISTENCY.

(a) DOMESTIC ESTATES AND TRUSTS.—Section 6034A (relating to information to beneficiaries of estates and trusts) is amended by adding at the end the following new subsection:

''(c) BENEFICIARY'S RETURN MUST BE CONSISTENT WITH ESTATE OR TRUST RETURN OR SECRETARY NOTIFIED OF INCONSISTENCY.—

''(1) IN GENERAL.—A beneficiary of any estate or trust to which subsection (a) applies shall, on such beneficiary's return, treat any reported item in a manner which is consistent with the treatment of such item on the applicable entity's return.

''(2) NOTIFICATION OF INCONSISTENT TREATMENT.—

''(A) IN GENERAL.—In the case of any reported item, if—

''(i)(I) the applicable entity has filed a return but the beneficiary's treatment on such beneficiary's return is (or may be) inconsistent with the treatment of the item on the applicable entity's return, or

''(II) the applicable entity has not filed a return, and

''(ii) the beneficiary files with the Secretary a statement identifying the inconsistency,

paragraph (1) shall not apply to such item.

''(B) BENEFICIARY RECEIVING INCORRECT INFORMATION.—A beneficiary shall be treated as having complied with clause (ii) of subparagraph (A) with respect to a reported item if the beneficiary—

''(i) demonstrates to the satisfaction of the Secretary that the treatment of the reported item on the beneficiary's return is consistent with the treatment of the item on the statement furnished under subsection (a) to the beneficiary by the applicable entity, and

''(ii) elects to have this paragraph apply with respect to that item.

''(3) EFFECT OF FAILURE TO NOTIFY.—In any case—

''(A) described in subparagraph (A)(i)(I) of paragraph (2), and

''(B) in which the beneficiary does not comply with subparagraph (A)(ii) of paragraph (2),

any adjustment required to make the treatment of the items by such beneficiary consistent with the treatment of the items on the applicable entity's return shall be treated as arising out of mathematical or clerical errors and assessed according to section 6213(b)(1). Paragraph (2) of section 6213(b) shall not apply to any assessment referred to in the preceding sentence.

''(4) DEFINITIONS.—For purposes of this subsection—

''(A) REPORTED ITEM.—The term 'reported item' means any item for which information is required to be furnished under subsection (a).

''(B) APPLICABLE ENTITY.—The term 'applicable entity' means the estate or trust of which the taxpayer is the beneficiary.

''(5) ADDITION TO TAX FOR FAILURE TO COMPLY WITH SECTION.—For addition to tax in the case of a beneficiary's negligence in connection with, or disregard of, the requirements of this section, see part II of subchapter A of chapter 68.''

(b) FOREIGN TRUSTS.—Subsection (d) of section 6048 (relating to information with respect to certain foreign trusts) is amended by adding at the end the following new paragraph:

''(5) UNITED STATES PERSON'S RETURN MUST BE CONSISTENT WITH TRUST RETURN OR SECRETARY NOTIFIED OF INCONSISTENCY.—Rules similar to the rules of section 6034A(c) shall apply to items reported by a trust under subsection (b)(1)(B) and to United States persons referred to in such subsection.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to returns of beneficiaries and owners filed after the date of the enactment of this Act.

Subtitle E—Excise and Employment Tax Provisions

SEC. 1041. EXTENSION AND MODIFICATION OF AIRPORT AND AIRWAY TRUST FUND TAXES.

(a) FUEL TAXES.—

(1) AVIATION FUEL.—Clause (ii) of section 4091(b)(3)(A) is amended by striking ''September 30, 1997'' and inserting ''September 30, 2007''.

(2) AVIATION GASOLINE.—Subparagraph (B) of section 4081(d)(2) is amended by striking ''September 30, 1997'' and inserting ''September 30, 2007''.

(3) NONCOMMERCIAL AVIATION.—Subparagraph (B) of section 4041(c)(3) is amended by striking ''September 30, 1997'' and inserting ''September 30, 2007''.

(b) TICKET TAXES.—

(1) PERSONS.—Clause (ii) of section 4261(g)(1)(A) is amended by striking ''September 30, 1997'' and inserting ''September 30, 2007''.

(2) PROPERTY.—Clause (ii) of section 4271(d)(1)(A) is amended by striking ''September 30, 1997'' and inserting ''September 30, 2007''.

(c) MODIFICATIONS TO TAX ON TRANSPORTATION OF PERSONS BY AIR.—Subsection (c) of section 4261 (relating to use of international travel facilities) is amended to read as follows:

''(c) USE OF INTERNATIONAL TRAVEL FACILITIES.—

''(1) IN GENERAL.—There is hereby imposed a tax of $10 on any amount paid (whether within or without the United States) for any transportation of any person by air, if such transportation begins or ends in the United States.

''(2) EXCEPTION FOR TRANSPORTATION ENTIRELY TAXABLE UNDER SUBSECTION (a).—This subsection shall not apply to any transportation all of which is taxable under subsection (a) (determined without regard to sections 4281 and 4282).

''(3) SPECIAL RULE FOR ALASKA AND HAWAII.—In any case in which the tax imposed by paragraph (1) applies to a domestic segment, such tax shall apply only on departure.

''(4) INFLATION ADJUSTMENT.—

''(A) IN GENERAL.—In the case of transportation beginning in a calendar year after 1998, the dollar amount contained in paragraph (1) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof.

''(B) ROUNDING.—If any increase determined under subparagraph (A) is not a multiple of 10 cents, such increase shall be rounded to the nearest multiple of 10 cents.''

(d) EFFECTIVE DATES.—

(1) FUEL TAXES.—The amendment made by subsection (a) shall apply take effect on October 1, 1997.

(2) TICKET TAXES.—

(A) IN GENERAL.—The amendments made by subsections (b) and (c) shall apply to transportation beginning on or after October 1, 1997.

(B) TREATMENT OF AMOUNTS PAID FOR TICKETS PURCHASED BEFORE DATE OF ENACTMENT.—The amendments made by subsection (c) shall not apply to amounts paid for a ticket purchased before the date of the enactment of this Act for a specified flight beginning on or after October 1, 1997.

SEC. 1042. CREDIT FOR TIRE TAX IN LIEU OF EXCLUSION OF VALUE OF TIRES IN COMPUTING PRICE.

(a) IN GENERAL.—Subsection (e) of section 4051 is amended to read as follows:

''(e) CREDIT AGAINST TAX FOR TIRE TAX.—If—

''(1) tires are sold on or in connection with the sale of any article, and

''(2) tax is imposed by this subchapter on the sale of such tires,

there shall be allowed as a credit against the tax imposed by this subchapter an amount equal to the tax (if any) imposed by section 4071 on such tires.''

(b) CONFORMING AMENDMENT.—Subparagraph (B) of section 4052(b)(1) is amended by striking clause (iii), by adding ''and'' at the end of clause (ii), and by redesignating clause (iv) as clause (iii).

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 1998.

SEC. 1043. RESTORATION OF LEAKING UNDERGROUND STORAGE TANK TRUST FUND TAXES.

Paragraph (3) of section 4081(d) is amended by inserting before the period '', and before the date of the enactment of the Revenue Reconciliation Act of 1997''.

SEC. 1044. REINSTATEMENT OF OIL SPILL LIABILITY TRUST FUND TAX.

(a) IN GENERAL.—Paragraph (1) of section 4611(f) is amended by striking ''December 31, 1989, and before January 1, 1995'' and inserting ''December 31, 1997''. Paragraph (2) of section 4611(f) is hereby repealed.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 1998.

SEC. 1045. EXTENSION OF FEDERAL UNEMPLOYMENT SURTAX.

(a) IN GENERAL.—Section 3301 is amended by striking ''equal to—'' and all that follows through ''thereafter;'' and inserting ''6.2 percent in the case of calendar year 1998 and each calendar year thereafter''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to calendar years beginning after December 31, 1997.

Subtitle F—Provisions Relating to Tax-Exempt Entities

SEC. 1051. EXPANSION OF LOOK-THRU RULE FOR INTEREST, ANNUITIES, ROYALTIES, AND RENTS DERIVED BY SUBSIDIARIES OF TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Paragraph (13) of section 512(b) is amended to read as follows:

''(13) SPECIAL RULES FOR CERTAIN AMOUNTS RECEIVED FROM CONTROLLED ENTITIES.—

''(A) IN GENERAL.—If an organization (in this paragraph referred to as the 'controlling organization') receives (directly or indirectly) a specified payment from another entity which it controls (in this paragraph referred to as the 'controlled entity'), notwithstanding paragraphs (1), (2), and (3), the controlling organization shall include such payment as an item of gross income derived from an unrelated trade or business to the extent such payment reduces the net unrelated income of the controlled entity (or increases any net unrelated loss of the controlled entity). There shall be allowed all deductions of the controlling organization directly connected with amounts treated as derived from an unrelated trade or business under the preceding sentence.

''(B) NET UNRELATED INCOME OR LOSS.—For purposes of this paragraph—

''(i) NET UNRELATED INCOME.—The term 'net unrelated income' means—

''(I) in the case of a controlled entity which is not exempt from tax under section 501(a), the portion of such entity's taxable income which would be unrelated business taxable income if such entity were exempt from tax under section 501(a) and had the same exempt purposes (as defined in section 513A(a)(5)(A)) as the controlling organization, or

''(II) in the case of a controlled entity which is exempt from tax under section 501(a), the amount of the unrelated business taxable income of the controlled entity.

''(ii) NET UNRELATED LOSS.—the term 'net unrelated loss' means the net operating loss adjusted under rules similar to the rules of clause (i).

''(C) SPECIFIED PAYMENT.—For purposes of this paragraph, the term 'specified payment' means any interest, annuity, royalty, or rent.

''(D) DEFINITION OF CONTROL.—For purposes of this paragraph—

''(i) CONTROL.—The term 'control' means—

''(I) in the case of a corporation, ownership (by vote or value) of more than 50 percent of the stock in such corporation,

''(II) in the case of a partnership, ownership of more than 50 percent of the profits interests or capital interests in such partnership, or

''(III) in any other case, ownership of more than 50 percent of the beneficial interests in the entity.

''(ii) CONSTRUCTIVE OWNERSHIP.—Section 318 (relating to constructive ownership of stock) shall apply for purposes of determining ownership of stock in a corporation. Similar principles shall apply for purposes of determining ownership of interests in any other entity.

''(E) RELATED PERSONS.—The Secretary shall prescribe such rules as may be necessary or appropriate to prevent avoidance of the purposes of this paragraph through the use of related persons.''

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) CONTROL TEST.—In the case of taxable years beginning before January 1, 1999, an organization shall be treated as controlling another organization for purposes of section 512(b)(13) of the Internal Revenue Code of 1986 (as amended by this section) only if it controls such organization within the meaning of such section, determined by substituting ''80 percent'' for ''50 percent'' each place it appears in subparagraph (D) thereof.

Subtitle G—Foreign-Related Provisions

SEC. 1061. DEFINITION OF FOREIGN PERSONAL HOLDING COMPANY INCOME.

(a) INCOME FROM NOTIONAL PRINCIPAL CONTRACTS AND PAYMENTS IN LIEU OF DIVIDENDS.—

(1) IN GENERAL.—Paragraph (1) of section 954(c) (defining foreign personal holding company income) is amended by adding at the end the following new subparagraph:

''(F) INCOME FROM NOTIONAL PRINCIPAL CONTRACTS.—Net income from notional principal contracts. Any item of income, gain, deduction, or loss from a notional principal contract entered into for purposes of hedging any item described in any preceding subparagraph shall not be taken into account for purposes of this subparagraph but shall be taken into account under such other subparagraph.

''(G) PAYMENTS IN LIEU OF DIVIDENDS.—Payments in lieu of dividends which are made pursuant to an agreement to which section 1058 applies.''

(2) CONFORMING AMENDMENT.—Subparagraph (B) of section 954(c)(1) is amended—

(A) by striking the second sentence, and

(B) by striking ''also'' in the last sentence.

(b) EXCEPTION FOR DEALERS.—Paragraph (2) of section 954(c) is amended by adding at the end the following new subparagraph:

''(C) EXCEPTION FOR DEALERS.—Except as provided in subparagraph (A), (E), or (G) of paragraph (1) or by regulations, in the case of a regular dealer in property (within the meaning of paragraph (1)(B)), forward contracts, option contracts, or similar financial instruments (including notional principal contracts and all instruments referenced to commodities), there shall not be taken into account in computing foreign personal holding income any item of income, gain, deduction, or loss from any transaction (including hedging transactions) entered into in the ordinary course of such dealer's trade or business as such a dealer.''

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

SEC. 1062. PERSONAL PROPERTY USED PREDOMINANTLY IN THE UNITED STATES TREATED AS NOT PROPERTY OF A LIKE KIND WITH RESPECT TO PROPERTY USED PREDOMINANTLY OUTSIDE THE UNITED STATES.

(a) IN GENERAL.—Subsection (h) of section 1031 (relating to exchange of property held for productive use or investment) is amended to read as follows:

''(h) SPECIAL RULES FOR FOREIGN REAL AND PERSONAL PROPERTY.—For purposes of this section—

''(1) REAL PROPERTY.—Real property located in the United States and real property located outside the United States are not property of a like kind.

''(2) PERSONAL PROPERTY.—

''(A) IN GENERAL.—Personal property used predominantly within the United States and personal property used predominantly outside the United States are not property of a like kind.

''(B) PREDOMINANT USE.—Except as provided in subparagraph (C) and (D), the predominant use of any property shall be determined based on—

''(i) in the case of the property relinquished in the exchange, the 2-year period ending on the date of such relinquishment, and

''(ii) in the case of the property acquired in the exchange, the 2-year period beginning on the date of such acquisition.

''(C) PROPERTY HELD FOR LESS THAN 2 YEARS.—Except in the case of an exchange which is part of a transaction (or series of transactions) structured to avoid the purposes of this subsection—

''(i) only the periods the property was held by the person relinquishing the property (or any related person) shall be taken into account under subparagraph (B)(i), and

''(ii) only the periods the property was held by the person acquiring the property (or any related person) shall be taken into account under subparagraph (B)(ii).

''(D) SPECIAL RULE FOR CERTAIN PROPERTY.—Property described in any subparagraph of section 168(g)(4) shall be treated as used predominantly in the United States.''

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to transfers after June 8, 1997, in taxable years ending after such date.

(2) BINDING CONTRACTS.—The amendment made by this section shall not apply to any transfer pursuant to a written binding contract in effect on June 8, 1997, and at all

times thereafter before the disposition of property. A contract shall not fail to meet the requirements of the preceding sentence solely because—

(A) it provides for a sale in lieu of an exchange, or

(B) the property to be acquired as replacement property was not identified under such contract before June 9, 1997.

SEC. 1063. HOLDING PERIOD REQUIREMENT FOR CERTAIN FOREIGN TAXES.

(a) IN GENERAL.—Section 901 is amended by redesignating subsection (k) as subsection (l) and by inserting after subsection (j) the following new subsection:

''(k) MINIMUM HOLDING PERIOD FOR CERTAIN TAXES.—

''(1) IN GENERAL.—No credit shall be allowed to the taxpayer under subsection (a) for any income, war profits, or excess profits tax by reason of a dividend or other inclusion with respect to stock in a foreign corporation or a regulated investment company if—

''(A) such stock is held by the taxpayer for 15 days or less during the 30-day period beginning on the date which is 15 days before the date on which such share becomes ex-dividend with respect to such dividend, or

''(B) to the extent that the taxpayer is under an obligation (whether pursuant to a short sale or otherwise) to make related payments with respect to positions in substantially similar or related property.

''(2) LOWER TIER CORPORATIONS.—To the extent that the credit otherwise allowable under subsection (a) is for taxes deemed paid under section 853, 902, or 960 through a chain of ownership of stock in 1 or more other foreign corporations, no credit shall be allowed under subsection (a) for such taxes to the extent—

''(A) attributable to stock held by any corporation in such chain for less than the period described in paragraph (1)(A), or

''(B) that such corporation is under an obligation referred to in paragraph (1)(B).

''(3) 45-DAY RULE IN THE CASE OF CERTAIN PREFERENCE DIVIDENDS.—In the case of stock having preference in dividends, if the taxpayer receives dividends with respect to such stock which are attributable to a period or periods aggregating in excess of 366 days, paragraph (1)(A) shall be applied—

''(A) by substituting '45 days' for '15 days' each place it appears, and

''(B) by substituting '90-day period' for '30-day period'.

''(4) EXCEPTION FOR CERTAIN TAXES PAID BY SECURITIES DEALERS.—

''(A) IN GENERAL.—Paragraphs (1) and (2) shall not apply to any qualified tax with respect to any security held in the active conduct in a foreign country of a securities business of any person—

''(i) who is registered as a securities broker or dealer under section 15(a) of the Securities Exchange Act of 1934,

''(ii) who is registered as a Government securities broker or dealer under section 15C(a) of such Act, or

''(iii) who is licensed or authorized in such foreign country to conduct securities activities in such country and is subject to bona fide regulation by a securities regulating authority of such country.

''(B) QUALIFIED TAX.—For purposes of subparagraph (A), the term 'qualified tax' means a tax paid to a foreign country (other than the foreign country referred to in subparagraph (A)) if—

''(i) the dividend to which such tax is attributable is subject to taxation on a net basis by the country referred to in subparagraph (A), and

''(ii) such country allows a credit against its net basis tax for the full amount of the tax paid to such other foreign country.

''(C) REGULATIONS.—The Secretary may prescribe such regulations as may be appropriate to prevent the abuse of the exception provided by this paragraph.

''(5) CERTAIN RULES TO APPLY.—For purposes of this subsection, the rules of paragraphs (3) and (4) of section 246(c) shall apply.

''(6) TAXES ALLOWED AS DEDUCTION, ETC.—Sections 275 and 78 shall not apply to any tax which is not allowable as a credit under subsection (a) by reason of this subsection.''

(b) NOTICE OF WITHHOLDING TAXES PAID BY REGULATED INVESTMENT COMPANY.—Subsection (c) of section 853 (relating to foreign tax credit allowed to shareholders) is amended by adding at the end the following new sentence: ''Such notice shall also include the amount of such taxes which (without regard to the election under this section) would not be allowable as a credit under section 901(a) to the regulated investment company by reason of section 901(k).''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to dividends paid or accrued more than 30 days after the date of the enactment of this Act.

SEC. 1064. PENALTIES FOR FAILURE TO DISCLOSE POSITION THAT CERTAIN INTERNATIONAL TRANSPORTATION INCOME IS NOT INCLUDIBLE IN GROSS INCOME.

(a) IN GENERAL.—Section 883 is amended by adding at the end the following new subsection:

''(d) PENALTIES FOR FAILURE TO DISCLOSE POSITION THAT CERTAIN INTERNATIONAL TRANSPORTATION INCOME IS NOT INCLUDIBLE IN GROSS INCOME.—

''(1) IN GENERAL.—A taxpayer who, with respect to any tax imposed by this title, takes the position that any of its gross income derived from the international operation of 1 or more ships or aircraft is not includible in gross income by reason of paragraph (1) or (2) of subsection (a) or paragraph (1) or (2) of section 872(b) (or by reason of any applicable treaty) shall be entitled to such treatment only if such position is disclosed (in such manner as the Secretary may prescribe) on the return of tax for such tax (or any statement attached to such return).

''(2) ADDITIONAL PENALTIES FOR FAILING TO DISCLOSE POSITION.—If a taxpayer fails to meet the requirement of paragraph (1) for any taxable year with respect to the international operation of 1 or more ships or one or more aircraft—

''(A) the amount of the income from the international operation to which such failure relates—

''(i) which is from sources without the United States, and

''(ii) which is attributable to a fixed place of business in the United States,

shall be treated for purposes of this title as effectively connected with the conduct of a trade or business within the United States, and

''(B) no deductions or credits shall be allowed which are attributable to income from the international operation to which the failure relates.

''(3) REASONABLE CAUSE EXCEPTION.—This subsection shall not apply to a failure to disclose a position if it is shown that such failure is due to reasonable cause and not due to willful neglect.''

(b) CONFORMING AMENDMENTS.—Paragraphs (1) and (2) of section 872(b), and paragraph (1) and (2) of 883(a), are each amended by striking ''Gross income'' each place it appears and inserting ''Except as provided in section 883(d), gross income''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

(2) COORDINATION WITH TREATIES.—The amendments made by this section shall not apply in any case where their application would be contrary to any treaty obligation of the United States.

(d) INFORMATION TO BE PROVIDED BY CUSTOMS SERVICE.—The United States Custom Service shall provide the Secretary of the Treasury or his delegate with such information as may be specified by such Secretary in order to enable such Secretary to determine whether ships which are not registered in the United States are engaged in transportation to or from the United States.

SEC. 1065. INTEREST ON UNDERPAYMENTS NOT REDUCED BY FOREIGN TAX CREDIT CARRYBACKS.

(a) IN GENERAL.—Subsection (d) of section 6601 is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

''(2) FOREIGN TAX CREDIT CARRYBACKS.—If any credit allowed for any taxable year is increased by reason of a carryback of tax paid or accrued to foreign countries or possessions of the United States, such increase shall not affect the computation of interest under this section for the period ending with the filing date for the taxable year in which such taxes were in fact paid or accrued, or, with respect to any portion of such credit carryback from a taxable year attributable to a net operating loss carryback or a capital loss carryback from a subsequent taxable year, such increase shall not affect the computation of interest under this section for the period ending with the filing date for such subsequent taxable year.''

(b) CONFORMING AMENDMENT TO REFUNDS ATTRIBUTABLE TO FOREIGN TAX CREDIT CARRYBACKS.—

(1) IN GENERAL.—Subsection (f) of section 6611 is amended by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

''(2) FOREIGN TAX CREDIT CARRYBACKS.—For purposes of subsection (a), if any overpayment of tax imposed by subtitle A results from a carryback of tax paid or accrued to foreign countries or possessions of the United States, such overpayment shall be deemed not to have been made before the filing date for the taxable year in which such taxes were in fact paid or accrued, or, with respect to any portion of such credit carryback from a taxable year attributable to a net operating loss carryback or a capital loss carryback from a subsequent taxable year, such overpayment shall be deemed not to have been made before the filing date for such subsequent taxable year.''

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (4) of section 6611(f) (as so redesignated) is amended—

(i) by striking ''PARAGRAPHS (1) AND (2)'' and inserting ''PARAGRAPHS (1), (2), AND (3)'', and

(ii) by striking ''paragraph (1) or (2)'' each place it appears and inserting ''paragraph (1), (2), or (3)''.

(B) Clause (ii) of section 6611(f)(4)(B) (as so redesignated) is amended by striking ''and'' at the end of subclause (I), by redesignating subclause (II) as subclause (III), and by inserting after subclause (I) the following new subclause:

''(II) in the case of a carryback of taxes paid or accrued to foreign countries or possessions of the United States, the taxable year in which such taxes were in fact paid or accrued (or, with respect to any portion of such carryback from a taxable year attributable to a net operating loss carryback or a capital loss carryback from a subsequent taxable year, such subsequent taxable year), and''.

(C) Subclause (III) of section 6611(f)(4)(B)(ii) (as so redesignated) is amended by inserting ''(as defined in paragraph (3)(B))'' after ''credit carryback'' the first place it appears.

(D) Section 6611 is amended by striking subsection (g) and by redesignating subsections (h) and (i) as subsections (g) and (h), respectively.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to carrybacks arising in taxable years beginning after the date of the enactment of this Act.

Subtitle H—Other Revenue Provisions

SEC. 1071. TERMINATION OF SUSPENSE ACCOUNTS FOR FAMILY CORPORATIONS REQUIRED TO USE ACCRUAL METHOD OF ACCOUNTING.

(a) IN GENERAL.—Subsection (i) of section 447 (relating to method of accounting for corporations engaged in farming) is amended by adding at the end the following new paragraph:

''(7) TERMINATION.—

''(A) IN GENERAL.—No suspense account may be established under this subsection by any corporation required by this section to change its method of accounting for any taxable year ending after June 8, 1997.

''(B) PHASEOUT OF EXISTING SUSPENSE ACCOUNTS.—

''(i) IN GENERAL.—Each suspense account under this subsection shall be reduced (but not below zero) for each taxable year beginning after June 8, 1997, by an amount equal to the lesser of—

''(I) the applicable portion of such account, or

''(II) 50 percent of the taxable income of the corporation for the taxable year, or, if the corporation has no taxable income for such year, the amount of any net operating loss (as defined in section 172(c)) for such taxable year.

For purposes of the preceding sentence, the amount of taxable income and net operating loss shall be determined without regard to this paragraph.

''(ii) COORDINATION WITH OTHER REDUCTIONS.—The amount of the applicable portion for any taxable year shall be reduced (but not below zero) by the amount of any reduction required for such taxable year under any other provision of this subsection.

''(iv) INCLUSION IN INCOME.—Any reduction in a suspense account under this paragraph shall be included in gross income for the taxable year of the reduction.

''(C) APPLICABLE PORTION.—For purposes of subparagraph (B), the term 'applicable portion' means, for any taxable year, the amount which would ratably reduce the amount in the account (after taking into account prior reductions) to zero over the period consisting of such taxable year and the remaining taxable years in such first 20 taxable years.

''(D) AMOUNTS AFTER 20TH YEAR.—Any amount in the account as of the close of the 20th year referred to in subparagraph (C) shall be treated as the applicable portion for each succeeding year thereafter to the extent not reduced under this paragraph for any prior taxable year after such 20th year.''

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after June 8, 1997.

SEC. 1072. ALLOCATION OF BASIS AMONG PROPERTIES DISTRIBUTED BY PARTNERSHIP.

(a) IN GENERAL.—Subsection (c) of section 732 is amended to read as follows:

''(c) ALLOCATION OF BASIS.—

''(1) IN GENERAL.—The basis of distributed properties to which subsection (a)(2) or (b) is applicable shall be allocated—

''(A) first to any unrealized receivables (as defined in section 751(c)) and inventory items (as defined in section 751(d)(2)) in an amount equal to the adjusted basis of each such property to the partnership (or if the basis to be allocated is less than the sum of the adjusted bases of such properties to the partnership, in the manner provided in paragraph (3)), and

''(B) to the extent of any remaining basis, to other distributed properties—

''(i) first to the extent of each such property's adjusted basis to the partnership, and

''(ii) then, to the extent any increase or decrease in basis is required in order to have the adjusted bases of such other distributed properties equal such remaining basis, in the manner provided in paragraph (2) or (3), whichever is appropriate.

''(2) METHOD OF ALLOCATING INCREASE.—Any increase required under paragraph (1)(B) shall be allocated among the properties—

''(A) first to properties with unrealized appreciation in proportion to their respective amounts of unrealized appreciation before such increase (but only to the extent of each property's unrealized appreciation), and

''(B) then, to the extent such increase is not allocated under subparagraph (A), in proportion to their respective fair market values.

''(3) METHOD OF ALLOCATING DECREASE.—Any decrease required under paragraph (1)(A) or (1)(B) shall be allocated—

''(A) first to properties with unrealized depreciation in proportion to their respective amounts of unrealized depreciation before such decrease (but only to the extent of each property's unrealized depreciation), and

''(B) then, to the extent such decrease is not allocated under subparagraph (A), in proportion to their respective adjusted bases (as adjusted under subparagraph (A)).''

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to distributions after the date of the enactment of this Act.

SEC. 1073. REPEAL OF REQUIREMENT THAT INVENTORY BE SUBSTANTIALLY APPRECIATED.

(a) IN GENERAL.—Paragraph (2) of section 751(a) is amended to read as follows:

''(2) inventory items of the partnership,''.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 751 is amended to read as follows:

''(d) INVENTORY ITEMS.—For purposes of this subchapter, the term 'inventory items' means—

''(1) property of the partnership of the kind described in section 1221(1),

''(2) any other property of the partnership which, on sale or exchange by the partnership, would be considered property other than a capital asset and other than property described in section 1231,

''(3) any other property of the partnership which, if sold or exchanged by the partnership, would result in a gain taxable under subsection (a) of section 1246 (relating to gain on foreign investment company stock), and

''(4) any other property held by the partnership which, if held by the selling or distributee partner, would be considered property of the type described in paragraph (1), (2), or (3).''

(2) Sections 724(d)(2), 731(a)(2)(B), 731(c)(6), 732(c)(1)(A) (as amended by the preceding section), 735(a)(2), and 735(c)(1) are each amended by striking ''section 751(d)(2)'' and inserting ''section 751(d)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales, exchanges, and distributions after the date of the enactment of this Act.

SEC. 1074. EXTENSION OF TIME FOR TAXING PRECONTRIBUTION GAIN.

(a) IN GENERAL.—Sections 704(c)(1)(B) and 737(b)(1) are each amended by striking ''5 years'' and inserting ''10 years''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to property contributed to a partnership after June 8, 1997.

SEC. 1075. LIMITATION ON PROPERTY FOR WHICH INCOME FORECAST METHOD MAY BE USED.

(a) LIMITATION.—Subsection (g) of section 167 is amended by adding at the end the following new paragraph:

''(6) LIMITATION ON PROPERTY FOR WHICH INCOME FORECAST METHOD MAY BE USED.—The depreciation deduction allowable under this section may be determined under the income forecast method or any similar method only with respect to—

''(A) property described in paragraph (3) or (4) of section 168(f),

''(B) copyrights,

''(C) books,

''(D) patents, and

''(E) other property specified in regulations.

Such methods may not be used with respect to any amortizable section 197 intangible (as defined in section 197(c)).''

(b) DEPRECIATION PERIOD FOR RENT-TO-OWN PROPERTY.—

(1) IN GENERAL.—Subparagraph (A) of section 168(e)(3) (relating to 3-year property) is amended by striking ''and'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting '', and'', and by adding at the end the following new clause:

''(iii) any qualified rent-to-own property.''

(2) 4-YEAR CLASS LIFE.—The table contained in section 168(g)(3)(B) is amended by inserting before the first item the following new item:

''(A)(iii) ..... 4 ''

(3) DEFINITION OF QUALIFIED RENT-TO-OWN PROPERTY.—Subsection (i) of section 168 is amended by adding at the end the following new paragraph:

''(14) QUALIFIED RENT-TO-OWN PROPERTY.—

''(A) IN GENERAL.—The term 'qualified rent-to-own property' means property held by a rent-to-own dealer for purposes of being subject to a rent-to-own contract.

''(B) RENT-TO-OWN DEALER.—The term 'rent-to-own dealer' means a person that, in the ordinary course of business, regularly enters into rent-to-own contracts with customers for the use of consumer property, if a substantial portion of those contracts terminate and the property is returned to such person before the receipt of all payments required to transfer ownership of the property from such person to the customer.

''(C) CONSUMER PROPERTY.—The term 'consumer property' means tangible personal property of a type generally used within the home. Such term shall not include cellular telephones and any computer or peripheral equipment (as defined in section 168(i)).

''(D) RENT-TO-OWN CONTRACT.—The term 'rent-to-own contract' means any lease for the use of consumer property between a rent-to-own dealer and a customer who is an individual which—

''(i) is titled 'Rent-to-Own Agreement' or 'Lease Agreement with Ownership Option,' or uses other similar language,

''(ii) provides for level, regular periodic payments (for a payment period which is a week or month),

''(iii) provides that legal title to such property remains with the rent-to-own dealer until the customer makes all the payments described in clause (ii) or early purchase payments required under the contract to acquire legal title to the item of property,

''(iv) provides a beginning date and a maximum period of time for which the contract may be in effect that does not exceed 156 weeks or 36 months from such beginning date (including renewals or options to extend),

''(v) provides for level payments within the 156-week or 36-month period that, in the aggregate, generally exceed the normal retail price of the consumer property plus interest,

''(vi) provides for payments under the contract that, in the aggregate, do not exceed $10,000 per item of consumer property,

''(vii) provides that the customer does not have any legal obligation to make all the payments referred to in clause (ii) set forth under the contract, and that at the end of each payment period the customer may either continue to use the consumer property by making the payment for the next payment period or return such property to the rent-to-own dealer in good working order, in which case the customer does not incur any further obligations under the contract and is not entitled to a return of any payments previously made under the contract, and

''(viii) provides that the customer has no right to sell, sublease, mortgage, pawn, pledge, encumber, or otherwise dispose of the consumer property until all the payments stated in the contract have been made.''

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after the date of the enactment of this Act.

SEC. 1076. REPEAL OF SPECIAL RULE FOR RENTAL USE OF VACATION HOMES, ETC., FOR LESS THAN 15 DAYS.

(a) IN GENERAL.—Section 280A (relating to disallowance of certain expenses in connection with business use of home, rental of vacation homes, etc.) is amended by striking subsection (g).

(b) NO BASIS REDUCTION UNLESS DEPRECIATION CLAIMED.—Section 1016 is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

''(e) SPECIAL RULE WHERE RENTAL USE OF VACATION HOME, ETC., FOR LESS THAN 15 DAYS.—If a dwelling unit is used during the taxable year by the taxpayer as a residence and such dwelling unit is actually rented for less than 15 days during the taxable year, the reduction under subsection (a)(2) by reason of such rental use in any taxable year beginning after December 31, 1997, shall not exceed the depreciation deduction allowed for such rental use.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

SEC. 1077. EXPANSION OF REQUIREMENT THAT INVOLUNTARILY CONVERTED PROPERTY BE REPLACED WITH PROPERTY ACQUIRED FROM AN UNRELATED PERSON.

(a) IN GENERAL.—Subsection (i) of section 1033 is amended to read as follows:

''(i) REPLACEMENT PROPERTY MUST BE ACQUIRED FROM UNRELATED PERSON IN CERTAIN CASES.—

''(1) IN GENERAL.—If the property which is involuntarily converted is held by a taxpayer to which this subsection applies, subsection (a) shall not apply if the replacement property or stock is acquired from a related person. The preceding sentence shall not apply to the extent that the related person acquired the replacement property or stock from an unrelated person during the period applicable under subsection (a)(2)(B).

''(2) TAXPAYERS TO WHICH SUBSECTION APPLIES.—This subsection shall apply to—

''(A) a C corporation,

''(B) a partnership in which 1 or more C corporations own, directly or indirectly (determined in accordance with section 707(b)(3)), more than 50 percent of the capital interest, or profits interest, in such partnership at the time of the involuntary conversion, and

''(C) any other taxpayer if, with respect to property which is involuntarily converted during the taxable year, the aggregate of the amount of realized gain on such property on which there is realized gain exceeds $100,000. In the case of a partnership, subparagraph (C) shall apply with respect to the partnership and with respect to each partner. A similar rule shall apply in the case of an S corporation and its shareholders.

''(3) RELATED PERSON.—For purposes of this subsection, a person is related to another person if the person bears a relationship to the other person described in section 267(b) or 707(b)(1).''

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to involuntary conversions occurring after June 8, 1997.

SEC. 1078. TREATMENT OF EXCEPTION FROM INSTALLMENT SALES RULES FOR SALES OF PROPERTY BY A MANUFACTURER TO A DEALER.

(a) IN GENERAL.—Paragraph (2) of section 811(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

(2) COORDINATION WITH SECTION 481.—In the case of any taxpayer required by this section to change its method of accounting for any taxable year—

(A) such changes shall be treated as initiated by the taxpayer,

(B) such changes shall be treated as made with the consent of the Secretary, and

(C) the net amount of the adjustments required to be taken into account under section 481(a) of the Internal Revenue Code of 1986 shall be taken into account ratably over the 4 taxable year period beginning with the first taxable year beginning after the date of the enactment of this Act.

H.R. 2014

OFFERED BY: MR. ARCHER

AMENDMENT NO. 2: Strike ''Revenue Reconciliation Act of 1997'' each place it appears and insert ''Taxpayer Relief Act of 1997''.

Page 13, strike lines 1 through 10, and insert the following:

''(2) REDUCTION FOR DEPENDENT CARE CREDIT.—In the case of taxable years beginning after December 31, 1999—

''(A) IN GENERAL.—The credit allowed by subsection (a) for the taxable year (determined after paragraph (1) but before paragraph (3)) shall be reduced by the amount equal to 50 percent of the credit allowed under section 21 for such taxable year (determined after section 26(c)).

''(B) EXCEPTION BASED ON ADJUSTED GROSS INCOME.—

''(i) IN GENERAL.—Subparagraph (A) shall not apply to a taxpayer whose modified adjusted gross income for the taxable year does not exceed the threshold amount.

''(ii) PHASEIN OF REDUCTION.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds the threshold amount by less than $5,000, the amount of the reduction under subparagraph (A) shall be an amount which bears the same ratio to the amount of such reduction (determined without regard to this clause) as the excess of the taxpayer's modified adjusted gross income over the threshold amount bears to $5,000. In the case of a joint return, the preceding sentence shall be applied by substituting '$10,000' for '$5,000' each place it appears.

''(iii) THRESHOLD AMOUNT.—For purposes of this subparagraph, the term 'threshold amount' means—

''(I) $60,000 in the case of a joint return,

''(II) $33,000 in the case of an individual who is not married, and

''(III) $25,000 in the case of a married individual filing a separate return.

For purposes of this clause, marital status shall be determined under section 7703.

''(iv) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subparagraph, the term 'modified adjusted gross income' has the meaning given such term by section 26(c).''

Page 13, line 11, strike ''(B)'' and insert ''(C)''.

Page 16, after line 5, insert the following new subsections:

(e) NOTICE OF CREDIT.—The Secretary of the Treasury or his delegate shall include in any booklet of instructions for Form 1040, 1040A, or 1040EZ prepared by such Secretary for filing individual income tax returns for taxable years beginning in 1998 a notice which states only the following: ''The Taxpayer Relief Act of 1997 which was recently passed by the Congress has fulfilled its promise to provide tax relief to American families. The Act's child tax credit allows American families to reduce their taxes by $400 per child for 1998 and $500 per child after 1998. You may wish to check with your employer about changing your tax withholding.''

(f) ADJUSTMENTS TO WITHHOLDING.—

(1) IN GENERAL.—The Secretary of the Treasury or his delegate shall modify the tables and procedures under section 3402 of the Internal Revenue Code of 1986 such that every employer making payment of wages during calendar year 1998 to any specified employee—

(A) shall reduce the amount deducted and withheld as tax under chapter 24 of such Code for any payroll or other period during such year to reflect such period's proportionate share of the child care credit amount, and

(B) shall, before implementing such reduction, provide reasonable notice to such employees that such a reduction will apply to each specified employee who does not provide the employer with the notice referred to in paragraph (5).

(2) SPECIFIED EMPLOYEE.—For purposes of this subsection, the term ''specified employee'' means any employee—

(A) whose wages from the employer on an annualized basis are reasonably expected to be at least $30,000 but not more than $100,000, and

(B) who claims more than the base number of withholding exemptions on the withholding exemption certificate furnished to the employer.

For purposes of the preceding sentence, the term ''base number'' means 1 withholding exemption if the certificate reflects withholding for an unmarried individual and 2 withholding exemptions if the certificate reflects withholding for a married individual.

(3) CHILD CARE CREDIT AMOUNT.—For purposes of this subsection, the term ''child care credit amount'' means the lesser of $800 or the amount equal to the product of—

(A) $400, and

(B) the number of withholding exemptions claimed by the employee on the withholding exemption certificate furnished to the employer to the extent such number exceeds the base number (as defined in paragraph (2)) of such exemptions.

(4) PROPORTIONATE SHARE.—For purposes of this subsection, except as provided by the Secretary of the Treasury or his delegate, a period's proportionate share of the child care credit amount is the amount which bears the same ratio to the child care credit amount as the number of days in such period bears to 365.

(5) NOTICE TO HAVE SUBSECTION NOT APPLY TO EMPLOYEE.—This subsection shall not

apply to any employee who provides written notice (in such form as the Secretary shall prescribe) to the employer of such employee's decision not to have this subsection apply to such employee.

(6) DEFINITIONS.—Terms used in this subsection which are also used in chapter 24 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such chapter.

Page 99, after line 22, insert the following new paragraph:

(4) APPLICATION OF ESTIMATED TAX RULES FOR 1998.—Clause (i) of section 6654(d)(1)(C) of the Internal Revenue Code of 1986 shall be applied by substituting ''105 percent'' for ''110 percent'' where the preceding taxable year referred to in such clause is a taxable year beginning in calendar year 1997.

Page 141, strike lines 4 through 7 and insert the following new section:

SEC. 403. REPEAL OF ADJUSTMENT FOR DEPRECIATION.

(a) IN GENERAL.—Clause (i) of section 56(a)(1)(A) is amended by inserting ''and before January 1, 1999,'' after ''December 31, 1986,''.

(b) STUDY.—

(1) IN GENERAL.—Because it is the intent of Congress that the amendment made by subsection (a) not have the result of permitting any corporation with taxable income from current year operations to pay no Federal income tax, the Secretary of the Treasury or his delegate shall conduct a study to determine whether such amendment has that result and, if so, the policy implications of that result.

(2) REPORT.—The report of such study shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate not later than January 1, 2001.

Page 173, after line 22, insert the following new section (and amend the table of contents accordingly):

SEC. 605. BUDGETARY TREATMENT OF EXPIRING PREFERENTIAL EXCISE TAX RATES WHICH ARE DEDICATED TO TRUST FUNDS.

(a) IN GENERAL.—Subparagraph (C) of section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 (relating to the baseline) is amended by inserting before the period ''; except that any expiring preferential rate (and any credit or refund related thereto) shall be assumed not to be extended''.

(b) ESTIMATE OF REVENUE GAIN FROM CORRECTING BASELINE.—For purposes of estimating revenues under budget reconciliation, the impact of the amendment made by subsection (a) on the calculation of the baseline shall be determined in the same manner as if such amendment were an amendment to the Internal Revenue Code of 1986.

(c) BUDGET ACT POINT OF ORDER.—For purposes of section 311(a) of the Congressional Budget Act of 1974, the appropriate level of revenues shall be determined on the assumption that any expiring preferential rate (and any credit or refund related thereto) of any excise tax dedicated to a trust fund shall expire according to current law.

(d) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to budget years beginning after the date of the enactment of this Act.

Page 377, strike lines 10 through 15, and insert the following new subsection:

(g) DELAYED DEPOSITS OF AIRLINE TICKET TAX REVENUES.—Notwithstanding section 6302 of the Internal Revenue Code of 1986, in the case of deposits of taxes imposed by section 4261 of the Internal Revenue Code of 1986, the due date for any such deposit which would (but for this subsection) be required to be made—

(1) after August 14, 1997, and before October 1, 1997, shall be October 10, 1997, or

(2) after June 30, 1998, and before October 1, 1998, shall be October 13, 1998.

Page 387, strike line 1 and all that follows through line 6 on page 395 (relating to reduction of incentives for alcohol fuels) and amend the table of contents accordingly.

Page 395, line 7, strike ''1044'' and insert ''1043'' (and amend the table of contents accordingly).

H.R. 2015

OFFERED BY: MR. KASICH

AMENDMENT NO. 1: In section 1002, in the amendment made to section 16(h)(1)(B) of the Food Stamp Act of 1977, amend clause (ii) to read as follows:

''(ii) not less than 80 percent of the funds provided in this subparagraph shall be used by a State agency for employment and training programs under section 6(d)(4), other than job search or job search training programs, for food stamp recipients not excepted by section 6(o)(3).

Strike subtitle D of title III and insert the following:

Subtitle D—Communications

SEC. 3301. SPECTRUM AUCTIONS.

(a) EXTENSION AND EXPANSION OF AUCTION AUTHORITY.—

(1) AMENDMENTS.—Section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)) is amended—

(A) by striking paragraphs (1) and (2) and inserting in lieu thereof the following:

''(1) GENERAL AUTHORITY.—If, consistent with the obligations described in paragraph (6)(E), mutually exclusive applications are accepted for any initial license or construction permit which will involve an exclusive use of the electromagnetic spectrum, then the Commission shall grant such license or permit to a qualified applicant through a system of competitive bidding that meets the requirements of this subsection.

''(2) EXEMPTIONS.—The competitive bidding authority granted by this subsection shall not apply to licenses or construction permits issued by the Commission—

''(A) that, as the result of the Commission carrying out the obligations described in paragraph (6)(E), are not mutually exclusive;

''(B) for public safety radio services, including private internal radio services used by non-Government entities, that—

''(i) protect the safety of life, health, or property; and

''(ii) are not made commercially available to the public;

''(C) for initial licenses or construction permits assigned by the Commission to existing terrestrial broadcast licensees for new terrestrial digital television services; or

''(D) for public telecommunications services, as defined in section 397(14) of the Communications Act of 1934 (47 U.S.C. 397(14)), when the license application is for channels reserved for noncommercial use.'';

(B) in paragraph (3)—

(i) by inserting after the second sentence the following new sentence: ''The Commission shall, directly or by contract, provide for the design and conduct (for purposes of testing) of competitive bidding using a contingent combinatorial bidding system that permits prospective bidders to bid on combinations or groups of licenses in a single bid and to enter multiple alternative bids within a single bidding round.'';

(ii) by striking ''and'' at the end of subparagraph (C);

(iii) by striking the period at the end of subparagraph (D) and inserting ''; and''; and

(iv) by adding at the end the following new subparagraph:

''(E) ensuring that, in the scheduling of any competitive bidding under this subsection, an adequate period is allowed—

''(i) before issuance of bidding rules, to permit notice and comment on proposed auction procedures; and

''(ii) after issuance of bidding rules, to ensure that interested parties have a sufficient time to develop business plans, assess market conditions, and evaluate the availability of equipment for the relevant services.'';

(C) in paragraph (4)—

(i) by striking ''and'' at the end of subparagraph (D);

(ii) by striking the period at the end of subparagraph (E) and inserting ''; and''; and

(iii) by adding at the end the following new subparagraph:

''(F) establish methods by which a minimum bid, in an amount that is more than nominal in relation to the value of the public spectrum resource being made available, will be required to obtain any license or permit being assigned pursuant to the competitive bidding.'';

(D) in paragraph (8)—

(i) by striking subparagraph (B); and

(ii) by redesignating subparagraph (C) as subparagraph (B);

(E) in paragraph (11), by striking ''September 30, 1998'' and inserting ''December 31, 2002''; and

(F) in paragraph (13)(F), by striking ''September 30, 1998'' and inserting ''the date of enactment of the Balanced Budget Act of 1997''.

(2) CONFORMING AMENDMENT.—Subsection (i) of section 309 of the Communications Act of 1934 (47 U.S.C. 309(i)) is repealed.

(3) EFFECTIVE DATE.—The amendment made by paragraph (1)(A) shall not apply with respect to any license or permit for which the Federal Communications Commission has accepted mutually exclusive applications on or before the date of enactment of this Act.

(b) COMMISSION OBLIGATION TO MAKE ADDITIONAL SPECTRUM AVAILABLE BY AUCTION.—

(1) IN GENERAL.—The Federal Communications Commission shall complete all actions necessary to permit the assignment, by September 30, 2002, by competitive bidding pursuant to section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)) of licenses for the use of bands of frequencies that—

(A) individually span not less than 25 megahertz, unless a combination of smaller bands can, notwithstanding the provisions of paragraph (7) of such section, reasonably be expected to produce greater receipts;

(B) in the aggregate span not less than 100 megahertz;

(C) are located below 3 gigahertz;

(D) have not, as of the date of enactment of this Act—

(i) been designated by Commission regulation for assignment pursuant to such section;

(ii) been identified by the Secretary of Commerce pursuant to section 113 of the National Telecommunications and Information Administration Organization Act;

(iii) been allocated for Federal Government use pursuant to section 305 of the Communications Act of 1934 (47 U.S.C. 305);

(iv) been designated in section 3303 of this Act; or

(v) been allocated for unlicensed use pursuant to part 15 of the Commission's regulations (47 C.F.R. Part 15), if the competitive bidding for licenses would interfere with operation of end-user products permitted under such regulations;

(E) notwithstanding section 115(b)(1)(B) of the National Telecommunications and Information Administration Organization Act (47 U.S.C. 925(b)(1)(B)) or any proposal pursuant

to such section, include frequencies at 1,710–1,755 megahertz;

(F) include frequencies at 2,110–2,150 megahertz; and

(G) include 15 megahertz from within the bands of frequencies at 1,990–2,110 megahertz.

(2) SCHEDULE FOR ASSIGNMENT OF 1,710–1,755 MEGAHERTZ.—The Commission shall commence competitive bidding for the commercial licenses pursuant to paragraph (1)(E) after January 1, 2001. The Commission shall complete the assignment of such commercial licenses, and report to the Congress the total revenues from such competitive bidding, by September 30, 2002.

(3) USE OF BANDS AT 2,110-2,150 MEGAHERTZ.—The Commission shall reallocate spectrum located at 2,110-2,150 megahertz for assignment by competitive bidding unless the Commission determines that auction of other spectrum (A) better serves the public interest, convenience, and necessity, and (B) can reasonably be expected to produce greater receipts. If the Commission makes such a determination, then the Commission shall, within 2 years after the date of enactment of this Act, identify an alternative 40 megahertz, and report to the Congress an identification of such alternative 40 megahertz for assignment by competitive bidding.

(4) USE OF 15 MEGAHERTZ FROM BANDS AT 1,990-2,110 MEGAHERTZ.—The Commission shall reallocate 15 megahertz from spectrum located at 1,990-2,110 megahertz for assignment by competitive bidding unless the President determines such spectrum cannot be reallocated due to the need to protect incumbent Federal systems from interference, and that allocation of other spectrum (A) better serves the public interest, convenience, and necessity, and (B) can reasonably be expected to produce greater receipts. If the President makes such a determination, then the President shall, within 2 years after the date of enactment of this Act, identify alternative bands of frequencies totalling 15 megahertz, and report to the Congress an identification of such alternative bands for assignment by competitive bidding.

(5) CRITERIA FOR REASSIGNMENT.—In making available bands of frequencies for competitive bidding pursuant to paragraph (1), the Commission shall—

(A) seek to promote the most efficient use of the spectrum;

(B) take into account the cost to incumbent licensees of relocating existing uses to other bands of frequencies or other means of communication; and

(C) comply with the requirements of international agreements concerning spectrum allocations.

(6) NOTIFICATION TO NTIA.—The Commission shall notify the Secretary of Commerce if—

(A) the Commission is not able to provide for the effective relocation of incumbent licensees to bands of frequencies that are available to the Commission for assignment; and

(B) the Commission has identified bands of frequencies that are—

(i) suitable for the relocation of such licensees; and

(ii) allocated for Federal Government use, but that could be reallocated pursuant to part B of the National Telecommunications and Information Administration Organization Act (as amended by this Act).

(c) IDENTIFICATION AND REALLOCATION OF FREQUENCIES.—The National Telecommunications and Information Administration Organization Act (47 U.S.C. 901 et seq.) is amended—

(1) in section 113, by adding at the end the following new subsection:

''(f) ADDITIONAL REALLOCATION REPORT.—If the Secretary receives a notice from the Commission pursuant to section 3301(b)(3) of the Balanced Budget Act of 1997, the Secretary shall prepare and submit to the President, the Commission, and the Congress a report recommending for reallocation for use other than by Federal Government stations under section 305 of the 1934 Act (47 U.S.C. 305), bands of frequencies that are suitable for the uses identified in the Commission's notice. The Commission shall, not later than one year after receipt of such report, prepare, submit to the President and the Congress, and implement, a plan for the immediate allocation and assignment of such frequencies under the 1934 Act to incumbent licencees described in section 3301(b)(3) of the Balanced Budget Act of 1997.''; and

(2) in section 114(a)(1), by striking ''(a) or (d)(1)'' and inserting ''(a), (d)(1), or (f)''.

(d) IDENTIFICATION AND REALLOCATION OF AUCTIONABLE FREQUENCIES.—The National Telecommunications and Information Administration Organization Act (47 U.S.C. 901 et seq.) is amended—

(1) in section 113(b)—

(A) by striking the heading of paragraph (1) and inserting ''INITIAL REALLOCATION REPORT'';

(B) by inserting ''in the first report required by subsection (a)'' after ''recommend for reallocation'' in paragraph (1);

(C) by inserting ''or (3)'' after ''paragraph (1)'' each place it appears in paragraph (2); and

(D) by inserting after paragraph (2) the following new paragraph:

''(3) SECOND REALLOCATION REPORT.—In accordance with the provisions of this section, the Secretary shall recommend for reallocation in the second report required by subsection (a), for use other than by Federal Government stations under section 305 of the 1934 Act (47 U.S.C. 305), a band or bands of frequencies that—

''(A) in the aggregate span not less than 20 megahertz;

''(B) individually span not less than 20 megahertz, unless a combination of smaller bands can reasonably be expected to produce greater receipts;

''(C) are located below 3 gigahertz; and

''(D) meet the criteria specified in paragraphs (1) through (5) of subsection (a).''; and

(2) in section 115—

(A) in subsection (b), by striking ''the report required by section 113(a)'' and inserting ''the initial reallocation report required by section 113(a)''; and

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

''(c) ALLOCATION AND ASSIGNMENT OF FREQUENCIES IDENTIFIED IN THE SECOND REALLOCATION REPORT.—With respect to the frequencies made available for reallocation pursuant to section 113(b)(3), the Commission shall, not later than one year after receipt of the second reallocation report required by such section, prepare, submit to the President and the Congress, and implement, a plan for the immediate allocation and assignment under the 1934 Act of all such frequencies in accordance with section 309(j) of such Act.''.

SEC. 3302. AUCTION OF RECAPTURED BROADCAST TELEVISION SPECTRUM.

Section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)) is amended by adding at the end the following new paragraph:

''(14) AUCTION OF RECAPTURED BROADCAST TELEVISION SPECTRUM.—

''(A) LIMITATIONS ON TERMS OF TERRESTRIAL TELEVISION BROADCAST LICENSES.—A television license that authorizes analog television services may not be renewed to authorize such service for a period that extends beyond December 31, 2006. The Commission shall have the authority to grant by regulation an extension of such date to licensees in a market if the Commission determines that more than 5 percent of households in such market continue to rely exclusively on over-the-air terrestrial analog television signals.

''(B) SPECTRUM REVERSION AND RESALE.—

''(i) The Commission shall ensure that, when the authority to broadcast analog television services under a license expires pursuant to subparagraph (A), each licensee shall return spectrum according to the Commission's direction and the Commission shall reclaim such spectrum.

''(ii) Licensees for new services occupying spectrum reclaimed pursuant to clause (i) shall be selected in accordance with this subsection. The Commission shall complete the assignment of such licenses, and report to the Congress the total revenues from such competitive bidding, by September 30, 2002.

''(C) CERTAIN LIMITATIONS ON QUALIFIED BIDDERS PROHIBITED.—In prescribing any regulations relating to the qualification of bidders for spectrum reclaimed pursuant to subparagraph (B)(i), the Commission shall not—

''(i) preclude any party from being a qualified bidder for spectrum that is allocated for any use that includes digital television service on the basis of—

''(I) the Commission's duopoly rule (47 C.F.R. 73.3555(b)); or

''(II) the Commission's newspaper cross-ownership rule (47 C.F.R. 73.3555(d)); or

''(ii) apply either such rule to preclude such a party that is a successful bidder in a competitive bidding for such spectrum from using such spectrum for digital television service.

''(D) DEFINITIONS.—As used in this paragraph:

''(i) The term 'digital television service' means television service provided using digital technology to enhance audio quality and video resolution, as further defined in the Memorandum Opinion, Report, and Order of the Commission entitled 'Advanced Television Systems and Their Impact Upon the Existing Television Service', MM Docket No. 87–268 and any subsequent Commission proceedings dealing with digital television.

''(ii) The term 'analog television service' means service provided pursuant to the transmission standards prescribed by the Commission in section 73.682(a) of its regulation (47 CFR 73.682(a)).''.

SEC. 3303. ALLOCATION AND ASSIGNMENT OF NEW PUBLIC SAFETY AND COMMERCIAL LICENSES.

(a) IN GENERAL.—The Federal Communications Commission shall, not later than January 1, 1998, allocate on a national, regional, or market basis, from radio spectrum between 746 megahertz and 806 megahertz—

(1) 24 megahertz of that spectrum for public safety services according to the terms and conditions established by the Commission, unless the Commission determines that the needs for public safety services can be met in particular areas with allocations of less than 24 megahertz; and

(2) the remainder of that spectrum for commercial purposes to be assigned by competitive bidding in accordance with section 309(j).

(b) ASSIGNMENT.—The Commission shall—

(1) assign the licenses for public safety created pursuant to subsection (a) no later than March 31, 1998;

(2) commence competitive bidding for the commercial licenses created pursuant to subsection (a) after January 1, 2001; and

(3) complete competitive bidding for such commercial licenses, and report to the Congress the total revenues from such competitive bidding, by September 30, 2002.

(c) LICENSING OF UNUSED FREQUENCIES FOR PUBLIC SAFETY RADIO SERVICES.—

(1) USE OF UNUSED CHANNELS FOR PUBLIC SAFETY.—It shall be the policy of the Commission, notwithstanding any other provision of this Act or any other law, to waive whatever licensee eligibility and other requirements (including bidding requirements) are applicable in order to permit the use of unassigned frequencies for public safety purposes by a State or local governmental agency upon a showing that—

(A) no other existing satisfactory public safety channel is immediately available to satisfy the requested use;

(B) the proposed use is technically feasible without causing harmful interference to existing stations in the frequency band entitled to protection from such interference under the rules of the Commission; and

(C) use of the channel for public safety purposes is consistent with other existing public safety channel allocations in the geographic area of proposed use.

(2) APPLICABILITY.—Paragraph (1) shall apply to any application that is pending before the Federal Communications Commission, or that is not finally determined under either section 402 or 405 of the Communications Act of 1934 (47 U.S.C. 402, 405) on May 15, 1997, or that is filed after such date.

(d) CONDITIONS ON LICENSES.—With respect to public safety and commercial licenses granted pursuant to this subsection, the Commission shall—

(1) establish interference limits at the boundaries of the spectrum block and service area;

(2) establish any additional technical restrictions necessary to protect full-service analog television service and digital television service during a transition to digital television service; and

(3) permit public safety and commercial licensees—

(A) to aggregate multiple licenses to create larger spectrum blocks and service areas; and

(B) to disaggregate or partition licenses to create smaller spectrum blocks or service areas.

(e) PROTECTION OF QUALIFYING LOW-POWER STATIONS.—After making any allocation or assignment under this section the Commission shall seek to assure that each qualifying low-power television station is assigned a frequency below 746 megahertz to permit the continued operation of such station.

(f) DEFINITIONS.—For purposes of this section:

(1) COMMISSION.—The term ''Commission'' means the Federal Communications Commission.

(2) DIGITAL TELEVISION SERVICE.—The term ''digital television service'' means television service provided using digital technology to enhance audio quality and video resolution, as further defined in the Memorandum Opinion, Report, and Order of the Commission entitled 'Advanced Television Systems and Their Impact Upon the Existing Television Service', MM Docket No. 87–268 and any subsequent Commission proceedings dealing with digital television.

(3) ANALOG TELEVISION SERVICE.—The term ''analog television service'' means services provided pursuant to the transmission standards prescribed by the Commission in section 73.682(a) of its regulation (47 CFR 73.682(a)).

(4) PUBLIC SAFETY SERVICES.—The term ''public safety services'' means services—

(A) the sole or principal purpose of which is to protect the safety of life, health, or property;

(B) that are provided—

(i) by State or local government entities; or

(ii) by nongovernmental, private organizations that are authorized by a governmental entity whose primary mission is the provision of such services; and

(C) that are not made commercially available to the public by the provider.

(5) SERVICE AREA.—The term ''service area'' means the geographic area over which a licensee may provide service and is protected from interference.

(6) SPECTRUM BLOCK.—The term ''spectrum block'' means the range of frequencies over which the apparatus licensed by the Commission is authorized to transmit signals.

(7) QUALIFYING LOW-POWER TELEVISION STATIONS.—A station is a qualifying low-power television station if, during the 90 days preceding the date of enactment of this Act—

(A) such station broadcast a minimum of 18 hours per day;

(B) such station broadcast an average of at least 3 hours per week of programming that was produced within the community of license of such station; and

(C) such station was in compliance with the requirements applicable to low-power television stations.

SEC. 3304. ADMINISTRATIVE PROCEDURES FOR SPECTRUM AUCTIONS.

(a) EXPEDITED PROCEDURES.—The rules governing competitive bidding under this subtitle shall be effective immediately upon publication in the Federal Register notwithstanding section 553(d), 801(a)(3), and 806(a) of title 5, United States Code. Chapter 6 of such title, and sections 3507 and 3512 of title 44, United States Code, shall not apply to such rules and competitive bidding procedures governing frequencies assigned under this subtitle. Notwithstanding section 309(b) of the Communications Act of 1934 (47 U.S.C. 309(b)), no application for an instrument of authorization for such frequencies shall be granted by the Commission earlier than 7 days following issuance of public notice by the Commission of the acceptance for filing of such application or of any substantial amendment thereto. Notwithstanding section 309(d)(1) of such Act (47 U.S.C. 309(d)(1)), the Commission may specify a period (no less than 5 days following issuance of such public notice) for the filing of petitions to deny any application for an instrument of authorization for such frequencies.

(b) DEADLINE FOR COLLECTION.—The Commission shall conduct the competitive bidding under this subtitle in a manner that ensures that all proceeds of the bidding are deposited in accordance with section 309(j)(8) of the Communications Act of 1934 not later September 30, 2002.

SEC. 3305. UNIVERSAL SERVICE FUND PAYMENT SCHEDULE.

(a) ACCELERATION OF PAYMENTS.—There shall be available in fiscal year 2001 from funds in the Treasury not otherwise appropriated $2,000,000,000 to the universal service fund under part 54 of the Federal Communications Commission's regulations (47 C.F.R. Part 54) in addition to any other revenues required to be collected under such part.

(b) LIMITATION ON EXPENDITURES.—The outlays of the universal service fund under part 54 of the Federal Communications Commission's regulations (47 C.F.R. Part 54) in fiscal year 2002 shall not exceed the amount of revenue required to be collected in such fiscal year, less $2,000,000,000.

SEC. 3306. INQUIRY REQUIRED.

The Federal Communications Commission shall, not later than July 1, 1997, initiate the inquiry required by section 309(j)(12) of the Communications Act of 1934 (47 U.S.C. 309(j)(12)) for the purposes of collecting the information required for its report under each of subparagraphs (A) through (E) of such section, and shall keep the Congress fully and currently informed with respect to the progress of such inquiry.

Amend section 3422 to read as follows (and conform the table of contents of subtitle E of title III accordingly):

SEC. 3422. PAYMENT OF PART OR ALL OF MEDICARE PART B PREMIUM FOR CERTAIN LOW-INCOME INDIVIDUALS.

(a) ELIGIBILITY.—Section 1902(a)(10)(E) (42 U.S.C. 1396a(a)(10)(E)) is amended—

(1) by striking ''and'' at the end of clause (ii),

(2) in clause (iii), by striking ''and 120 percent in 1995 and years thereafter'' and inserting ''120 percent in 1995, 1996, and 1997, and 135 percent in 1998 and years thereafter''; and

(3) by inserting after clause (iii) the following:

''(iv) subject to section 1905(p)(4), for making medical assistance available for the portion of medicare cost sharing described in section 1905(p)(3)(A)(ii) that is attributable to the application under section 1839(a)(5) of section 1833(d)(2) for individuals who would be described in clause (iii) but for the fact that their income exceeds 135 percent, but is less than 175 percent, of the official poverty line (referred to in section 1905(p)(2)) for a family of the size involved; and''.

(b) 100 PERCENT FEDERAL PAYMENT.—The third sentence of section 1905(b) (42 U.S.C. 1396d(b)) is amended by inserting ''and with respect to amounts expended for medical assistance described in section 1902(a)(10)(E)(iii) for individuals described in such section whose income is equal to or exceeds 120 percent of the official poverty line and with respect to amounts expended for medical assistance described in section 1902(a)(10)(E)(iv) for individuals described in such section'' before the period at the end.

Strike section 3405 (relating to determination of hospital stay), and conform the table of contents of subtitle E of title III accordingly.

In section 3471(c), strike ''October'' each place it appears and insert ''July''.

In section 3502, in the section 2101(a) added by such section, amend paragraphs (3) and (4) to read as follows:

''(3) Direct purchase of services for targeted low-income children from providers, such as Federally qualified health centers and rural health clinics.

''(4) Other methods specified under the plan for the provision of health insurance coverage or medical assistance for targeted low-income children.

In section 3502, amend the section 2103(a) (added by such section) to read as follows:

''(a) TOTAL ALLOTMENT.—The total allotment that is available under this title for—

''(1) fiscal year 1998 is $2,830,000,000,

''(2) fiscal year 1999 is $2,830,000,000,

''(3) fiscal year 2000 is $2,830,000,000,

''(4) fiscal year 2001 is $2,830,000,000,

''(5) fiscal year 2002 is $2,830,000,000, and

''(6) fiscal year 2003 and each succeeding fiscal year is $2,850,000,000.

In section 3502, in the section 2108(c)(4) added by such section, strike ''200 percent'' and insert ''300 percent''.

Add at the end of subtitle F of title III the following new section (and conform the table of contents of such subtitle accordingly):

SEC. 3505. STATE OPTION OF CONTINUATION OF MEDICAID ELIGIBILITY FOR DISABLED CHILDREN WHO LOSE SSI BENEFITS.

Section 1902(a)(10)(A)(ii) (42 U.S.C. 1396a(a)(10)(A)(ii)) is amended—

(1) by striking ''or'' at the end of subclause (XI),

(2) by striking ''or'' at the end of subclause (XII), and

(3) by adding at the end the following:

''(XIII) with respect to whom supplemental security income benefits were being paid

under title XVI as of the date of the enactment of section 211(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104–193)) and would continue to be paid but for the enactment of that section;''.

In section 4617(a), in the subparagraph (T)(i) inserted by such section, strike ''immediately after, or at'' and insert ''at, or within 48 hours after''.

Strike the last sentence of section 403(a)(5)(B)(iv) of the Social Security Act, as proposed to be added by section 5001(a).

Strike subparagraph (H) of section 403(a)(5) of the Social Security Act, as proposed to be added by section 5001(a), and insert the following:

''(H) FUNDING.—The amount specified in this subparagraph is $1,500,000,000 for each of fiscal years 1998 and 1999.

Strike sections 5002 and 5004, redesignate sections 5003 and 5005 as sections 5002 and 5003, respectively, and insert after section 5003 (as so redesignated) the following:

SEC. 5004. RULES GOVERNING EXPENDITURE OF FUNDS FOR WORK EXPERIENCE AND COMMUNITY SERVICE PROGRAMS.

(a) IN GENERAL.—Section 407 of the Social Security Act (42 U.S.C. 607) is amended by adding at the end the following:

''(j) RULES GOVERNING EXPENDITURE OF FUNDS FOR WORK EXPERIENCE AND COMMUNITY SERVICE PROGRAMS.—

''(1) IN GENERAL.—To the extent that a State to which a grant is made under section 403(a)(5) or any other provision of section 403 uses the grant to establish or operate a work experience or community service program, the State may establish and operate the program in accordance with this subsection.

''(2) PURPOSE.—The purpose of a work experience or community experience program is to provide experience or training for individuals not able to obtain employment in order to assist them to move to regular employment. Such a program shall be designed to improve the employability of participants through actual work experience to enable individuals participating in the program to move promptly into regular public or private employment. Such a program shall not place individuals in private, for-profit entities.

''(3) LIMITATION ON PROJECTS THAT MAY BE UNDERTAKEN.—A work experience or community service program shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care, and other purposes identified by the State.

''(4) MAXIMUM HOURS OF PARTICIPATION PER MONTH.—A State that elects to establish a work experience or community service program shall operate the program so that each participant participates in the program with the maximum number of hours that any such individual may be required to participate in any month being a number equal to—

''(A)(i) the amount of assistance provided during the month to the family of which the individual is a member under the State program funded under this part; plus

''(ii) the dollar value equivalent of any benefits provided during the month to the household of which the individual is a member under the food stamp program under the Food Stamp Act of 1977; minus

''(iii) any amount collected by the State as child support with respect to the family that is retained by the State; divided by

''(B) the greater of the Federal minimum wage or the applicable State minimum wage.

''(5) MAXIMUM HOURS OF PARTICIPATION PER WEEK.—A State that elects to establish a work experience or community service program may not require any participant in any such program to participate in any such program for a combined total of more than 40 hours per week.

''(6) RULE OF INTERPRETATION.—This subsection shall not be construed as authorizing the provision of assistance under a State program funded under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of participation in a work experience or community service program described in this subsection.''.

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

SEC. 5005. STATE OPTION TO TAKE ACCOUNT OF CERTAIN WORK ACTIVITIES OF RECIPIENTS WITH SUFFICIENT PARTICIPATION IN WORK EXPERIENCE OR COMMUNITY SERVICE PROGRAMS.

(a) IN GENERAL.—Section 407(c) of the Social Security Act (42 U.S.C. 607(c)) is amended by adding at the end the following:

''(3) STATE OPTION TO TAKE ACCOUNT OF CERTAIN WORK ACTIVITIES OF RECIPIENTS WITH SUFFICIENT PARTICIPATION IN WORK EXPERIENCE OR COMMUNITY SERVICE PROGRAMS.—Notwithstanding paragraphs (1) and (2) of this subsection and subsection (d)(8), for purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B) of subsection (b), an individual who, during a month, has participated in a work experience or community service program operated in accordance with subsection (j), for the maximum number of hours that the individual may be required to participate in such a program during the month shall be treated as engaged in work for the month if, during the month, the individual has participated in any other work activity for a number of hours that is not less than the number of hours required by subsection (c)(1) for the month minus such maximum number of hours.''.

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

SEC. 5006. WORKER PROTECTIONS.

Section 407(f) of the Social Security Act (42 U.S.C. 607(f)) is amended to read as follows:

''(f) WORKER PROTECTIONS.—

''(1) NONDISPLACEMENT IN WORK ACTIVITIES.—

''(A) GENERAL PROHIBITION.—Subject to this paragraph, an adult in a family receiving assistance under a State program funded under this part attributable to funds provided by the Federal Government may fill a vacant employment position in order to engage in a work activity.

''(B) PROHIBITION AGAINST VIOLATION OF CONTRACTS.—A work activity shall not violate an existing contract for services or collective bargaining agreement.

''(C) OTHER PROHIBITIONS.—An adult participant in a work activity shall not be employed or assigned—

''(i) when any other individual is on layoff from the same or any substantially equivalent job; or

''(ii) if the employer has terminated the employment of any regular employee or otherwise caused an involuntary reduction if its workforce with the intention of filling the vacancy so created with the participant.

''(2) HEALTH AND SAFETY.—Health and safety standards established under Federal and State law otherwise applicable to working conditions of employees shall be equally applicable to working conditions of participants engaged in a work activity.

''(3) NONDISCRIMINATION.—In addition to the protections provided under the provisions of law specified in section 408(c), an individual may not be discriminated against with respect to participation in work activities by reason of gender.

''(4) GRIEVANCE PROCEDURE.—

''(A) IN GENERAL.—Each State to which a grant is made under section 403 shall establish and maintain a procedure for grievances or complaints from employees alleging violations of paragraph (1) and participants in work activities alleging violations of paragraph (1), (2), or (3).

''(B) HEARING.—The procedure shall include an opportunity for a hearing.

''(C) REMEDIES.—The procedure shall include remedies for violation of paragraph (1), (2), or (3), which may include—

''(i) prohibition against placement of a participant with an employer that has violated paragraph (1), (2), or (3);

''(ii) where applicable, reinstatement of an employee, payment of lost wages and benefits, and reestablishment of other relevant terms, conditions and privileges of employment; and

''(iii) where appropriate, other equitable relief.

''(5) NONPREEMPTION OF STATE NONDISPLACEMENT LAWS.—The provisions of this subsection relating to nondisplacement of employees shall not be construed to preempt any provision of State law relating to nondisplacement of employees that affords greater protections to employees than is afforded by such provisions of this subsection.''.

In section 5302(a), strike subsection (c) of section 809 of the new part 8 being inserted thereby.

In section 8013(a), in the section 1729A of title 38, United States Code, proposed to be added by that section, strike paragraph (1) of subsection (c) and insert the following (and redesignate the succeeding paragraph accordingly):

''(c)(1) Subject to the provisions of appropriations Acts, amounts in the fund shall be available, without fiscal year limitation, to the Secretary for the following purposes:

''(A) Furnishing medical care and services under this chapter, to be available during any fiscal year for the same purposes and subject to the same limitations (other than with respect to the period of availability for obligation) as apply to amounts appropriated from the general fund of the Treasury for that fiscal year for medical care.

''(B) Expenses of the Department for the identification, billing, auditing, and collection of amounts owed the United States by reason of medical care and services furnished under this chapter.

''(2) Amounts available under paragraph (1) may not be used for any purpose other than a purpose set forth in subparagraph (A) or (B) of that paragraph.

In section 403(a)(5)(B)(i) of the Social Security Act, as proposed to be added by section 9001(a), strike ''2000'' and insert ''1999''.

Strike subparagraphs (H) and (I) of section 403(a)(5) of the Social Security Act, as proposed to be added by section 9001(a), and insert the following:

''(H) FUNDING.—The amount specified in this subparagraph is $1,500,000,000 for each of fiscal years 1998 and 1999.

Redesignate subparagraph (J) of section 403(a)(5) of the Social Security Act, as proposed to be added by section 9001(a), as subparagraph (I).

Strike subparagraph (K) of section 403(a)(5) of the Social Security Act, as proposed to be added by section 9001(a).

Strike section 9004, redesignate section 9005 as section 9007, and insert after section 9003 the following (and amend the table of contents of title IX accordingly):

SEC. 9004. RULES GOVERNING EXPENDITURE OF FUNDS FOR WORK EXPERIENCE AND COMMUNITY SERVICE PROGRAMS.

(a) IN GENERAL.—Section 407 of the Social Security Act (42 U.S.C. 607) is amended by adding at the end the following:

''(j) RULES GOVERNING EXPENDITURE OF FUNDS FOR WORK EXPERIENCE AND COMMUNITY SERVICE PROGRAMS.—

''(1) IN GENERAL.—To the extent that a State to which a grant is made under section 403(a)(5) or any other provision of section 403 uses the grant to establish or operate a work experience or community service program, the State may establish and operate the program in accordance with this subsection.

''(2) PURPOSE.—The purpose of a work experience or community experience program is to provide experience or training for individuals not able to obtain employment in order to assist them to move to regular employment. Such a program shall be designed to improve the employability of participants through actual work experience to enable individuals participating in the program to move promptly into regular public or private employment. Such a program shall not place individuals in private, for-profit entities.

''(3) LIMITATION ON PROJECTS THAT MAY BE UNDERTAKEN.—A work experience or community service program shall be limited to projects which serve a useful public purpose in fields such as health, social service, environmental protection, education, urban and rural development and redevelopment, welfare, recreation, public facilities, public safety, and day care, and other purposes identified by the State.

''(4) MAXIMUM HOURS OF PARTICIPATION PER MONTH.—A State that elects to establish a work experience or community service program shall operate the program so that each participant participates in the program with the maximum number of hours that any such individual may be required to participate in any month being a number equal to—

''(A)(i) the amount of assistance provided during the month to the family of which the individual is a member under the State program funded under this part; plus

''(ii) the dollar value equivalent of any benefits provided during the month to the household of which the individual is a member under the food stamp program under the Food Stamp Act of 1977; minus

''(iii) any amount collected by the State as child support with respect to the family that is retained by the State; divided by

''(B) the greater of the Federal minimum wage or the applicable State minimum wage.

''(5) MAXIMUM HOURS OF PARTICIPATION PER WEEK.—A State that elects to establish a work experience or community service program may not require any participant in any such program to participate in any such program for a combined total of more than 40 hours per week.

''(6) RULE OF INTERPRETATION.—This subsection shall not be construed as authorizing the provision of assistance under a State program funded under this part as compensation for work performed, nor shall a participant be entitled to a salary or to any other work or training expense provided under any other provision of law by reason of participation in a work experience or community service program described in this subsection.''.

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

SEC. 9005. STATE OPTION TO TAKE ACCOUNT OF CERTAIN WORK ACTIVITIES OF RECIPIENTS WITH SUFFICIENT PARTICIPATION IN WORK EXPERIENCE OR COMMUNITY SERVICE PROGRAMS.

(a) IN GENERAL.—Section 407(c) of the Social Security Act (42 U.S.C. 607(c)) is amended by adding at the end the following:

''(3) STATE OPTION TO TAKE ACCOUNT OF CERTAIN WORK ACTIVITIES OF RECIPIENTS WITH SUFFICIENT PARTICIPATION IN WORK EXPERIENCE OR COMMUNITY SERVICE PROGRAMS.—Notwithstanding paragraphs (1) and (2) of this subsection and subsection (d)(8), for purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B) of subsection (b), an individual who, during a month, has participated in a work experience or community service program operated in accordance with subsection (j), for the maximum number of hours that the individual may be required to participate in such a program during the month shall be treated as engaged in work for the month if, during the month, the individual has participated in any other work activity for a number of hours that is not less than the number of hours required by subsection (c)(1) for the month minus such maximum number of hours.''.

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

SEC. 9006. WORKER PROTECTIONS.

Section 407(f) of the Social Security Act (42 U.S.C. 607(f)) is amended to read as follows:

''(f) WORKER PROTECTIONS.—

''(1) NONDISPLACEMENT IN WORK ACTIVITIES.—

''(A) GENERAL PROHIBITION.—Subject to this paragraph, an adult in a family receiving assistance under a State program funded under this part attributable to funds provided by the Federal Government may fill a vacant employment position in order to engage in a work activity.

''(B) PROHIBITION AGAINST VIOLATION OF CONTRACTS.—A work activity shall not violate an existing contract for services or collective bargaining agreement.

''(C) OTHER PROHIBITIONS.—An adult participant in a work activity shall not be employed or assigned—

''(i) when any other individual is on layoff from the same or any substantially equivalent job; or

''(ii) if the employer has terminated the employment of any regular employee or otherwise caused an involuntary reduction if its workforce with the intention of filling the vacancy so created with the participant.

''(2) HEALTH AND SAFETY.—Health and safety standards established under Federal and State law otherwise applicable to working conditions of employees shall be equally applicable to working conditions of participants engaged in a work activity.

''(3) NONDISCRIMINATION.—In addition to the protections provided under the provisions of law specified in section 408(c), an individual may not be discriminated against with respect to participation in work activities by reason of gender.

''(4) GRIEVANCE PROCEDURE.—

''(A) IN GENERAL.—Each State to which a grant is made under section 403 shall establish and maintain a procedure for grievances or complaints from employees alleging violations of paragraph (1) and participants in work activities alleging violations of paragraph (1), (2), or (3).

''(B) HEARING.—The procedure shall include an opportunity for a hearing.

''(C) REMEDIES.—The procedure shall include remedies for violation of paragraph (1), (2), or (3), which may include—

''(i) prohibition against placement of a participant with an employer that has violated paragraph (1), (2), or (3);

''(ii) where applicable, reinstatement of an employee, payment of lost wages and benefits, and reestablishment of other relevant terms, conditions and privileges of employment; and

''(iii) where appropriate, other equitable relief.

''(5) NONPREEMPTION OF STATE NONDISPLACEMENT LAWS.—The provisions of this subsection relating to nondisplacement of employees shall not be construed to preempt any provision of State law relating to nondisplacement of employees that affords greater protections to employees than is afforded by such provisions of this subsection.''.

In section 10617(a)(2), in the subparagraph (T) inserted by such section—

(1) strike ''(or under the supervision of a physician)'' and insert ''(or as prescribed by a physician)'', and

(2) strike ''immediately after, or at'' in clause (i) and insert ''at, or within 48 hours after''.

At the end, add the following new title:

TITLE XI—BUDGET ENFORCEMENT

SEC. 11001. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Budget Enforcement Act of 1997''.

(b) TABLE OF CONTENTS.—

TITLE XI—BUDGET ENFORCEMENT

Subtitle A—Amendments to the Congressional Budget and Impoundment Control Act of 1974

SEC. 11101. AMENDMENTS TO SECTION 3.

Section 3 of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 622) is amended—

(1) in paragraph (2)(A), by striking ''and'' at the end of clause (iii), by striking the period and inserting ''; and'' at the end of clause (iv), and by adding at the end the following:

''(v) entitlement authority and the food stamp program.''; and

(2) in paragraph (9), by inserting '', but such term does not include salary or basic pay funded through an appropriation Act'' before the period.

SEC. 11102. AMENDMENTS TO SECTION 201.

(a) TERM OF OFFICE.—The first sentence of section 201(a)(3) of the Congressional Budget Act of 1974 is amended to read as follows: ''The term of office of the Director shall be four years and shall expire on January 3 of the year preceding a Presidential election.''.

(b) REDESIGNATION OF EXECUTED PROVISION.—Section 201 of the Congressional Budget Act of 1974 is amended by redesignating subsection (g) (relating to revenue estimates) as subsection (f).

SEC. 11103. AMENDMENTS TO SECTION 202.

(a) ASSISTANCE TO BUDGET COMMITTEES.—The first sentence of section 202(a) of the Congressional Budget Act of 1974 is amended by inserting ''primary'' before ''duty''.

(b) ELIMINATION OF EXECUTED PROVISION.—Section 202 of the Congressional Budget Act of 1974 is amended by striking subsection (e) and by redesignating subsections (f), (g), and (h) as subsections (e), (f), and (g), respectively.

SEC. 11104. AMENDMENT TO SECTION 300.

The item relating to February 25 in the timetable set forth in section 300 of the Congressional Budget Act of 1974 is amended by striking ''February 25'' and inserting ''Within 6 weeks after President submits budget''.

SEC. 11105. AMENDMENTS TO SECTION 301.

(a) TERMS OF BUDGET RESOLUTIONS.—Section 301(a) of the Congressional Budget Act of 1974 is amended by striking '', and planning levels for each of the two ensuing fiscal years,'' and inserting ''and for at least each of the 4 ensuing fiscal years''.

(b) CONTENTS OF BUDGET RESOLUTIONS.—Paragraphs (1) and (4) of section 301(a) of the Congressional Budget Act of 1974 are amended by striking '', budget outlays, direct loan obligations, and primary loan guarantee commitments'' each place it appears and inserting ''and budget outlays''.

(c) ADDITIONAL MATTERS.—Section 301(b) of the Congressional Budget Act of 1974 is amended by amending paragraph (7) to read as follows—

''(7) set forth pay-as-you-go procedures in the Senate whereby committee allocations, aggregates, and other levels can be revised for legislation within a committee's jurisdiction if such legislation would not increase the deficit for the first year covered by the resolution and will not increase the deficit for the period of 5 fiscal years covered by the resolution;''.

(d) VIEWS AND ESTIMATES.—The first sentence of section 301(d) of the Congressional Budget Act of 1974 is amended by inserting ''or at such time as may be requested by the Committee on the Budget,'' after ''Code,''.

(e) HEARINGS AND REPORT.—Section 301(e)(2) of the Congressional Budget Act of 1974 is amended by striking ''total direct loan obligations, total primary loan guarantee commitments,''.

(f) SOCIAL SECURITY CORRECTIONS.—Section 301(i) of the Congressional Budget Act of 1974 is amended by—

(1) inserting ''SOCIAL SECURITY POINT OF ORDER.—'' after ''(i)''; and

(2) striking ''as reported to the Senate'' and inserting ''(or amendment, motion, or conference report on such a resolution)''.

SEC. 11106. AMENDMENTS TO SECTION 302.

(a) ALLOCATIONS AND SUBALLOCATIONS.—Subsections (a) and (b) of section 302 of the Congressional Budget Act of 1974 are amended to read as follows:

''(a) COMMITTEE SPENDING ALLOCATIONS.—

''(1) ALLOCATION AMONG COMMITTEES.—The joint explanatory statement accompanying a conference report on a budget resolution shall include allocations, consistent with the resolution recommended in the conference report, of the appropriate levels (for each fiscal year covered by that resolution and a total for all such years, except in the case of the Committee on Appropriations only for the first such fiscal year) of—

''(A) total new budget authority;

''(B) total outlays; and

''(C) in the Senate, social security outlays; among each committee of the House of Representatives or the Senate that has jurisdiction over legislation providing or creating such amounts.

''(2) NO DOUBLE COUNTING.—In the House of Representatives, any item allocated to one committee may not be allocated to another such committee.

''(3) FURTHER DIVISION OF AMOUNTS.—In the House of Representatives, the amounts allocated to each committee for each fiscal year, other than the Committee on Appropriations, shall be further divided between amounts provided or required by law on the date of filing of that conference report and amounts not so provided or required. The amounts allocated to the Committee on Appropriations for each fiscal year shall be further divided between discretionary and mandatory amounts or programs, as appropriate.

''(4) AMOUNTS NOT ALLOCATED.—(A) In the House of Representatives, if a committee receives no allocation of new budget authority or outlays, that committee shall be deemed to have received an allocation equal to zero for new budget authority or outlays.

''(B) In the Senate, if a committee receives no allocation of new budget authority, outlays, or social security outlays, that committee shall be deemed to have received an allocation equal to zero for new budget authority, outlays, or social security outlays.

''(5) SOCIAL SECURITY LEVELS IN THE SENATE.—

''(A) IN GENERAL.—For purposes of paragraph (1)(C), social security surpluses equal the excess of social security revenues over social security outlays in a fiscal year or years with such an excess and social security deficits equal the excess of social security outlays over social security revenues in a fiscal year or years with such an excess.

''(B) TAX TREATMENT.—For purposes of paragraph (1)(C), no provision of any legislation involving a change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security revenues or outlays unless such provision changes the income tax treatment of social security benefits.

''(6) ADJUSTING ALLOCATION OF DISCRETIONARY SPENDING IN THE HOUSE OF REPRESENTATIVES.—(A) If a concurrent resolution on the budget is not adopted by April 15, the chairman of the Committee on the Budget of the House of Representatives shall submit to the House, as soon as practicable, an allocation under paragraph (1) to the Committee on Appropriations consistent with the discretionary spending limits contained in the most recently agreed to concurrent resolution on the budget for the second fiscal year covered by that resolution.

''(B) As soon as practicable after an allocation under paragraph (1) is submitted under this section, the Committee on Appropriations shall make suballocations and promptly report those suballocations to the House of Representatives.

''(b) SUBALLOCATIONS BY APPROPRIATION COMMITTEES.—As soon as practicable after a concurrent resolution on the budget is agreed to, the Committee on Appropriations of each House (after consulting with the Committee on Appropriations of the other House) shall suballocate each amount allocated to it for the budget year under subsection (a) among its subcommittees. Each Committee on Appropriations shall promptly report to its House suballocations made or revised under this paragraph.''.

(b) POINT OF ORDER.—Section 302(c) of the Congressional Budget Act of 1974 is amended to read as follows:

''(c) POINT OF ORDER.—After the Committee on Appropriations has received an allocation pursuant to subsection (a) for a fiscal year, it shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report providing new budget authority for that fiscal year within the jurisdiction of that committee, until such committee makes the suballocations required by subsection (b).''.

(c) ENFORCEMENT OF POINT OF ORDER.—(1) Section 302(f)(1) of the Congressional Budget Act of 1974 is amended by—

(A) striking ''providing new budget authority for such fiscal year or new entitlement authority effective during such fiscal year'' and inserting ''providing new budget authority for any fiscal year covered by the concurrent resolution'';

(B) striking ''appropriate allocation made pursuant to subsection (b) for such fiscal year'' and inserting ''appropriate allocation made under subsection (a) or any suballocation made under subsection (b), as applicable, for the fiscal year of the concurrent resolution or for the total of all fiscal years covered by the concurrent resolution''; and

(C) striking ''of new discretionary budget authority or new entitlement authority to be exceeded'' and inserting ''of new discretionary budget authority to be exceeded''.

(2) Section 302(f)(2) of the Congressional Budget Act of 1974 is amended to read as follows:

''(2) ENFORCEMENT OF COMMITTEE ALLOCATIONS AND SUBALLOCATIONS IN THE SENATE.—After a concurrent resolution on the budget is agreed to, it shall not be in order in the Senate to consider any bill, joint resolution, amendment, motion, or conference report that would cause—

''(A) in the case of any committee except the Committee on Appropriations, the appropriate allocation of new budget authority or outlays under subsection (a) to be exceeded; or

''(B) in the case of the Committee on Appropriations, the appropriate suballocation of new budget authority or outlays under subsection (b) to be exceeded.''.

(d) SEPARATE ALLOCATIONS.—Section 302(g) of the Congressional Budget Act of 1974 is amended to read as follows:

''(g) SEPARATE ALLOCATIONS.—The Committees on Appropriations and the Budget shall make separate allocations and suballocations under this section consistent with the categories in section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985.''

SEC. 11107. AMENDMENTS TO SECTION 303.

(a) IN GENERAL.—Section 303 of the Congressional Budget Act of 1974 is amended to read as follows:

''CONCURRENT RESOLUTION ON THE BUDGET MUST BE ADOPTED BEFORE LEGISLATION PROVIDING NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, OR CHANGES IN REVENUES OR THE PUBLIC DEBT LIMIT IS CONSIDERED

''SEC. 303. (a) IN GENERAL.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report as reported to the House or Senate which provides—

''(1) new budget authority for a fiscal year;

''(2) an increase or decrease in revenues to become effective during a fiscal year;

''(3) an increase or decrease in the public debt limit to become effective during a fiscal year;

''(4) in the Senate only, new spending authority (as defined in section 401(c)(2)) for a fiscal year; or

''(5) in the Senate only, outlays,

until the concurrent resolution on the budget for such fiscal year (or, in the Senate, a concurrent resolution on the budget covering such fiscal year) has been agreed to pursuant to section 301.

''(b) EXCEPTIONS.—(1) In the House of Representatives, subsection (a) does not apply to any bill or resolution—

''(A) providing advance discretionary new budget authority which first becomes available in a fiscal year following the fiscal year to which the concurrent resolution applies; or

''(B) increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the concurrent resolution applies.

After May 15 of any calendar year, subsection (a) does not apply in the House of Representatives to any general appropriation bill, or amendment thereto, which provides new budget authority for the fiscal year beginning in such calendar year.

''(2) In the Senate, subsection (a) does not apply to any bill or resolution making advance appropriations for the fiscal year to which the concurrent resolution applies and the two succeeding fiscal years.

(b) CONFORMING AMENDMENT.—The item relating to section 303 in the table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking ''new credit authority,''.

SEC. 11108. AMENDMENT TO SECTION 305.

Section 305(a)(1) of the Congressional Budget Act of 1974 is amended by inserting ''when the House is not in session'' after ''holidays'' each place it appears.

SEC. 11109. AMENDMENTS TO SECTION 308.

Section 308 of the Congressional Budget Act of 1974 is amended—

(1)(A) in the side heading of subsection (a), by striking ''OR NEW CREDIT AUTHORITY,'' and by striking the first comma and inserting ''OR'';

(B) in paragraphs (1) and (2) of subsection (a), by striking ''or new credit authority,'' each place it appears and by striking the comma before ''new spending authority'' each place it appears and inserting ''or'';

(2) in subsection (b)(1), by striking ''or new credit authority,'' and by striking the comma before ''new spending authority'' and inserting ''or'';

(3) in subsection (c), by inserting ''and'' after the semicolon at the end of paragraph (3), by striking ''; and'' at the end of paragraph (4) and inserting a period; and by striking paragraph (5); and

(4) by inserting ''joint'' before ''resolution'' each place it appears and, in subsection (b)(1), by inserting ''joint'' before ''resolutions''.

SEC. 11110. AMENDMENTS TO SECTION 310.

Section 310 of the Congressional Budget Act of 1974 is amended by—

(1) in subsection (a)(1), by inserting ''and'' after the semicolon at the end of subparagraph (B), by striking ''subparagraphs (C) and (D), and by inserting after subparagraph (B) the following new subparagraph:

''(C) direct spending (as defined in section 250(c)(8) of the Balanced Budget and Emergency Deficit Control Act of 1985),''; and

(2) in subsection (c)(1)(A), by inserting ''of the absolute value'' after ''20 percent'' each place it appears.

SEC. 11111. AMENDMENTS TO SECTION 311.

Section 311 of the Congressional Budget Act of 1974 is amended to read as follows:

''NEW BUDGET AUTHORITY, NEW SPENDING AUTHORITY, AND REVENUE LEGISLATION MUST BE WITHIN APPROPRIATE LEVELS

''SEC. 311. (a) ENFORCEMENT OF BUDGET AGGREGATES.—

''(1) IN THE HOUSE OF REPRESENTATIVES.—Except as provided by subsection (c), after the Congress has completed action on a concurrent resolution on the budget for a fiscal year, it shall not be in order in the House of Representatives to consider any bill, joint resolution, amendment, motion, or conference report providing new budget authority for such fiscal year or reducing revenues for such fiscal year, if—

''(A) the enactment of such bill or resolution as reported;

''(B) the adoption and enactment of such amendment; or

''(C) the enactment of such bill or resolution in the form recommended in such conference report;

would cause the appropriate level of total new budget authority or total budget outlays set forth in the most recently agreed to concurrent resolution on the budget for such fiscal year to be exceeded, or would cause revenues to be less than the appropriate level of total revenues set forth in such concurrent resolution such fiscal year or for the total of all fiscal years covered by the concurrent resolution, except in the case that a declaration of war by the Congress is in effect.

''(2) IN THE SENATE.—After a concurrent resolution on the budget is agreed to, it shall not be in order in the Senate to consider any bill, resolution, amendment, motion, or conference report that—

''(A) would cause the appropriate level of total new budget authority or total outlays set forth for the first fiscal year in such resolution to be exceeded; or

''(B) would cause revenues to be less than the appropriate level of total revenues set forth for the first fiscal year covered by such resolution or for the period including the first fiscal year plus the following 4 fiscal years in such resolution.

''(3) ENFORCEMENT OF SOCIAL SECURITY LEVELS IN THE SENATE.—After a concurrent resolution on the budget is agreed to, it shall not be in order in the Senate to consider any bill, resolution, amendment, motion, or conference report that would cause a decrease in social security surpluses or an increase in social security deficits derived from the levels of social security revenues and social security outlays set forth for the first fiscal year covered by the resolution and for the period including the first fiscal year plus the following 4 fiscal years in such resolution.

''(b) SOCIAL SECURITY LEVELS.—

''(1) IN GENERAL.—For the purposes of subsection (a)(3), social security surpluses equal the excess of social security revenues over social security outlays in a fiscal year or years with such an excess and social security deficits equal the excess of social security outlays over social security revenues in a fiscal year or years with such an excess.

''(2) TAX TREATMENT.—For the purposes of this section, no provision of any legislation involving a change in chapter 1 of the Internal Revenue Code of 1986 shall be treated as affecting the amount of social security revenues or outlays unless such provision changes the income tax treatment of social security benefits.

''(c) EXCEPTION IN THE HOUSE OF REPRESENTATIVES.—Subsection (a)(1) shall not apply in the House of Representatives to any bill, resolution, or amendment that provides new budget authority for a fiscal year or to any conference report on any such bill or resolution, if—

''(1) the enactment of such bill or resolution as reported;

''(2) the adoption and enactment of such amendment; or

''(3) the enactment of such bill or resolution in the form recommended in such conference report;

would not cause the appropriate allocation of new budget authority made pursuant to section 302(a) for such fiscal year, for the committee within whose jurisdiction such bill, resolution, or amendment falls, to be exceeded.''.

SEC. 11112. AMENDMENT TO SECTION 312.

(a) IN GENERAL.—Section 312 of the Congressional Budget Act of 1974 is amended to read as follows:

''POINTS OF ORDER

''SEC. 312. (a) BUDGET COMMITTEE DETERMINATIONS.—For purposes of this title and title IV, the levels of new budget authority, budget outlays, spending authority as described in section 401(c)(2), direct spending, new entitlement authority, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the House of Representatives or the Senate, as the case may be.

''(b) DISCRETIONARY SPENDING POINT OF ORDER IN THE SENATE.—

''(1) Except as otherwise provided in this subsection, it shall not be in order in the Senate to consider any concurrent resolution on the budget (or amendment, motion, or conference report on such a resolution) that would exceed any of the discretionary spending limits in section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985.

''(2) This subsection shall not apply if a declaration of war by the Congress is in effect or if a joint resolution pursuant to section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985 has been enacted.

''(c) MAXIMUM DEFICIT AMOUNT POINT OF ORDER IN THE SENATE.—It shall not be in order in the Senate to consider any concurrent resolution on the budget for a fiscal year under section 301, or to consider any amendment to that concurrent resolution, or to consider a conference report on that concurrent resolution—

''(1) if the level of total budget outlays for the first fiscal year that is set forth in that concurrent resolution or conference report exceeds the recommended level of Federal revenues set forth for that year by an amount that is greater than the maximum deficit amount, if any, specified in the Balanced Budget and Emergency Deficit Control Act of 1985 for such fiscal year; or

''(2) if the adoption of such amendment would result in a level of total budget outlays for that fiscal year which exceeds the recommended level of Federal revenues for that fiscal year, by an amount that is greater than the maximum deficit amount, if any, specified in the Balanced Budget and Emergency Deficit Control Act of 1985 for such fiscal year.

''(d) TIMING OF POINTS OF ORDER IN THE SENATE.—A point of order under this Act may not be raised against a bill, resolution,

amendment, motion, or conference report while an amendment or motion, the adoption of which would remedy the violation of this Act, is pending before the Senate.

''(e) POINTS OF ORDER IN THE SENATE AGAINST AMENDMENTS BETWEEN THE HOUSES.—Each provision of this Act that establishes a point of order against an amendment also establishes a point of order in the Senate against an amendment between the Houses. If a point of order under this Act is raised in the Senate against an amendment between the Houses, and the Presiding Officer sustains the point of order, the effect shall be the same as if the Senate had disagreed to the amendment.

''(f) EFFECT OF A POINT OF ORDER ON A BILL IN THE SENATE.—In the Senate, if the Chair sustains a point of order under this Act against a bill, the Chair shall then send the bill to the committee of appropriate jurisdiction for further consideration.''.

(b) CONFORMING AMENDMENT.—The item relating to section 312 in the table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking ''Effect of point'' and inserting ''Point''.

SEC. 11113. ADJUSTMENTS AND BUDGET COMMITTEE DETERMINATIONS.

(a) IN GENERAL.—Title III of the Congressional Budget Act of 1974 is amended by adding at the end the following new section:

''ADJUSTMENTS

''SEC. 314. (a) ADJUSTMENTS.—When—

''(1)(A) the Committee on Appropriations reports an appropriation measure for fiscal year 1998, 1999, 2000, 2001, or 2002 that specifies an amount for emergencies pursuant to section 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985 or for continuing disability reviews pursuant to section 251(b)(2)(C) of that Act;

''(B) any other committee reports emergency legislation described in section 252(e) of that Act;

''(C) the Committee on Appropriations reports an appropriation measure for fiscal year 1998, 1999, 2000, 2001, or 2002 that includes an appropriation with respect to clause (i) or (ii), the adjustment shall be the amount of budget authority in the measure that is the dollar equivalent, in terms of Special Drawing Rights, of—

''(i) increases the United States quota as part of the International Monetary Fund Eleventh General Review of Quotas (United States Quota); or

''(ii) increases the maximum amount available to the Secretary of the Treasury pursuant to section 17 of the Bretton Woods Agreement Act, as amended from time to time (New Arrangements to Borrow); or

''(D) the Committee on Appropriations reports an appropriation measure for fiscal year 1998, 1999, or 2000 that includes an appropriation for arrearages for international organizations, international peacekeeping, and multilateral development banks during that fiscal year, and the sum of the appropriations for the period of fiscal years 1998 through 2000 do not exceed $1,884,000,000 in budget authority; or

''(2) a conference committee submits a conference report thereon;

the chairman of the Committee on the Budget of the Senate or House of Representatives shall make the adjustments referred to in subsection (c) to reflect the additional new budget authority for such matter provided in that measure or conference report and the additional outlays flowing in all fiscal years from such amounts for such matter.

''(b) APPLICATION OF ADJUSTMENTS.—The adjustments and revisions to allocations, aggregates, and limits made by the Chairman of the Committee on the Budget pursuant to subsection (a) for legislation shall only apply while such legislation is under consideration and shall only permanently take effect upon the enactment of that legislation.

''(c) CONTENT OF ADJUSTMENTS.—The adjustments referred to in subsection (a) shall consist of adjustments, as appropriate, to—

''(1) the discretionary spending limits as set forth in the most recently agreed to concurrent resolution on the budget;

''(2) the allocations made pursuant to the most recently adopted concurrent resolution on the budget pursuant to section 302(a); and

''(3) the budgetary aggregates as set forth in the most recently adopted concurrent resolution on the budget.

''(d) REPORTING REVISED SUBALLOCATIONS.—Following the adjustments made under subsection (a), the Committees on Appropriations of the Senate and the House of Representatives may report appropriately revised suballocations pursuant to section 302(b) to carry out this subsection.

''(e) DEFINITIONS.—As used in subsection (a)(1)(A), when referring to continuing disability reviews, the terms 'continuing disability reviews', 'additional new budget authority', and 'additional outlays' shall have the same meanings as provided in section 251(b)(2)(C)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985.''.

(b) CONFORMING AMENDMENTS.—(1) Sections 302(g), 311(c), and 313(e) of the Congressional Budget Act of 1974 are repealed.

(2) The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding after the item relating to section 313 the following new item:

''Sec. 314. Adjustments.''.

SEC. 11114. EFFECT OF SELF-EXECUTING AMENDMENTS ON POINTS OF ORDER IN THE HOUSE OF REPRESENTATIVES.

(a) EFFECT OF POINTS OF ORDER.—Title III of the Congressional Budget Act of 1974 is amended by adding after section 314 the following new section:

''EFFECT OF SELF-EXECUTING AMENDMENTS ON POINTS OF ORDER IN THE HOUSE OF REPRESENTATIVES

''SEC. 315. In the House of Representatives, if a provision of a bill, as reported, violates a section of this title or title IV and a self-executing rule providing for consideration of that bill modifies that provision to eliminate such violation, then such point of order shall not lie against consideration of that bill.''.

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding after the item relating to section 314 the following new item:

''Sec. 315. Effect of self-executing amendments on points of order in the house of representatives.''.

SEC. 11115. AMENDMENT OF SECTION 401 AND REPEAL OF SECTION 402.

(a) SECTION 401.—Subsections (a) and (b) of section 401 of the Congressional Budget Act of 1974 are amended to read as follows:

''BILLS PROVIDING NEW SPENDING AUTHORITY OR NEW CREDIT AUTHORITY

''SEC. 401. (a) CONTROLS ON LEGISLATION PROVIDING SPENDING AUTHORITY OR CREDIT AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2)(A) or (B) or new credit authority, unless that bill, resolution, conference report, or amendment also provides that such new spending authority as described in subsection (c)(2) (A) or (B) or new credit authority is to be effective for any fiscal year only to such extent or in such amounts as are provided in appropriation Acts.

''(b) LEGISLATION PROVIDING ENTITLEMENT AUTHORITY.—It shall not be in order in either the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report, as reported to its House which provides new spending authority described in subsection (c)(2)(C) which is to become effective before the first day of the fiscal year which begins during the calendar year in which such bill or resolution is reported.''.

(b) REPEALER OF SECTION 402.—(1) Section 402 of the Congressional Budget Act of 1974 is repealed.

(2) CONFORMING AMENDMENTS.—(1) Sections 403 through 407 of the Congressional Budget Act of 1974 are redesignated as sections 402 through 406, respectively.

(2) The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by deleting the item relating to section 402 and by redesignating the items relating to sections 403 through 407 as the items relating to sections 402 through 406, respectively.

SEC. 11116. REPEAL OF TITLE VI.

(a) REPEALER.—Title VI of the Congressional Budget Act of 1974 is repealed.

(b) CONFORMING AMENDMENTS.—The items relating to title VI of the table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 are repealed.

SEC. 11117. AMENDMENTS TO SECTION 904.

(a) CONFORMING AMENDMENT.—Section 904(a) of the Congressional Budget Act of 1974 is amended by striking ''(except section 905)'' and by striking ''V, and VI (except section 601(a))'' and inserting ''and V''.

(b) WAIVERS.—Section 904(c) of the Congressional Budget Act of 1974 is amended to read as follows:

''(c) WAIVERS.—

''(1) Sections 305(b)(2), 305(c)(4), 306, 310(d)(2), 313, 904(c), and 904(d) of this Act may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn.

''(2) Sections 301(i), 302(c), 302(f), 310(g), 311(a), and 315 of this Act and sections 258(a)(4)(C), 258(A)(b)(3)(C)(I), 258(B)(f)(1), 258B(h)(1), 258(h)(3), 258C(a)(5), and 258(C)(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn.''.

(c) APPEALS.—Section 904(d) of the Congressional Budget Act of 1974 is amended to read as follows:

''(d) APPEALS.—

''(1) Appeals in the Senate from the decisions of the Chair relating to any provision of title III or IV of section 1017 shall, except as otherwise provided therein, be limited to 1 hour, to be equally divided between, and controlled by, the mover and the manager of the resolution, concurrent resolution, reconciliation bill, or rescission bill, as the case may be.

''(2) An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under sections 305(b)(2), 305(c)(4), 306, 310(d)(2), 313, 904(c), and 904(d) of this Act.

''(3) An affirmative vote of three-fifths of the Members, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under sections 301(i), 302(c), 302(f), 310(g), 311(a), and 315 of this Act and sections 258(a)(4)(C), 258(A)(b)(3)(C)(I),

258(B)(f)(1), 258B(h)(1), 258(h)(3), 258C(a)(5), and 258(C)(b)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985.''.

(d) EXPIRATION OF SUPERMAJORITY VOTING REQUIREMENTS.—Section 904 of the Congressional Budget Act of 1974 is amended by adding at the end the following:

''(e) EXPIRATION OF CERTAIN SUPERMAJORITY VOTING REQUIREMENTS.—Subsections (c)(2) and (d)(3) shall expire on September 30, 2002.''.

SEC. 11118. REPEAL OF SECTIONS 905 AND 906.

(a) REPEALER.—Sections 905 and 906 of the Congressional Budget and Impoundment Control Act of 1974 are repealed.

(b) CONFORMING AMENDMENTS.—The table of contents set forth in section 1(b) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking the items relating to sections 905 and 906.

SEC. 11119. AMENDMENTS TO SECTIONS 1022 AND 1024.

(a) SECTION 1022.—Section 1022(b)(1)(F) of Congressional Budget and Impoundment Control Act of 1974 is amended by striking ''section 601'' and inserting ''section 251(c) the Balanced Budget and Emergency Deficit Control Act of 1985''.

(b) SECTION 1024.—Section 1024(a)(1)(B) of Congressional Budget and Impoundment Control Act of 1974 is amended by striking ''section 601(a)(2)'' and inserting ''section 251(c) the Balanced Budget and Emergency Deficit Control Act of 1985''.

SEC. 11120. AMENDMENT TO SECTION 1026.

Section 1026(7)(A)(iv) of the Congressional Budget and Impoundment Control Act of 1974 is amended by striking ''and'' and inserting ''or''.

Subtitle B—Amendments to the Balanced Budget and Emergency Deficit Control Act of 1985

SEC. 11201. PURPOSE.

This subtitle extends discretionary spending limits and pay-as-you-go requirements.

SEC. 11202. GENERAL STATEMENT AND DEFINITIONS.

(a) GENERAL STATEMENT.—Section 250(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 900(b)) is amended by striking the first two sentences and inserting the following: ''This part provides for the enforcement of a balanced budget by fiscal year 2002 as called for in House Concurrent Resolution 84 (105th Congress, 1st session).''.

(b) DEFINITIONS.—Section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking paragraph (4) and inserting the following:

''(4) The term 'category' means defense, nondefense, and violent crime reduction discretionary appropriations as specified in the joint explanatory statement accompanying a conference report on the Balanced Budget Act of 1997.'';

(2) by striking paragraph (6) and inserting the following:

''(6) The term 'budgetary resources' means new budget authority, unobligated balances, direct spending authority, and obligation limitations.'';

(3) in paragraph (9), by striking ''submission of the fiscal year 1992 budget that are not included with a budget submission'' and inserting ''that budget submission that are not included with it'';

(4) in paragraph (14), by inserting ''first 4'' before ''fiscal years'' and by striking ''1995'' and inserting ''2006'';

(5) by striking paragraphs (17) and (20) and by redesignating paragraphs (18), (19), and (21) as paragraphs (17), (18), and (19), respectively;

(6) in paragraph (17) (as redesignated), by striking ''Omnibus Budgtet Reconciliation Act of 1990'' and inserting ''Balanced Budget Act of 1997'';

(7) in paragraph (20) (as redesignated), by striking the second sentence; and

(8) by adding at the end the following new paragraph:

''(20) The term 'consultation', when applied to the Committee on the Budget of either the House of Representatives or of the Senate, means written communication with that committee that affords that committee an opportunity to comment on the matter that is the subject of the consultation before official action is taken on such matter.''.

SEC. 11203. ENFORCING DISCRETIONARY SPENDING LIMITS.

(a) EXTENSION THROUGH FISCAL YEAR 2002.—Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in the side heading of subsection (a), by striking ''1991–1998'' and inserting ''1997–2002'';

(2) in subsection (a)(7) by inserting ''(excluding Saturdays, Sundays, or legal holidays)'' after ''5 calendar days'';

(3) in the first sentence of subsection (b)(1), by striking ''1992, 1993, 1994, 1995, 1996, 1997 or 1998'' and inserting ''1997 or any fiscal year thereafter through 2002'' and by striking ''through 1998'' and inserting ''through 2002'';

(4) in subsection (b)(1), by striking ''the following:'' and all that follows through ''in concepts and definitions'' the first place it appears and inserting ''the following: the adjustments'' and by striking subparagraphs (B) and (C);

(5) in subsection (b)(2), by striking ''1991, 1992, 1993, 1994, 1995, 1996, 1997, or 1998'' and inserting ''1997 or any fiscal year thereafter through 2002'', by striking ''through 1998'' and inserting ''through 2002'', and by striking subparagraphs (A), (B), (C), (E), and (G), and by redesignating subparagraphs (D), (F), and (H) as subparagraphs (A), (B), and (C), respectively;

(6) in subsection (b)(2)(A) (as redesignated), by striking ''(i)'', by striking clause (ii), and by inserting ''fiscal'' before ''years'';

(7) in subsection (b)(2)(B) (as redesignated), by striking everything after ''the adjustment in outlays'' and inserting ''for a fiscal year is the amount of the excess but not to exceed 0.5 percent of the adjusted discretionary spending limit on outlays for that fiscal year in fiscal year 1997 or any fiscal year thereafter through 2002; and

(8) by adding at the end of subsection (b)(2) the following new subparagraphs:

''(D) ALLOWANCE FOR IMF.—If an appropriations bill or joint resolution is enacted for fiscal year 1998, 1999, 2000, 2001, or 2002 that includes an appropriation with respect to clause (i) or (ii), the adjustment shall be the amount of budget authority in the measure that is the dollar equivalent, in terms of Special Drawing Rights, of—

''(i) an increase in the United States quota as part of the International Monetary Fund Eleventh General Review of Quotas (United States Quota); or

''(ii) any increase in the maximum amount available to the Secretary of the Treasury pursuant to section 17 of the Bretton Woods Agreement Act, as amended from time to time (New Arrangements to Borrow).

''(E) ALLOWANCE FOR INTERNATIONAL ARREARAGES.—

''(i) ADJUSTMENTS.—If an appropriations bill or joint resolution is enacted for fiscal year 1998, 1999, or 2000 that includes an appropriation for arrearages for international organizations, international peacekeeping, and multilateral banks for that fiscal year, the adjustment shall be the amount of budget authority in such measure and the outlays flowing in all fiscal years from such budget authority.

''(ii) LIMITATIONS.—The total amount of adjustments made pursuant to this subparagraph for the period of fiscla years 1998 through 2000 shall not exceed $1,884,000,000 in budget authority.''.

(b) SHIFTING OF DISCRETIONARY SPENDING LIMITS INTO THE BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT OF 1985.—Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by adding at the end the following new subsection:

''(c) DISCRETIONARY SPENDING LIMIT.—As used in this part, the term 'discretionary spending limit' means—

''(1) with respect to fiscal year 1997, for the discretionary category, the current adjusted amount of new budget authority and outlays;

''(2) with respect to fiscal year 1998—

''(A) for the defense category: $269,000,000,000 in new budget authority and $266,823,000,000 in outlays;

''(B) for the nondefense category: $252,357,000,000 in new budget authority and $282,853,000,000 in outlays; and

''(C) for the violent crime reduction category: $5,500,000,000 in new budget authority and $3,592,000,000 in outlays;

''(3) with respect to fiscal year 1999—

''(A) for the defense category: $271,500,000,000 in new budget authority and $266,518,000,000 in outlays; and

''(B) for the nondefense category: $261,499,000,000 in new budget authority and $292,803,000,000 in outlays;

''(4) with respect to fiscal year 2000, for the discretionary category: $537,193,000,000 in new budget authority and $564,265,000,000 in outlays;

''(5) with respect to fiscal year 2001, for the discretionary category: $542,032,000,000 in new budget authority and $564,396,000,000 in outlays; and

''(6) with respect to fiscal year 2002, for the discretionary category: $551,074,000,000 in new budget authority and $560,799,000,000 in outlays;

as adjusted in strict conformance with subsection (b).''.

SEC. 11204. VIOLENT CRIME REDUCTION TRUST FUND.

(a) SEQUESTRATION REGARDING VIOLENT CRIME REDUCTION TRUST FUND.—Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985 is repealed.

(b) CONFORMING AMENDMENT.—Section 310002 of Public Law 103–322 (42 U.S.C. 14212) is repealed.

SEC. 11205. ENFORCING PAY-AS-YOU-GO.

(a) EXTENSION.—Section 252 (2 U.S.C. 902) is amended—

(1) by striking subsections (a) and (b) and inserting the following:

''(a) PURPOSE.—The purpose of this section is to assure that any legislation enacted prior to September 30, 2002, affecting direct spending or receipts that increases the deficit will trigger an offsetting sequestration.

''(b) SEQUESTRATION.—

''(1) TIMING.—Within 15 calendar days after Congress adjourns to end a session and on the same day as a sequestration (if any) under sections 251 and 253, there shall be a sequestration to offset the amount of any net deficit increase in the budget year caused by all direct spending and receipts legislation (after adjusting for any prior sequestration as provided by paragraph (2)) plus any net deficit increase in the prior fiscal year caused by all direct spending and receipts legislation not reflected in the final OMB sequestration report for that year.

''(2) CALCULATION OF DEFICIT INCREASE.—OMB shall calculate the amount of deficit increase, if any, in the budget year by adding—

''(A) all applicable estimates of direct spending and receipts legislation transmitted under subsection (d) applicable to the budget year, other than any amounts included in such estimates resulting from—

''(i) full funding of, and continuation of, the deposit insurance guarantee commitment in effect on the date of enactment of this section; and

''(ii) emergency provisions as designated under subsection (e); and

''(B) the estimated amount of savings in direct spending programs applicable to the budget year resulting from the prior year's sequestration under this section or section 253, if any (except for any amounts sequestered as a result of any deficit increase in the fiscal year immediately preceding the prior fiscal year), as published in OMB's final sequestration report for that prior year; and

''(C) all applicable estimates of direct spending and receipts legislation transmitted under subsection (d) for the current year that are not reflected in the final OMB sequestration report for that year, other than any amounts included in such estimates resulting from emergency provisions as designated under subsection (e).'';

(2) by amending subsection (c)(1)(B), by inserting ''and direct'' after ''guaranteed'';

(3) by amending subsection (d) to read as follows:

''(d) ESTIMATES.—

''(1) CBO ESTIMATES.—As soon as practicable after Congress completes action on any direct spending or receipts legislation, CBO shall provide an estimate of the budgetary effects of that legislation.

''(2) OMB ESTIMATES.—Not later than 5 calendar days (excluding Saturdays, Sundays, or legal holidays) after the enactment of any direct spending or receipts legislation, OMB shall transmit a report to the House of Representatives and to the Senate containing—

''(A) the CBO estimate of the budgetary effects of that legislation;

''(B) an OMB estimate of the budgetary effects of that legislation using current economic and technical assumptions; and

''(C) an explanation of any difference between the two estimates.

''(3) SCOPE OF ESTIMATES.—The estimates under this section shall include the amount of change in outlays or receipts, as the case may be, for the current year (if applicable), the budget year, and each outyear.

''(4) SCOREKEEPING GUIDELINES.—OMB and CBO, after consultation with each other and the Committees on the Budget of the House of Representatives and the Senate, shall—

''(A) determine common scorekeeping guidelines; and

''(B) in conformance with such guidelines, prepare estimates under this section.''; and

(4) in subsection (e), by striking '', for any fiscal year from 1991 through 1998,'' and by striking ''through 1995''.

SEC. 11206. REPORTS AND ORDERS.

Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking subsection (c) and redesignating subsections (d) through (k) as (c) through (j), respectively;

(2) in subsection (c)(2) (as redesignated), by striking ''1998'' and inserting ''2002''; and

(3)(A) in subsection (f)(2)(A) (as redesignated), by striking ''1998'' and inserting ''2002''; and

(B) in subsection (f)(3) (as redesignated), by striking ''through 1998''.

SEC. 11207. EXEMPT PROGRAMS AND ACTIVITIES.

(a) VETERANS PROGRAMS.—Section 255(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) In the item relating to Veterans Insurance and Indemnity, strike ''Indemnity'' and insert ''Indemnities''.

(2) In the item relating to Veterans' Canteen Service Revolving Fund, strike ''Veterans'''.

(3) In the item relating to Benefits under chapter 21 of title 38, strike ''(36–0137–0–1–702)'' and insert ''(36–0120–0–1–701)''.

(4) In the item relating to Veterans' compensation, strike ''Veterans' compensation'' and insert ''Compensation''.

(5) In the item relating to Veterans' pensions, strike ''Veterans' pensions'' and insert ''Pensions''.

(6) After the last item, insert the following new items:

''Benefits under chapter 35 of title 38, United States Code, related to educational assistance for survivors and dependents of certain veterans with service-connected disabilities (36–0137–0–1–702);

''Assistance and services under chapter 31 of title 38, United States Code, relating to training and rehabilitation for certain veterans with service-connected disabilities (36–0137–0–1–702);

''Benefits under subchapters I, II, and III of chapter 37 of title 38, United States Code, relating to housing loans for certain veterans and for the spouses and surviving spouses of certain veterans Guaranty and Indemnity Program Account (36–1119–0–1–704);

''Loan Guaranty Program Account (36–1025–0–1–704); and

''Direct Loan Program Account (36–1024–0–1–704).''.

(b) CERTAIN PROGRAM BASES.—Section 255(f) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

''(f) OPTIONAL EXEMPTION OF MILITARY PERSONNEL.—

''(1) The President may, with respect to any military personnel account, exempt that account from sequestration or provide for a lower uniform percentage reduction than would otherwise apply.

''(2) The President may not use the authority provided by paragraph (1) unless he notifies the Congress of the manner in which such authority will be exercised on or before the date specified in section 254(a) for the budget year.''.

(c) OTHER PROGRAMS AND ACTIVITIES.—(1) Section 255(g)(1)(A) of the Balanced Budget Emergency Deficit Control Act of 1985 is amended as follows:

(A) After the first item, insert the following new item:

''Activities financed by voluntary payments to the Government for goods or services to be provided for such payments;''.

(B) Strike ''Thrift Savings Fund (26–8141–0–7–602);''.

(C) In the first item relating to the Bureau of Indian Affairs, insert ''Indian land and water claims settlements and'' after the comma.

(D) In the second item relating to the Bureau of Indian Affairs, strike ''miscellaneous'' and insert ''Miscellaneous'' and strike '', tribal trust funds''.

(E) Strike ''Claims, defense (97–0102–0–1–051);''.

(F) In the item relating to Claims, judgments, and relief acts, strike ''806'' and insert ''808''.

(G) Strike ''Coinage profit fund (20-5811-0-2-803)''.

(H) Insert ''Compact of Free Association (14–0415–0–1–808);'' after the item relating to the Claims, judgments, and relief acts.

(I) Insert ''Conservation Reserve Program (12–2319–0–1–302);'' after the item relating to the Compensation of the President.

(J) In the item relating to the Customs Service, strike ''852'' and insert ''806''.

(K) In the item relating to the Comptroller of the Currency, insert '', Assessment funds (20–8413–0–8–373)'' before the semicolon.

(L) Strike ''Director of the Office of Thrift Supervision;''.

(M) Strike ''Eastern Indian land claims settlement fund (14–2202–0–1–806);''.

(N) After the item relating to the Exchange stabilization fund, insert the following new items:

''Farm Credit Administration, Limitation on Administrative Expenses (78–4131–0–3–351);

''Farm Credit System Financial Assistance Corporation, interest payment (20–1850–0–1–908);''.

(O) Strike ''Federal Deposit Insurance Corporation;''.

(P) In the first item relating to the Federal Deposit Insurance Corporation, insert ''(51–4064–0–3–373)'' before the semicolon.

(Q) In the second item relating to the Federal Deposit Insurance Corporation, insert ''(51–4065–0–3–373)'' before the semicolon.

(R) In the third item relating to the Federal Deposit Insurance Corporation, insert ''(51–4066–0–3–373)'' before the semicolon.

(S) In the item relating to the Federal Housing Finance Board, insert ''(95–4039–0–3–371)'' before the semicolon.

(T) In the item relating to the Federal payment to the railroad retirement account, strike ''account'' and insert ''accounts''.

(U) In the item relating to the health professions graduate student loan insurance fund, insert ''program account'' after ''fund'' and strike ''(Health Education Assistance Loan Program) (75–4305–0–3–553)'' and insert ''(75–0340–0–1–552)''.

(V) In the item relating to Higher education facilities, strike ''and insurance''.

(W) In the item relating to Internal revenue collections for Puerto Rico, strike ''852'' and insert ''806''.

(X) Amend the item relating to the Panama Canal Commission to read as follows:

''Panama Canal Commission, Panama Canal Revolving Fund (95–4061–0–3–403);''.

(Y) In the item relating to the Medical facilities guarantee and loan fund, strike ''(75–4430–0–3–551)'' and insert ''(75–9931–0–3–550)''.

(Z) In the first item relating to the National Credit Union Administration, insert ''operating fund (25–4056–0–3–373)'' before the semicolon.

(AA) In the second item relating to the National Credit Union Administration, strike ''central'' and insert ''Central'' and insert ''(25–4470–0–3–373)'' before the semicolon.

(BB) In the third item relating to the National Credit Union Administration, strike ''credit'' and insert ''Credit'' and insert ''(25–4468–0–3–373)'' before the semicolon.

(CC) After the third item relating to the National Credit Union Administration, insert the following new item:

''Office of Thrift Supervision (20–4108–0–3–373);''.

(DD) In the item relating to Payments to health care trust funds, strike ''572'' and insert ''571''.

(EE) Strike ''Compact of Free Association, economic assistance pursuant to Public Law 99–658 (14–0415–0–1–806);''.

(FF) In the item relating to Payments to social security trust funds, strike ''571'' and insert ''651''.

(GG) Strike ''Payments to state and local government fiscal assistance trust fund (20–2111–0–1–851);''.

(HH) In the item relating to Payments to the United States territories, strike ''852'' and insert ''806''.

(II) Strike ''Resolution Funding Corporation;''.

(JJ) In the item relating to the Resolution Trust Corporation, insert ''Revolving Fund (22–4055–0–3–373)'' before the semicolon.

(KK) After the item relating to the Tennessee Valley Authority funds, insert the following new items:

''Thrift Savings Fund;

''United States Enrichment Corporation (95–4054–0–3–271);

''Vaccine Injury Compensation (75–0320–0–1–551);

''Vaccine Injury Compensation Program Trust Fund (20–8175–0–7–551);''.

(2) Section 255(g)(1)(B) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(A) Strike ''The following budget'' and insert ''The following Federal retirement and disability''.

(B) In the item relating to Black lung benefits, strike ''lung benefits'' and insert ''Lung Disability Trust Fund''.

(C) In the item relating to the Court of Federal Claims Court Judges' Retirement Fund, strike ''Court of Federal''.

(D) In the item relating to Longshoremen's compensation benefits, insert ''Special workers compensation expenses,'' before ''Longshoremen's''.

(E) In the item relating to Railroad retirement tier II, strike ''retirement tier II'' and insert ''Industry Pension Fund''.

(3) Section 255(g)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(A) Strike the following items:

''Agency for International Development, Housing, and other credit guarantee programs (72–4340–0–3–151);

''Agricultural credit insurance fund (12–4140–0–1–351);''.

(B) In the item relating to Check forgery, strike ''Check'' and insert ''United States Treasury check''.

(C) Strike ''Community development grant loan guarantees (86–0162–0–1–451);''.

(D) After the item relating to the United States Treasury Check forgery insurance fund, insert the following new item:

''Credit liquidating accounts;''.

(E) Strike the following items:

''Credit union share insurance fund (25–4468–0–3–371);

''Economic development revolving fund (13–4406–0–3);

''Export-Import Bank of the United States, Limitation of program activity (83–4027–0–1–155);

''Federal deposit Insurance Corporation (51–8419–0–8–371);

''Federal Housing Administration fund (86–4070–0–3–371);

''Federal ship financing fund (69–4301–0–3–403);

''Federal ship financing fund, fishing vessels (13–4417–0–3–376);

''Government National Mortgage Association, Guarantees of mortgage-backed securities (86–4238–0–3–371);

''Health education loans (75–4307–0–3–553);

''Indian loan guarantee and insurance fund (14–4410–0–3–452);

''Railroad rehabilitation and improvement financing fund (69–4411–0–3–401);

''Rural development insurance fund (12–4155–0–3–452);

''Rural electric and telephone revolving fund (12–4230–8–3–271);

''Rural housing insurance fund (12–4141–0–3–371);

''Small Business Administration, Business loan and investment fund (73–4154–0–3–376);

''Small Business Administration, Lease guarantees revolving fund (73–4157–0–3–376);

''Small Business Administration, Pollution control equipment contract guarantee revolving fund (73–4147–0–3–376);

''Small Business Administration, Surety bond guarantees revolving fund (73–4156–0–3–376);

''Department of Veterans Affairs Loan guaranty revolving fund (36–4025–0–3–704);''.

(d) LOW-INCOME PROGRAMS.—Section 255(h) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) Amend the item relating to Child nutrition to read as follows:

''State child nutrition programs (with the exception of special milk programs) (12–3539–0–1–605);''.

(2) Amend the item relating to the Women, infants, and children program to read as follows:

''Special supplemental nutrition program for women, infants, and children (WIC) (12–3510–0–1–605).''.

(e) IDENTIFICATION OF PROGRAMS.—Section 255(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

''(i) IDENTIFICATION OF PROGRAMS.—For purposes of subsections (b), (g), and (h), each account is identified by the designated budget account identification code number set forth in the Budget of the United States Government 1996–Appendix, and an activity within an account is designated by the name of the activity and the identification code number of the account.''.

(f) OPTIONAL EXEMPTION OF MILITARY PERSONNEL.—Section 255(h) of the Balanced Budget and Emergency Deficit Control Act of 1985 (relating to optional exemption of military personnel) is repealed.

SEC. 11208. GENERAL AND SPECIAL SEQUESTRATION RULES.

(a) SECTION HEADING.—(1) The section heading of section 256 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking ''exceptions, limitations, and special rules'' and inserting ''general and special sequestration rules''.

(2) The item relating to section 256 in the table contents set forth in section 250(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

''Sec. 256. General and special sequestration rules.''.

(b) AUTOMATIC SPENDING INCREASES.—Section 256(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking paragraph (1) and redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(c) GUARANTEED AND DIRECT STUDENT LOAN PROGRAMS.—Section 256(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

''(b) STUDENT LOANS.—(1) For all student loans under part B or D of title IV of the Higher Education Act of 1965 made during the period when a sequestration order under section 254 is in effect, origination fees under sections 438(c)(2) and 455(c) of that Act shall be increased by a uniform percentage sufficient to produce the dollar savings in student loan programs (as a result of that sequestration order) required by section 252 or 253, as applicable.

''(2) For any loan made during the period beginning on the date that an order issued under section 254 takes effect with respect to a fiscal year and ending at the close of such fiscal year, the origination fees which are authorized to be collected pursuant to sections 438(c)(2) and 455(c) of such Act shall be increased by 0.50 percent.''.

(d) HEALTH CENTERS.—Section 256(e)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking the dash and all that follows thereafter and inserting ''2 percent.''.

(e) FEDERAL PAY.—Section 256(g)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by inserting ''(including any amount payable under section 5303 or 5304 of title 5, United States Code)'' after ''such statutory pay system''.

(f) TREATMENT OF FEDERAL ADMINISTRATIVE EXPENSES.—Section 256(h)(4) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by striking subparagraphs (D) and (H), by redesignating subparagraphs (E), (F), (G), and (I), as subparagraphs (D), (E), (F), and (G), respectively, and by adding at the end the following new subparagraph:

''(H) Farm Credit Administration.''.

(g) COMMODITY CREDIT CORPORATION.—Section 256(j)(5) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

''(5) DAIRY PROGRAM.—Notwithstanding other provisions of this subsection, as the sole means of achieving any reduction in outlays under the milk price support program, the Secretary of Agriculture shall provide for a reduction to be made in the price received by producers for all milk produced in the United States and marketed by producers for commercial use. That price reduction (measured in cents per hundred weight of milk marketed) shall occur under section 201(d)(2)(A) of the Agricultural Act of 1949 (7 U.S.C. 1446(d)(2)(A)), shall begin on the day any sequestration order is issued under section 254, and shall not exceed the aggregate amount of the reduction in outlays under the milk price support program that otherwise would have been achieved by reducing payments for the purchase of milk or the products of milk under this subsection during the applicable fiscal year.''.

(h) EFFECTS OF SEQUESTRATION.—Section 256(k) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) In paragraph (1), strike ''other than a trust or special fund account'' and insert '', except as provided in paragraph (5)'' before the period.

(2) Strike paragraph (4), redesignate paragraphs (5) and (6) as paragraphs (4) and (5), respectively, and amend paragraph (5) (as redesignated) to read as follows:

''(5) Budgetary resources sequestered in revolving, trust, and special fund accounts, and offsetting collections sequestered in appropriation accounts shall not be available for obligation during the fiscal year in which the sequestration occurs, but shall be available in subsequent years to the extent otherwise provided in law.''.

SEC. 11209. THE BASELINE.

Section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subsection (b)(2) by amending subparagraph (A) to read as follows:

''(A)(i) Except as provided in clause (ii), no program with estimated current year outlays greater than $50,000,000 shall be assumed to expire in the budget year or the outyears.

''(ii) Clause (i) shall not apply to a program if legislation establishing or modifying that program contains a provision stating 'Section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall not apply to the program specified in ____ of this Act.', the blank space being filled in with the appropriate section or sections of that legislation.

''(iii) No bill, resolution, amendment, motion, or conference report shall be subject to a point of order under section 306 of the Congressional Budget Act of 1974 solely because it includes the provision specified in clause (ii).

''(iv) Upon the expiration of the suspensions contained in section 171 of Public Law 104–193 with regard to a program in such Act with estimated fiscal year outlays greater than $50,000,000, that program shall be assumed to operate under that Act as in effect immediately before reversion to the laws suspended by such Act.''

(2) by adding the end of subsection (b)(2) the following new subparagraph:

''(D) If any law expires before the budget year or any outyear, then any program with

estimated current year outlays greater than $50 million which operates under that law shall be assumed to continue to operate under that law as in effect immediately before its expiration.'';

(3) in the second sentence of subsection (c)(5), by striking ''national product fixed-weight price index'' and inserting ''domestic product chain-type price index''; and

(4) by striking subsection (e) and inserting the following:

''(e) ASSET SALES.—Amounts realized from the sale of an asset other than a loan asset shall not be counted against legislation if that sale would result in a financial cost to the Federal Government.''.

SEC. 11210. TECHNICAL CORRECTION.

Section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985, entitled ''Modification of Presidential Order'', is repealed.

SEC. 11211. JUDICIAL REVIEW.

Section 274 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) Strike ''252'' or ''252(b)'' each place it occurs and insert ''254''.

(2) In subsection (d)(1)(A), strike ''257(l) to the extent that'' and insert ''256(a) if'', strike the parenthetical phrase, and at the end insert ''or''.

(3) In subsection (d)(1)(B), strike ''new budget'' and all that follows through ''spending authority'' and insert ''budgetary resources'' and strike ''or'' after the comma.

(4) Strike subsection (d)(1)(C).

(5) Strike subsection (f) and redesignate subsections (g) and (h) as subsections (f) and (g), respectively.

(6) In subsection (g) (as redesignated), strike ''base levels of total revenues and total budget outlays, as'' and insert ''figures'', and ''251(a)(2)(B) or (c)(2),'' and insert ''254''.

SEC. 11212. EFFECTIVE DATE.

(a) EXPIRATION.—Section 275(b) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) by striking ''Part C of this title, section'' and inserting ''Sections 251, 253, 258B, and'';

(2) by striking ''1995'' and inserting ''2002''; and

(3) by adding at the end the following new sentence: ''The remaining sections of part C of this title shall expire September 30, 2006.''.

(b) EXPIRATION.—Section 14002(c)(3) of the Omnibus Budget Reconciliation Act of 1993 (2 U.S.C. 900 note) is repealed.

SEC. 11213. REDUCTION OF PREEXISTING BALANCES AND EXCLUSION OF EFFECTS OF THIS ACT FROM PAYGO SCORECARD.

Upon the enactment of this Act, the Director of the Office of Management and Budget shall—

(1) reduce any balances of direct spending and receipts legislation for any fiscal year under section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 to zero; and

(2) not make any estimates of changes in direct spending outlays and receipts under subsection (d) of such section 252 for any fiscal year resulting from the enactment of this Act or the Revenue Reconciliation Act of 1997.

In the table of contents set forth in section 2, after the item relating to title X, add the following new item:

''Title XI—Budget Enforcement.''.

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Senate

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

PRAYER

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

Dear God, our motto for this day is the resolution of the psalmist: ''I delight to do Your will, O my God.''—Psalm 40:8. Lift us above the mandate of duty to the motivation of delight. May a fresh inflow of Your love fill us with the sheer delight of being alive and having the privilege of serving You. Give us a positive attitude toward our work, a profound gratitude for the opportunity to glorify You in our pursuit of excellence, and a renewed sense of the importance of the page of history You will help us write in our efforts together today.

Bless the Senators with a renewed experience of Your presence and Your power. Saturate their minds with Your wisdom, flood their hearts with enthusiasm for the crucial work of political process, and strengthen their wills with high resolve to put first Your will and what's best for our Nation.

May this be a delightful day because we took delight in You and enjoyed the uplifting encouragement of Your inspiring spirit. Through our Lord and Saviour. Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The able acting majority leader, Senator DOMENICI of New Mexico, is recognized.

SCHEDULE

Mr. DOMENICI. For the information of all Senators, this morning the Senate will resume consideration of S. 947, the budget reconciliation bill. At 9:45 a.m, the Senate will proceed to a rollcall vote on or in relation to Senator GREGG's amendment No. 426. Whereas there are several other pending amendments that need to be disposed of, Senators can expect rollcall votes throughout Tuesday's session of the Senate.

MEASURE PLACED ON THE CALENDAR—S. 950

Mr. DOMENICI. Mr. President, I understand there is a bill at the desk that is due for its second reading.

The PRESIDING OFFICER (Mr. BROWNBACK). The clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 950) to provide for equal protection of the law and to prohibit discrimination and preferential treatment on the basis of race, color, national origin, or sex in Federal actions, and for other purposes.

Mr. DOMENICI. Mr. President, I object to further action at this time.

The PRESIDING OFFICER. The bill will be placed on the calendar.

BALANCED BUDGET ACT OF 1997

The PRESIDING OFFICER. The Senate will now resume consideration of S. 947, which the clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 947) to provide for reconciliation pursuant to section 104(a) of the concurrent resolution on the budget for fiscal year 1998.

The Senate resumed consideration of the bill.

Pending:

Gregg modified amendment No. 426, to provide for terms and conditions of imposing Medicare premiums.

Harkin amendment No. 428, to reduce health care fraud, waste, and abuse.

Kennedy/Wellstone amendment No. 429, to strike the provision relating to the imposition of a copayment for part B home health services.

Motion to waive a point of order that section 5611 of the bill violates section 313(b)(1)(A) of the Congressional Budget Act of 1974.

AMENDMENT NO. 426

The PRESIDING OFFICER. There will now be 15 minutes of debate prior to a vote on or in relation to the Gregg amendment No. 426.

Mr. DOMENICI. Parliamentary inquiry. Is it not time for the proponent and opponents to share some time equally in reference to the Gregg amendment?

The PRESIDING OFFICER. That is correct. There are now 15 minutes equally divided on the Gregg amendment No. 426.

Mr. DOMENICI. I yield the floor to Senator GREGG.

Mr. GREGG. Mr. President, I am not sure who rises in opposition to this amendment. I understand there are some concerns that have been raised. Let me review the amendment so people understand what it does.

Essentially, this amendment creates a marketplace, creates competition, and it gives seniors the opportunity to go into the marketplace, be thoughtful purchasers, and the result of being thoughtful purchasers is getting an actual return, a monetary return, for being thoughtful purchasers.

What the amendment does is strike the language in the bill which says that there can be no cash incentives tied to any sort of Choice plan. Now, in the original bill as it was presented by myself, the original Choice bill, the vast majority of which has been incorporated in this bill, we had a section which said that if a senior was able to purchase a plan at less dollars, then the senior would be allowed to keep 75 percent of the savings, and 25 percent of the savings would go into the part A trust fund. Under the bill as it is presently structured, the practical effect was it created more marketplace forces. It meant seniors would be more thoughtful purchasers of health care. This is important.

Second, it meant that the health care provider groups like HMO's, PPO's and the PSO's who are now being empowered to compete for senior dollars, those groups would have a reason to deliver the same benefit structure as

Medicare gives today at the same quality but deliver it at less cost. It is called capitalism. It is called a marketplace force. It is what we are trying to put in place to try to control the cost of health care and Medicare, and it is what is working in the private sector.

Under the bill as it is presently structured, that opportunity would be eliminated. Now, we are not suggesting that opportunity has to be pursued. We are just saying let's leave open that opportunity under HCFA's guidance, and by the way, if it was determined this might be a way to create better competition and better health care delivery, it would be available.

Now, I cannot speak for the opposition, but what I have heard from the opposition is that there is a feeling that this cash rebate may in some way affect the Treasury. Well, it does not. Under the present law as it is structured in this bill, if there is no cash rebate, the only beneficiaries of more efficiency are the provider groups. They get to keep the money. They get to keep the money. They do not rebate it to the seniors. They get to keep it, to quote Jerry McGuire.

Then I heard another comment, ''Basically what we want to do is encourage the provider groups to supply more benefits, not to supply a financial rebate to senior citizens.'' I think that makes sense. I think that should be an option. I think provider groups like PPO's that can deliver the services for less might want to throw in eyeglass care, might want to throw in prescription care. I think it is a good public policy decision to encourage that. But at the same time I bet you there are some provider groups today, because we pay so much in insurance for Medicare, who could pay the cost of eyeglass care and some percentage of prescription drug care and still be delivering that service for considerably less than what the basic premium is today that we pay in Medicare. Who is going to keep that difference? The provider groups. They will keep it in profit.

Now, I do find it ironic that people would oppose the concept that we want to open it up to competition in a way that allows the senior citizen to benefit from the cost savings, by putting some pressure on those provider groups to have to say, ''We are going to make $100 extra on this contract. Maybe we better return $50 to the senior citizen because, if we do not, our competitor down the street will make that $100 and they will return that $50 and they will get this client.''

Right now this is an issue. I understand there are some undercurrents of opposition to this. I am appreciative of that. The fact is that this is an attempt to open the marketplace to more competition and create more cost-conscious purchasers and buyers, and as a result I think it is a good approach. It does not demand that that occur. It does not even allow that to occur in the first instance. It simply makes that additional avenue of competition available by giving HCFA the authority to do it rather than banning HCFA from having the authority to do it.

I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from New Jersey controls 7½ minutes.

Mr. LAUTENBERG. Mr. President, I will yield myself such time as needed to respond with my opposition to the amendment of the Senator from New Hampshire and rise in support of the provision in the reconciliation package that was developed by Senator ROTH and Senator MOYNIHAN and other members of the Finance Committee.

Mr. President, the reconciliation bill establishes a new program known as Medicare Choice, which will give Medicare beneficiaries more options for the type of health care that they will receive in the program. Seniors will be able to choose from HMO's, PPO's, and medical savings accounts, among several other options. The committee's proposal is intended to increase Choice for seniors. At the same time, it is meant to avoid the risk that the Medicare Program would move toward a two-tiered or multitiered system in which some seniors, especially the healthier and wealthier, enjoy benefits not available to the others.

Under the committee-reported bill, providers of different services are paid a set amount. They then can compete for the consumers based on the quality and types of benefits they provide. If, for example, one HMO can operate more efficiently, it can plow the resulting savings into providing services that other less-efficient HMO's could not. This type of system is intended to ensure that seniors get the best quality care for each Federal dollar that gets spent. I think that makes sense.

The Finance Committee also wanted to avoid a situation in which providers limit their benefit package to attract those who are healthy and who therefore could take advantage of a cheaper plan that offers fewer benefits. This could ultimately lead to a Medicare system that segregates the healthy from the ill and that forces sicker people to pay more to get the health care they need.

Mr. President, I am going to stick with the Finance Committee's proposal on this. Let's give seniors more choice but let's make sure that the choices offer the type of quality health care they need and deserve.

When I think of plans that may offer premiums—maybe they offer theater tickets or baseball games or what have you—to seduce or induce people to go their way, I think that is a terrible idea. It can provide a large provider with a monopoly of opportunities. ''Spend your money now, you will get it back.'' You will have these people locked into your service, so spend it up front. It is a calculated marketing cost. Frankly, I hate to see our senior citizens get caught up in a scheme like that.

Mr. President, I hope we will be able to muster the support that is required here for the Finance Committee. Once again, this is now a new proposal. It alters the bill as originally developed. I do not think we ought to be doing it at this time.

I reserve the remainder of my time.

Mr. GREGG. I appreciate the comments of the Senator from New Jersey, but they are inaccurate. This does not create a two-tier system.

Under the law, the basic benefits package of the Medicare system has to be supplied by all providers. Therefore, any provider that comes forward and produces a less costly system is going to be producing a system that still meets the basic benefits package of the Medicare system. The added benefits might be eyeglasses or prescription drugs, but those are benefits which are not presently covered by Medicare anyway. So there is no opportunity for a two-tiered system.

What the Senator from New Jersey said that was accurate is that efficient suppliers of health care will end up creating a savings. What I am pointing out is that savings then flows to the supplier of the health care, the HMO or the PPO. You are basically underwriting the big health care companies at the disadvantage of seniors because seniors get none of that savings unless there is a benefit added that they may not want. They may not want eyeglasses. They may not want prescription drugs. They may have that under another system. Why not make this option available?

However, I have been asked by the chairman of the committee to withdraw the amendment at this time. I have great respect for the chairman of the committee and will acquiesce to his request. I understand his concern. I believe this is bad policy as it is presently structured. It is not in the House bill, and I hope it will be straightened out in Congress because I think we ought to give seniors this chance.

I ask unanimous consent to vitiate the yeas and nays and withdraw the amendment.

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

The amendment (No. 426) was withdrawn.

Mr. NICKLES. Mr. President, I will be brief. I want to compliment my colleague from New Hampshire for offering this amendment.

He mentioned this prohibition is not in the House bill. I hope to have something to do with the conference. I think he has brought out a very good point. We should allow some of these savings to go to the participants. So I appreciate his examination of the bill. That fact proves he has done his homework. I, for one, think he has pointed out a good option that we should allow to be available. I appreciate my colleague's attention in this matter. I will be happy to work with him to see if we can't come up with a good provision in conference.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware is recognized.

Mr. ROTH. Mr. President, I, too, want to join the distinguished Senator from Oklahoma in thanking our friend from New Hampshire and withdrawing the amendment. I think he has articulated the reason for the change. I think there is considerable merit to the idea, but I do appreciate the fact that he has withdrawn the amendment. I don't think it is appropriate at this time. We look forward to working with him.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I, too, want to join in saying to the distinguished Senator from New Hampshire that I saw this as a Choice proposal, an expansion of Choice. It wasn't a mandate. I thought it was a pretty good thing that we keep as much choice and potential for choice in the Medicare reform. I am sure this will be revisited at some point.

As the manager for the majority, I would like to talk a little bit with the Senate about where we are. Could I inquire, none of the amendments are automatically up at this point, are they? Am I mistaken on that? Aren't they subject to a management decision on which ones come next?

The PRESIDING OFFICER. The question would recur on No. 429, the Kennedy-Wellstone amendment to S. 947.

Mr. DOMENICI. I thank the Chair. Might I then enquire, under the ordinary rules of amendments, how much time is left on the Kennedy-Wellstone amendment, if it were all to be used?

The PRESIDING OFFICER. The Chair will check on that.

Mr. DOMENICI. That is fine. Is there any reason we should not go to the Kennedy-Wellstone amendment? I am sure Senator ROTH has a substantial amount of time on the amendment. I want to yield the entire time in opposition to the amendment to the distinguished chairman of the Finance Committee. I may need a few minutes later. I will yield the Senator the time that is left. Can the Senator manage that?

Mr. ROTH. Yes, I can manage that.

The PRESIDING OFFICER. To answer the question of the Senator from New Mexico as to the time remaining on the Kennedy-Wellstone amendment, Senator KENNEDY has 15 minutes and the Senator from New Mexico has 45 minutes.

Mr. DOMENICI. I will yield the 45 minutes to Senator ROTH.

Let me indicate to the Senate, so there won't be any misunderstanding, that what I am trying to do is get time used up or get time agreements. We don't intend to vote on the Kennedy-Wellstone amendment until early in the afternoon. So we can finish the debate and go to another one. I wanted to indicate that to the Senate at this point.

Mr. LAUTENBERG. Mr. President, if I might just add a note here for all of our colleagues who are interested in amendments, or talking on the bill. Time is flying and we will be finished at about 7:30 tonight, I think it is, with no more time left. And then should any amendments be offered, they will be offered without debate or discussion and just voted upon.

So I say to all of our colleagues within earshot, or through the staff, if you have amendments, you better get them here because pretty soon the time will have expired and you won't have an opportunity to do so.

I thank the Chair.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 45 minutes.

AMENDMENT NO. 429

Mr. ROTH. Mr. President, the Kennedy amendment would strike the $5 coinsurance payment, and I think that would be a mistake. Let me start out by pointing out that home health care has exploded in cost over the recent years. It has been a serious problem that this particular aspect of Medicare has become extraordinarily expensive.

As I said yesterday, according to the Prospective Payment Assessment Commission, which is commonly called PROPAC, Medicare spending on home health services was only 1 percent of Medicare spending in 1968. By 1996, Medicare spending on home health care had increased to 14 percent of Medicare part A spending. In other words, it had gone from 1 percent to 14 percent. This is an increase that cannot be permitted in a program that is in financial difficulty.

As we all know, Medicare is an extraordinarily successful program in providing health care to senior citizens. But we do face a serious problem with respect both to part A and part B if we do not bring the cost of these programs under control. As is well understood, part A will be in bankruptcy by 2001. If we don't correct it, it will be in debt to the tune of one-half trillion dollars by 2007. And we face the same kind of serious problems with part B. Part B—it is predicted—will increase in cost roughly 8 percent a year in the coming year. So we have to bring these costs under control, and that is what we are seeking to do.

As I said, home health care has exploded in cost. Just let me point out what has happened to the cost of this part of the program in the last several years. From 1989 to 1990, the cost went up 53 percent—in 1 year, the cost of home health care went up 53 percent. The pattern has been a little better since then. In 1990–91, it went up 44 percent; in 1991–92, 40 percent; in 1992–93, 30 percent; in 1993–94, it went up 30 percent; and in 1994–95, it went up 19 percent.

Now, the reason home health care has exploded is because there are no adequate controls. For example, there has been a major increase in the number of beneficiaries using home health care. There has been an increase in the number of visits per beneficiary. I must also say that there has been a tremendous increase in the number of agencies providing home health care, and the Medicare payment system does not control the utilization of home care.

So that is the nub of the problem. There is no reason for the beneficiaries to be concerned as to how they utilize this program because there are no copayments in the part B program, as there are in others. Let me point out that the cost growth of home care, due to the increase in visits per beneficiary, has indeed been very substantial. In 1983, 45 Medicare enrollees—let me put it this way. There were 45 Medicare enrollees per thousand that used this program, an average annual of 28 visits. This was in 1983. In 1995, the number of Medicare enrollees per thousand jumped to 97—that is, from 45 to 97—and they used this program for an annual of 70 visits. That is 70 visits as compared with 28 visits in 1983.

So the question is, Why has the utilization of Medicare's home health benefit grown so rapidly? Essentially, there are two factors explaining the growth. First, the home health benefits for Medicare beneficiaries, for all practical purposes, have been unlimited since 1980. Prior to 1980, home health benefits were limited to 100 visits per beneficiary per year following a hospitalization. But in 1989, as a result of an agreement reached in a class action suit, Dougan versus Bowen, virtually all regulatory limitations on coverage were eliminated. And even today, based on Dougan, a beneficiary only needs to be homebound and under the supervision of a physician in order to receive home health care.

Now, the cost growth in home care is partly due to the Medicare cost-based payment system. Medicare pays home care companies the cost of each home care visit up to a per visit cost limit. Medicare does not limit the total number of home care visits. And the cost results are predictable. There is a great incentive for agencies to get into the business. That is one of the reasons we see the explosion of the number of agencies now in the home health care business.

Medicare payments per visit are estimated to have increased by 1.6 percent from 1993 and 1994, and the total number of Medicaid certified home health care agencies grew in 1991–95 by 52 percent from 5,949 agencies in 1991 to a total of 9,040 in 1995.

So, Mr. President, this is the reason it was felt necessary that there be a copayment on the part of the beneficiary so that there is more prudent use of this care than has taken place in recent years.

Beginning in 1998, financing for the home health benefits will begin to be transferred from the part A to the part B trust fund. This will establish 100 visits—after the hospital stay—for home health benefits under part A with all other visits considered part of a new part B home health benefit. Consistent with Medicare's treatment of other part B services, the mark establishes cost-sharing for part B home health

service at $5 per visit billable on a monthly basis, and capped at an amount equal to the annual hospital deductible.

I point out to my colleagues that creating this copayment is consistent with the way we handle part B. As a general rule, there is copayment of roughly 20 percent for services under part B. Five dollars per visit is substantially less than 20 percent. But it means that as beneficiaries utilize home health care they are going to be more careful in its utilization.

Beneficiaries, I point out with respect to those who are under 100 percent of Federal poverty, will not have to pay this $5 copayment fee. They will not have to pay this copayment fee because it will be covered by Medicaid. Our Medicaid Program has been structured to protect the poor and impoverished. And under that program he or she who is under 100 percent of Federal poverty will be covered by Medicaid. So there will be no payment of the $5 fee by those who are impoverished under Federal standards.

PRIVILEGE OF THE FLOOR

Mr. President, I ask unanimous consent for unlimited floor privileges for the duration of S. 947 for the following members of the Senate Finance Committee staff:

Julie James, Gioia Bonmartini, Dennis Smith, Deloris Spitznagel, and Alexander Vachon.

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

Mr. ROTH. Mr. President, as I said, the purpose of the $5 copayment fee is to bring some balance into this program.

I obviously cannot support the Kennedy amendment. I do not believe that the home health care copayment is a barrier to care nor that it is unreasonable.

As I have already pointed out, from 1988 to 1996, spending on home health care grew an average of 37 percent per year. That is a growth that cannot be sustained if we are going to maintain Medicare as a program not only for those on it now but for the future. Medicare is going bankrupt. And this rate of growth is without question unsustainable. I cannot say too loud nor too clear that we need to assure that Medicare is preserved and protected. It is our responsibility to make certain that costs do not run out of control.

Under current law, all Medicare benefits, except for home health and laboratory services, are subject to some form of beneficiary cost-sharing. Let me reemphasize that. Under current law, all Medicare benefits, except home health and laboratory services, are subject to some form of beneficiary cost-sharing.

The $5 home health copay will have beneficiary share—in some degree, financial responsibility for services with the program. Five dollars is not an unreasonable amount to ask beneficiaries to pay for a visit.

The Prospective Payment Assessment Commission, which advises Congress on Medicare policy, supports—I underscore the word ''supports''—a modest beneficiary copay subject to an annual limit. That is exactly what this bill proposes to do.

I also point out that a report recently issued by the Commonwealth Fund supports the idea of a $5 copay. The report claims there is a sensible approach—a sensible approach which would make beneficiaries sensitive to use but not form a barrier to care. That is exactly what we want. We want this program to be used on a prudent basis; a sensible basis. But, of course, we do not want it to be a barrier to those who need this form of care.

As I have already indicated, those who cannot afford the $5 copay, those who are under 100 percent of Federal poverty, will be covered by Medicaid. They will not have to pay the $5 copay. Medicaid will pay it.

So they are protected. Beneficiaries will not have to pay any copay for the first 100 home health cares after a hospital stay. Only those visits in excess of 100, or that do not follow a hospitalization, will have a copay. And the amount is limited every year to the hospital deductible, which is what beneficiaries who have home health after a hospital stay would have to pay the hospital.

Mr. President, this is a modest proposal where according to the Congressional Budget Office only about one-third of home health users—that is about 1.2 million beneficiaries—are likely to be subject to more than $100 in copays in a year. And only about 11 percent of home health users—that is roughly 380,000 beneficiaries—are likely to reach the annual cap.

The copay for home health is not an untested idea. Until 1972, Medicare required a 20-percent copay for all part B home health visits. During health care reform, President Clinton's Health Security Act included a 20-percent copay on home health care.

So the proposal that we have in the legislation before us is far more modest.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. Mr. President, I understand we have 15 minutes. Is that correct?

The PRESIDING OFFICER. Fourteen minutes.

Mr. KENNEDY. I yield myself 5 minutes.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I think there are some important points to make in response to the presentation of the chairman of the Finance Committee.

The first point to be made is that $5 billion that are going to be collected from our senior citizens was never considered to be an essential part of the balanced budget program. When the Senate voted for a balanced budget, there was no comment that we were going to have to raise the copays for our elderly citizens for nursing home care.

So this is something that has just been added by the Finance Committee in order, as they say, to discourage the utilization of home health care services. That is first.

So this is not part of the whole budget agreement. It was a decision by the Finance Committee to pick up $5 billion that will be paid by the frailest elderly citizens of this country, most of them between 75 and 80 years old, and primarily individuals that are on about $11,000 or $12,000 income, and primarily women. That is the profile of those that will be affected by this increase in the copay. That is first.

Second, as anyone who has ever gone through and reviewed, or had hearings on overutilization, they will find out that it isn't the patient that is overutilizing the system.

Of the groups in our society, by and large, if it is the patients that are overutilizing the system, it is the more affluent. They have the time to go down and overutilize the system. But, by and large, when you are talking about the frail elderly, it is very difficult for them to get out of their particular home, if they are in this situation, and utilize the systems. And so they are the ones who do not. But it is the doctors who are the ones that are prescribing these services. It is the doctors who are saying these home services are necessary. It is not just the elderly saying I want the services. It is the doctors who are saying these are important.

Now, we had a wonderful citizen yesterday from our neighboring area of Maryland, Marian, who makes about $7,600 a year. She said, I get home health services three times a week. It is going to be $15 a week, and I am going to run up against the limit at the end of the year. Are we in the Senate going to say that Marian should not be washed during the course of the week? She will have to reduce it to one treatment over the course of the week? Are we going to here say that we have to add the $5 billion that is going to be used for tax cuts for the wealthiest individuals? Are we going to say to that elderly person, you are not going to get washed; you are not going to be able to have your legs stretched; you are not going to be able, because you are too old and have a hip problem, to be able to wash your feet?

That is what we are talking about here. These are the kinds of services that are being provided.

Now, I was here in 1972. It was the judgment of the Congress of the United States and the administration that we wanted to encourage home health services, to try and keep people in their homes if they wanted to stay there. They have maybe an option to go to a nursing home, but if they want to stay in their homes with their friends in a neighborhood and a community, they ought to have the opportunity and the

ability to do so. And so it was the judgment at that time, in order to encourage home services that provide actual savings in the total health expenditures, that we ought to do so. That is the basis for it.

Now, that is what we are running up against, Mr. President, and I am really surprised that the Finance Committee would take this step, particularly when there are other steps that are included in this legislation to restrain the doctors from prescribing this. Do we understand? There are already provisions in the legislation that we are considering in the Finance Committee to discourage the doctors from prescribing this. But, no, the Finance Committee said, that isn't enough; we are going to discourage the doctors from sending you home, but if you get home or are going to be home, then you are going to pay that 5 extra dollars.

We have the interim payment system, which is an agency-specific per capita cap, which before was limitless. Now it is limited. You have already put that in, Senators of the Finance Committee, which is going to be a further restraint. And that is to discourage the growth in the utilization of services. And you have a lump-sum percentage of payment systems like the hospitals which will be effective in 1999 that is going to further discourage this.

Our point is we have already written into the Finance Committee the targeting, where the target ought to be, and that is with doctors to provide some limitation on home health services. We are not even in the position of having tried those provisions. No, we are already saying we are going to also put the burden on the senior citizens who are receiving the home health care services. It makes no sense. It is grossly unfair. It is bad health policy. There is absolutely no reason in our attempt to achieve the balanced budget that we ought to be taking it out on the most frail individuals who are receiving, under Medicare, home health care services, Mr. President. So I hope that this measure would be struck.

I yield 5 minutes to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, I am very proud to join Senator KENNEDY's effort. I would say to my colleagues on both sides of the aisle that this amendment is a perfect example of where the rubber meets the road. We are not now talking about adding and subtracting numbers. We are not talking about statistics in the abstract. We are talking about the effect of what we do on people's lives. We are talking about how decisions we make can crucially affect the quality or lack of quality of lives of people all across our country—in Minnesota, Massachusetts, Delaware, Oklahoma, Tennessee, you name it.

Mr. President, I just want to take on some of the arguments that have been made about why we need to go forward with this $5 copay on the home-based health care.

First of all, I have heard it argued here that $5 is not that much. But we cannot make those arguments, in all due respect. There is a huge difference between our salaries and what we can afford and what an elderly person can afford.

Now, when the argument is made, ''But, Senators, we have protection for those who are officially defined as poor,'' do you know where that definition comes from? Mollie Orshansky in 1963, Social Security, a minimal definition—a minimal definition. So now we are saying that a single elderly woman 80 years of age, who makes over $7,000 a year, she is not officially defined as poor, but we are going to charge her $5 every time for a home-based health care visit. That is outrageous. That is outrageous.

So, first of all, please, do not have any illusions, colleagues, that because we say the poor are taken care of, we really are taking care of vulnerable elderly people, because if you are a single person, single woman living at home and you are over the poverty level income—maybe you make $9,000 a year—you do not have any protection at all.

Now, is there any Senator here, Democrat or Republican, who believes that a single woman living at home making $9,000, $9,500 a year can afford to pay $5 for each home health care visit?

As to the expansion of this, in all due respect, I thought that what we were trying to do here, albeit we have not done it nearly as well as we should, is to make sure that as many elderly people as possible can live at home in as near normal circumstances as possible with dignity. We want to encourage people to be able to live at home. When one of our parents or one of our grandparents needs to have a home health visit once or twice or three times a week in order to stay at home and be independent and not have to be institutionalized, we should applaud that. It should not be surprising that this is more a part of what we do by way of investment in resources because more and more of the people in our country are living to be over 65 and 85. But if we want people to be able to stay at home and live with dignity, and we do not want people to be institutionalized, and we do not want to take away a benefit that is so important to vulnerable elderly people, even if they are over the poverty level income, which is defined in such a minimal way, we ought to for certain support this amendment.

This amendment that Senator KENNEDY and I have introduced is all about connecting this debate to people. This proposal in the Finance Committee of a $5 charge for every single home-based health care visit and support for elderly people is profoundly mistaken. Mr. President, let me repeat that. It is profoundly mistaken. Please, colleagues, admit to the fact that we may have made a mistake here and that we can do better for elderly people. Therefore, I hope that we get a huge vote for this amendment.

I yield the floor.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER (Mr. FRIST). The Senator from Massachusetts.

Mr. KENNEDY. What do we have, 4½ minutes remaining?

The PRESIDING OFFICER. Yes, 4½ minutes.

Mr. KENNEDY. I yield myself 4 minutes.

Mr. President, I will take a moment to include in the RECORD a letter from former Senator Frank Moss from the State of Utah, and I will just read the relevant sections of it.

DEAR SENATOR KENNEDY.

I was the author in 1965 of the amendment which included home health care coverage under Medicare. Congressman Claude Pepper introduced the legislation in the House. Our original legislation required seniors to pay some portion of their home health care costs out of pocket. However, the studies done by the Senate Committee on Aging and the General Accounting Office persuaded me in 1972 to work with Senator Muskie and Senator Nelson to delete the copayment provision. Our studies clearly indicated that copayments—

Now listen to this—

cost Medicare more to collect in administrative costs than they saved in the program; 2. Denied access to care and fell more heavily on those who could least afford it; 3. Pushed families into poverty and loved ones unnecessarily into institutions, resulting in increased costs to the States and Federal Government through the Medicaid Programs; and, 4, increased costs to Medicare because people put off care until they had to be hospitalized. I am writing to urge you not to repeat the mistakes that we made in the past.

Now, what has escaped in this debate, Mr. President, is the estimated budgetary impacts of this particular provision. Now, listen to this, our colleagues who are concerned about unfunded mandates. The chairman of the Finance Committee has pointed out it hits the very, very poor, frail elderly; those who qualify for Medicaid will be able to receive it and the States will pick it up. True. That is true. And that amount will be $700 million. We are putting an unfunded mandate on the States to pick up the costs of this copayment, and it is going to cost the States $700 million. And in terms of the Federal Government, because we participate in the Medicaid Program, $900 million.

That is what it is going to be just under Medicaid. So on the one hand, supposedly we are taking in the $5 billion. On the other hand, you are losing, effectively, $1.6 billion that the States and the Federal Government are providing.

Now, Mr. President, this makes absolutely no sense. They had the extensive hearings by the committee in charge, the Aging Committee, and you could have those same hearings today and you would find exactly the same results, exactly the same results. It unfairly falls on the frail elderly, and it is going to discourage people from using

home health care services and go into institutions and Medicaid eventually ending up paying more and people will delay getting the kind of care they need.

Why shouldn't we first try to find out about the provisions that have been included by the Finance Committee which are going to provide for the providers the kind of prospective budgeting which we are using today for the hospitals. That is going to discourage this service. Why are we putting an additional burden that was never part of the agreement on the frailest of our society—$5 billion to use for tax cuts, tax cuts for the wealthiest individuals.

It is absolutely outrageous, Mr. President, that in the course of this week, we will be out here on Thursday or Friday providing those kinds of tax cuts for the wealthiest individuals and the people who will be paying for them are going to be the seniors, the frailest, the elderly, the widowed individuals in our society. It is bad health policy. It is unfair. And it is just a continuation evidently of the kinds of assaults that we have seen on the Medicare system. We find the Finance Committee refusing to fund the $1.5 billion that they had agreed would be funded and putting on $5 billion that was never indicated in terms of the balanced budget. That is wrong, Mr. President, and every senior knows it. Every senior will know about that.

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

There are 30 seconds remaining.

Mr. KENNEDY. I withhold that time.

Mr. NICKLES addressed the Chair.

The PRESIDING OFFICER. Who yields time?

The Senator from Oklahoma.

Mr. NICKLES. First, I wish to——

The PRESIDING OFFICER. The Senator from Delaware controls time. Who yields time?

Mr. ROTH. I yield such time as is required by the Senator from Oklahoma.

The PRESIDING OFFICER. The Senator from Oklahoma is recognized.

Mr. NICKLES. I thank my colleague from Delaware. I also want to compliment him for his stewardship as chairman of the Finance Committee on this bill.

First, let me just say a couple of things about the comments Senator KENNEDY made. ''We are cutting Medicare so we can pay for tax cuts for wealthy people.'' I heard that comment made 2 years ago. I heard it a lot. ''They are gutting Medicare so they can pay for tax cuts for wealthy people.''

Just an interesting footnote, the amount of expenditures, the outlays, what we are going to spend on Medicare for this 5 years that are covered by this bill is $1.248 trillion. The amount of outlays that we had in the bill 2 years ago that the President vetoed and said it was gutting, decimating Medicare, was $1.247 trillion—a one-billion-dollar difference. So the outlays are the same.

Did we make this change, this change dealing with home health care, so we could pay for tax cuts? The answer is absolutely no. What we did, in a bipartisan fashion, I think without dissent in the Finance Committee, in putting in the $5 copay on home health care, is recognize that we need to make some policy changes in home health care. This program is exploding in cost, and the reason why is quite obvious, if you look at. It is a program that is paid for 100 percent by the Federal Government. There is no copay by the beneficiary; the beneficiary does not pay a dime. There is no payment by the State. There is no copayment by anybody. It is Uncle Sam writing a check for 100 percent of the cost. There is no limit on the number of visits; you can have one visit, you can have 300 visits. So it is a program, by its very design, if Uncle Sam is going to pay for it all, obviously it is going to explode in costs, and that is exactly what has happened.

Just looking at this program, in 1990 this program cost $4 billion. In 1995, 5 years later, it cost $16 billion. It is projected next year to cost $21.1 billion. It has growth rates—in the year of 1989 this grew almost 24 percent; the next year, 53 percent; the next year, 43 percent; 1992, 41 percent; in 1993, 30 percent; in 1994, 30 percent; in 1995, 19.4 percent. This is a program that is exploding in cost.

The Finance Committee realizes this. Anybody who has looked at the facts realizes this and knows we need to change it. So the change, a very modest change, I might say, is we say the beneficiaries would have a $5 copay. That is not a lot on visits that may well cost $70 or $80, but at least it is a start. And it might have some marginal impact on behavior. Will it cost the lowest of our citizens as alleged by Senator KENNEDY and others? I doubt it, because in most cases they have Medigap policies or it is picked up by Medicaid. So in some cases those people will have coverage. But doesn't the policy of having some copay make sense? This Congress had the courage to stand up and say we should have a copay on veterans for prescription drugs of $2. Some people screamed and said, ''Wait a minute, this is a breaking of a contract,'' and so on, but we realized that prescription drugs for non-service-connected veterans was exploding in cost. So we stepped forward very marginally and set a $2 copay on prescription drugs, and it did change behavior somewhat. This will change behavior somewhat.

I urge my colleagues to read an article on the front page of the Wall Street Journal about the explosion of this program. They have home health care providers now, some of which are starting new companies—they had no experience whatsoever—out of mobile homes. If you look at the number of providers, in 1991 there were a little less than 6,000 providers; in 1995, over 9,000 providers. Look at the number of beneficiaries, the total payment costs, the number of visits—this is a program that is truly exploding in cost.

This was done in the Finance Committee, not so there could be greater tax cuts. As a matter of fact, I might mention—this is a little sore spot with me. The budget agreement said we would have $85 billion in net tax cuts. We did not end up with $85 billion; we ended up with $77 billion. So we did not even come up with the total amount of net tax cuts that the budget agreement, President Clinton and the leadership, agreed upon. So that argument, ''They did this so they could have more tax cuts'', is total hogwash. This was done in order to try to reform a program that is growing way out of control, and it was done in a bipartisan fashion. I hope we will continue to have bipartisan support. We need to have bipartisan support.

I will make a couple of other comments. One of the things that was done in the budget agreement I do not agree with. It said let's transfer home health care away from part A into part B, to make part A look solvent. That is a shell game. I do not want to have my fingerprints on it. It is in this deal. I don't have the votes to change that. But that bothers me. It doesn't keep part A solvent. Well, I guess theoretically it does. We could keep part A solvent if we said we will move all the expensive hospitals, from Tennessee west, take them out, move them out of part A and then we'll keep part A solvent. That's a little bit of a shell game.

This is one little reform on the fastest growing portion in Medicare that is real reform. It was done in a bipartisan fashion because we know we need to do something to constrain these costs. You cannot have a program that has total, 100 percent, Federal funding, has no State match, no participant match whatsoever, and no limit on the number of visits and say we hope we can constrain its costs.

So I think this is a serious vote. I urge my colleagues to vote against the Kennedy-Wellstone amendment.

Mr. KENNEDY. Will the Senator yield for a question?

Mr. NICKLES. I will be happy to yield.

Mr. KENNEDY. I know the Senator——

Mr. NICKLES. Not on my time, on my colleague's time.

Mr. KENNEDY. On the bill's time.

Mr. LAUTENBERG. I yield 20 minutes to the Senator from Massachusetts off the bill.

Mr. KENNEDY. Briefly, I am wondering, as a Senator who has been strongly against unfunded mandates, with the recognition here it is going to cost the States some $700 million to pick up the Medicaid portion and we are not providing that to the States, how the Senator justifies that requirement that we are placing on the States to carry this proposal through?

Mr. NICKLES. I will be happy to respond to my colleague. I think what we

have right now is a program that is 100 percent Federal.

Mr. KENNEDY. On Medicaid—excuse me. The position of the chairman of the committee is that, for those who are going to fall into Medicaid, the State is going to pick up that premium and it is going to, according to the CBO, amount to some $700 million on the States. We are not providing that additional help to the States.

I am asking the Senator how he justifies that particular unfunded mandate? We heard a lot about unfunded mandates, and I want to know how the Senator responds to that.

Mr. NICKLES. I will be happy to. I think if my colleague had listened to my speech, I mentioned this home health program, which is currently 100 percent Federal with no State match. Right now the States are not paying anything. So to have this in Medicaid, where Medicaid will pick up for lower-income beneficiaries a small portion of that—I might mention the Federal Government picking up, in most cases, 60 percent, in some cases 70 percent—is not the problem.

What we are asking to do, what you are talking about, we are saying, ''Beneficiaries pay $5; pay $5 out of a total cost of a $70 visit.'' So the Federal Government is paying 65 percent, and the individual would pick up $5, and in some low-income cases, for some low-income individuals, the State might pick up 30 percent, or in some cases 40 percent, in some States maybe 50 percent of that share.

To me that does not seem unreasonable.

Mr. KENNEDY. This is the only point I make. That amounts to $700 million for the States. That amounts to a $700 million unfunded mandate; $700 million unfunded mandate to the States, according to the CBO.

I have listened to the Senator very eloquently talk about unfunded mandates, and here we are finding, according to the chairman of the Finance Committee, that for individuals who are going to fall below the poverty line, the State is going to pick that premium up, and that, according to CBO, amounts to $700 million. It will amount to $900 million by the Federal Government but $700 million to the States. I am just interested in listening to the Senator, who speaks about unfunded mandates and about the Federal Government imposing requirements on the States, here we have a beauty, $700 million you are putting on the States. That is according to CBO, because that is going to be the cost, over 5 years, for them to pick up the $5 copay.

Mr. NICKLES. Will the Senator yield?

Mr. KENNEDY. Yes.

Mr. NICKLES. If I understood the Senator's statement, the $700 million the States would have to pick up, this is a program that will cost $121 billion next year for the Federal Government and that is growing at an unbelievable, unsustainable rate. So you are talking about a program over the next 5 years that is going to be well over $100 billion, and we are asking beneficiaries to pay $5, and in some cases the States may pick up a portion of that, maybe $700 million out of a total cost of over $100 billion. I don't find that unreasonable in any way.

Mr. KENNEDY. I thank the Senator; $700 million. I thank the Senator.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield to the Senator from Texas such time as he may require.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, I think that with all of the loud talking and discussion of subsidiary issues, people have by now forgotten what this whole issue is about. So I would like to give a little bit of history and then appeal to reason and responsibility on behalf of the Finance Committee on this issue.

First of all, the President proposed taking the fastest growing part of Medicare out of the trust fund and transferring it to general revenue in order to hide home health costs and claim that we have extended Medicare solvency for a decade. As a result, we have included the transfer into the budget agreement, even though I think it is totally and absolutely irresponsible and indefensible. We are simply taking the fastest growing part of Medicare, home health care, out of the Medicare trust fund and putting it into general revenue, which equates to taking a bill from one pocket and putting it in another. As a result, we can now claim that we have saved Medicare for a decade. As I pointed out when we started this debate, I could save Medicare for 100 years by taking hospital care out of the trust fund and putting it into general revenue. But, does anybody believe that that represents any kind of reform?

So, that is what started this debate. Now, having agreed in the budget agreement to make the transfer, the Finance Committee has sought to find ways to be responsible. One of the ways of being responsible is to note that there is a difference between services covered by part B and services covered by the part A trust fund. Those items that are in the part B program, which are outside the trust fund, have historically required two things. No. 1, beneficiaries pay 25 percent of the cost out of their own pocket in a part B premium; and, No. 2, they have a 20 percent copayment. That, basically, is how Medicare has worked.

Now we have followed the President's dictate and transferred home health care out of the part A trust fund into general revenues—part B or voluntary part of Medicare. But we have not instituted an immediate 25 percent payment in the part B premium to pay for 25 percent of the cost. Instead, responding to concerns raised by the President and others, we phase that up over a 7-year period. But, to address specifically the issue raised by Senator KENNEDY, the norm for types of care covered under the part B section of Medicare is for beneficiaries to pay 20 percent copayment.

Recognizing that this was a dramatic change in policy, in transferring home health care from part A to part B, rather than having a 20-percent copayment, which would be the norm, we simply asked for a $5 copayment. This is not only eminently responsible, it is clearly something we have to do. Home health care is the fastest growing item in Medicare. It used to be that you qualified for it only right after you got out of the hospital. But Congress changed the law to let people qualify for home health care whether they have been to the hospital or not. As a result, this program has exploded. It has grown exponentially, averaging some 30 to 40 percent a year in growth. It is now bigger than the total funding for the National Institutes of Health and the space program. It has become the most explosive element of Medicare.

We are not doing what we ought to do, which is to put it into part B. If we were required to do that, we would have a 25 percent premium where people would have to pay 25-percent of the cost like they do other programs under part B. Instead, we are phasing it up over 7 years. We are not requiring a 20-percent copayment, which is the norm under part B. But the one thing we have done, which is responsible, is require a $5 copayment; the logic basically being that even very small payments affect people's behavior. What we are trying to do is to provide the service for people who need it while trying to cut down on the explosive growth and the abuse of this program.

Our colleague from Oklahoma referred to a front-page article in the Wall Street Journal, but I don't think he did it justice. What that article did was outline the rampant abuse in this program, pointing out that people have even gotten out of the garbage collection business and gone into the home health care business and become almost instant millionaires.

This is a program that demands change. We have made a very, very modest change. However, if every time we try to do something responsible, we end up having people jump up and down and saying, ''You can't do anything that is responsible,'' then there is no way we are going to be able to maintain Medicare.

The program will be insolvent in 4 years under any kind of justifiable accounting. It will be a $1.6 trillion drain on the Federal Treasury over the next 10 years. The unfunded liability in Medicare is already $2.3 trillion. We have guaranteed two generations of Americans benefits, and we never set aside money to pay for the benefits. And now we hear all this screaming and hollering when we try to put a $5 copayment on the most explosive part of Medicare.

Mr. President, if we are not going to begin to do these kinds of things, it is going to be only a very short period of time until this program is going to be bankrupt. I don't know if the Senator from Massachusetts is going to be here proposing to triple the payroll tax to pay for it, but that is what is going to be required 25 years from now if we don't do something about this program.

I support this change because it is absolutely essential that we do something to stop the explosive growth in this program. I support this change because I don't think a $5 copayment is asking too much. I support this change because I don't want to have to pick up the phone 4 years from now and say to my 83-year-old mother, ''Well, mom, Medicare went broke today. Of course, I have known it was going broke for years, but I didn't have courage enough to do things, like vote for a $5 copayment on home health care.''

I believe this is something that is absolutely essential. It is the absolute minimum we should do. We should be doing a lot more. We are not because of exactly the kind of attacks that we have heard on the floor of the Senate.

The Finance Committee, on a bipartisan basis, supported this $5 copayment. It is a very small reform, but the principle of it is critically important. I think it would be a major, major setback for this bill if we lost this component. Losing this component would mean that we have simply played a shell game. We will have taken the fastest growing part of Medicare out of the trust fund to hide the explosive cost. Even though it is growing at 30 to 40 percent a year, we will have done absolutely nothing to try to deal with that explosive cost.

I know the administration says, in the sweet by-and-by, they are going to have some kind of prospective payment system, and they can't tell us what it is today, but we need to do something right now. The $5 copayment is the absolute minimum we ought to do. I urge my colleagues to stay with this very small modest reform. I yield the floor.

Mr. CHAFEE addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield the Senator from Rhode Island 5 minutes.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. Mr. President, I think today, as we go on to further consideration of this Medicare legislation, we are going to really see who is concerned about the future of this program and who is concerned about it being there, not just to the end of this century, which is 3 years from now, but well into the next century.

I think everybody who has taken the trouble to read the report of the trustees of Social Security and Medicare has seen the danger this program is in. It is going broke. It isn't something that is just automatically going to be there; we are used to these things. Somehow people think, ''Oh, it can't happen.'' Well, it can happen. So from the Finance Committee has come a series of proposals to do something about the security of the Medicare Program to ensure that it is going to be there, hopefully well into the next century.

What is the particular issue before us today, Mr. President? The issue is, is it all right, proper, to have a $5 copayment in some instances—in some instances, Mr. President—for those who are visited by the home health care agents, officials, the nurses and those who come in a home health care visit.

First, it is important to stress that after a hospital stay, for the first 100 visits, there is no charge. There is no charge for the first 100 visits after a hospital stay. Subsequent to that, there is a $5 charge.

Under part B, for physicians' visits, and so forth, that an individual makes, there is a 20-percent copayment, and if that were applied to the home visits, 20 percent of a $90 visit—and that is the average cost of these visits from the visiting nurses or whoever it might be—20 percent of that is $18. Is the suggestion that there be an $18 copayment, 20 percent? No, there isn't, Mr. President. There is a charge of $5, which is in the neighborhood of 6 percent. Not a 20-percent charge, a 6 percent charge. It seems to me that that is very fair. First of all, it helps reduce the cost to Medicare, obviously. Second, it clearly, to some small extent, affects the behavior of the individual who has asked for the home health care visit.

I think this is a fair charge, $5. It is not for everybody. As I say, the first 100 visits go without a charge whatsoever. One hundred visits is a lot of visits. Then it goes to this very modest, not 20-percent payment, but 6-percent payment.

Mr. President, I hope that the amendment to remove this provision in the bill will be rejected. I thank the Chair.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. I yield 5 minutes of the 15 minutes of Senator LAUTENBERG's time to myself.

Mr. President, if we have to deal with the overutilization of the home care services, let's address that issue. We understand that the person who suggests the kind of medical procedure is the doctor. We, the Finance Committee, are not making this statement in a vacuum. They have already included interim payment systems to deal with this issue for the elderly people. They already have prospective payments. They have made important changes already to address this issue.

I would think that those Members who are standing on the floor of the U.S. Senate and saying, ''Well, this is just a very modest kind of a program, and we ought to be able to afford it,'' also ought to be there to tell us how they are using the $5 billion to strengthen Medicare instead of using it for tax cuts. But, no, you haven't heard one of them say that. You haven't heard one of them say, ''We're going to reduce the overutilization so we can treat our elderly people better by additional kinds of services.'' Absolutely not. They are silent on that issue—silent on that issue.

The President of the United States had a more generous preventive program than the Finance Committee, and it was paid for without copayments. You can't have it both ways, I say to my colleagues. The President of the United States had a more generous preventive health care program for our senior citizens without the copay in the Finance Committee. No, no, they want to juggle the numbers, and that is what they have done. They have taken those billions of dollars, put an unfunded mandate on the States, required the Federal Government to max the Medicaid with $900 million and are putting that kind of $5 burden on the seniors.

Who are these people? Just about half of them earn less than $10,000; 25 percent of them are over the age of 85; two-thirds of them are women; one-third of them live alone. As any profile shows, these are the most vulnerable in our society. Mr. President, $5 might not be much when we are talking about the size of these budget items, but it is a key factor, certainly it was in the marvelous testimony that we had from a wonderful resident who talked about what $5 meant for her ability to receive services at home.

As we say, the doctors are the ones who are making those decisions. It is just amazing to me, as we are beginning this debate, to say we are going to put the $5 copay in there that the Senate made a decision not to put there as a result of extensive hearings. It was reported bipartisan, with bipartisan leadership. So they say that we are going to just wipe that out, that was never talked about during the time we were talking about a balanced budget.

The final point that I will make is that we are going to require taking $5 billion out of the pocketbooks primarily of elderly women and putting it right over here for tax cuts for the wealthiest individuals, which we will be voting on. That is what is out there. If we are going to change the process of procedures in terms of treatment of people at home, let's do it, but let's do it in sunlight, let's do it as a result of hearings, let's do it as part of the overall Medicare debate rather than the one that was done by the Senate Finance Committee.

Mr. President, I withhold the remainder of time.

The PRESIDING OFFICER. Who yields time?

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. There is no time left on the amendment?

The PRESIDING OFFICER. The Senator from Massachusetts has 30 seconds on the amendment.

Mr. DOMENICI. Will the Senator yield back his time? Do we have time left?

The PRESIDING OFFICER. Two and a half minutes.

Mr. DOMENICI. We yield back any time we have on the amendment.

Mr. KENNEDY. Mr. President, I will take the 30 seconds to just add to the point not only on the substance of this that we have debated but also CBO. Everyone who votes against my particular amendment will be saying to the States, $600 billion—$600 billion—in CBO spending for the poorest of the poor. This is the granddaddy of all unfunded mandates. It is going to be so interesting, all those people who make all the speeches about unfunded mandates, how they are going to vote on that.

Mr. President, I ask unanimous consent that the excellent letter from former Senator Ted Moss that is related to this subject be printed in the RECORD.

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

Washington, DC, June 23, 1997.

Hon. EDWARD M. KENNEDY,
U.S. Senate,
Washington, DC.

DEAR SENATOR KENNEDY: The Senate is currently considering legislation to fundamentally change the nature of the Medicare program. I agree that it is time we examined Medicare; however, I would hate to see us repeat some of the mistakes we made in the past.

I was the author in 1965 of the amendment which included home health care coverage under Medicare. Congressman Claude Pepper introduced the legislation in the House. Our original legislation required seniors to pay some portion of their home care costs out-of-pocket. However, studies by the Senate Committee on Aging and the General Accounting Office persuaded me in 1972 to work with Senators Edmund Muskie (D–ME) and Gaylord Nelson (D–WI) to delete the copayment provision. Our studies clearly indicated that copayments: cost Medicare more to collect in administrative costs than they saved the program; denied access to care and fell most heavily on those who can least afford it; pushed families into poverty and loved ones unnecessarily into institutions, resulting in increased costs to the states and the federal government through the Medicaid program; and increased costs to Medicare because people put off care until they had to be hospitalized.

I am writing to you today because a provision was added in the Senate Finance Committee proposal to require seniors to pay a $5.00 copayment beginning with the very first visit, up to a total of $760. Copayments were a bad idea in my original bill in 1965 and for the same reason they are a bad idea today. I am writing to urge you not to repeat the mistakes that we made in the past.

The home care portion of Medicare is small, representing 9.7 percent of the total, and yet home care has been saddled with disproportionate cuts—fully 17 percent of all of the Medicare reductions. Most of these reductions come at the expense of home care providers, which is bad enough, but the copayment provision is particularly intolerable because it comes at the expense of consumers.

A strong case can be made for expanding the scope of home care under Medicare to cover long-term care. Approximately ten million individuals who suffer from multiple disabilities are struggling to care for themselves, going without the care that they need, or waiting until an expensive admission to a hospital emergency room is the only answer. Let's do our best to improve Medicare and not make it less responsive to the needs of our seniors.

I am writing to ask that you support an amendment by Senator Edward M. Kennedy that would delete the copayment proposal. I encourage you to support Senator Kennedy in his amendment.

Sincerely,

FRANK E. MOSS,
U.S. Senator (ret.).

Mr. KENNEDY. Mr. President, I am prepared to yield back the remainder of my time.

The PRESIDING OFFICER. All time has been yielded back.

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

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table amendment No. 429. The yeas and nays have been ordered. The clerk will call the roll.

The bill clerk called the roll.

The result was announced—yeas 60, nays 40, as follows:

[Rollcall Vote No. 111 Leg.]

YEAS—60

Abraham	Frist	Mack
Allard	Gorton	McCain
Ashcroft	Graham	McConnell
Baucus	Gramm	Moseley-Braun
Bennett	Grams	Moynihan
Bond	Grassley	Murkowski
Breaux	Gregg	Nickles
Brownback	Hagel	Robb
Bryan	Hatch	Roberts
Burns	Helms	Roth
Campbell	Hutchinson	Santorum
Chafee	Hutchison	Sessions
Coats	Inhofe	Shelby
Cochran	Jeffords	Smith (NH)
Conrad	Kempthorne	Smith (OR)
Craig	Kerrey	Stevens
DeWine	Kyl	Thomas
Domenici	Lieberman	Thompson
Enzi	Lott	Thurmond
Faircloth	Lugar	Warner

NAYS—40

Akaka	Feingold	Levin
Biden	Feinstein	Mikulski
Bingaman	Ford	Murray
Boxer	Glenn	Reed
Bumpers	Harkin	Reid
Byrd	Hollings	Rockefeller
Cleland	Inouye	Sarbanes
Collins	Johnson	Snowe
Coverdell	Kennedy	Specter
D'Amato	Kerry	Torricelli
Daschle	Kohl	Wellstone
Dodd	Landrieu	Wyden
Dorgan	Lautenberg	
Durbin	Leahy	

The motion to lay on the table the amendment (No. 429) was agreed to.

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

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

The motion to lay on the table was agreed to.

Mr. SARBANES addressed the Chair.

The PRESIDING OFFICER (Mr. SMITH of Oregon). The Senator from Maryland.

Mr. SARBANES. Will the Senator from New Jersey yield me 5 minutes?

Mr. LAUTENBERG. I am pleased to yield the Senator from Maryland up to 10 minutes.

The PRESIDING OFFICER. The Senator from Maryland is recognized.

Mr. SARBANES. Mr. President, I want to commend the distinguished Senator from Massachusetts for offering the amendment just voted upon. I think the failure of this amendment dramatically illustrates one of the difficulties plaguing this spending reconciliation bill. This bill, when combined with the tax breaks approved by the Senate Finance Committee and the House Ways and Means Committee, places a disproportionate share of the burden of deficit reduction on ordinary citizens. You can't consider the spending reconciliation bill separate and apart from the tax bill we will debate later this week; the two are linked in the budget plan. And when considered in connection with the tax cuts we will soon discuss here, the spending cuts in this reconciliation bill reflect a flawed set of priorities for the Nation.

Now, this spending bill contains program reductions impacting numerous Americans, many of whom face extreme financial difficulty and are at the low end of the income scale. At the same time, the tax bill that is also part of the budget gives benefits to people at the top end of the income and wealth scale. That is the set of priorities that is reflected in this spending bill and in the budget as a whole.

Take as an example the home health copayment provision just voted upon. As the Senator from Massachusetts pointed out in discussing his amendment, 43 percent of home health users have incomes under $10,000 per year—I repeat, 43 percent have incomes under $10,000 per year. Two-thirds of the people requiring home health visits are women, and one-third of those are women living alone. The Office of Management and Budget has stated: ''We are concerned that a copayment could limit beneficiary access to the benefit.'' These are the kinds of people affected by the program cuts in this bill such as the one that the Senator from Massachusetts sought to strike—people who lie at the bottom end of the income scale, and who can ill-afford even a $5 copayment requirement.

At the same time that we require this $5 copayment and other similar cost-cutting provisions, we also include tax cuts in the budget plan. Now, given the objective of a balanced budget, the inclusion of tax cuts in the budget plan necessitates program reductions substantially greater than would be needed to eliminate the deficit if tax breaks were not part of the budget plan. Let me repeat that. Given the objective of a balanced budget, toward which we are all embarked, the inclusion of tax

cuts in the budget plan requires program reductions substantially greater than would be needed to eliminate the deficit if tax breaks were not a part of the plan.

The math is simple. The budget resolution provides for $85 billion in net tax cuts over the next 5 years and $250 billion in net tax cuts over the next 10 years.

In the framework of a balanced budget, these tax cuts require additional program reductions of $85 billion over the next 5 years and $250 billion over the next 10 years over what would otherwise be required.

In other words, because you are approving tax cuts, you need to locate program reductions sufficient to offset the tax cuts. Now, the structure of the tax bills reported out by the tax committees makes it clear that those at the very top of the income pyramid will receive very substantial tax breaks—thereby absenting themselves from the deficit reduction effort, indeed shifting the burden to others—while ordinary people will carry a greater burden of program reductions to compensate for the tax breaks.

Many programs important to ordinary citizens are being reduced to pay for capital gains tax cuts, inheritance tax cuts, and IRA expansion that will benefit the wealthiest people in the Nation. The cuts in Medicare and Medicaid—such as the one the Senate just voted to sustain—are examples of such reductions in vital programs.

After looking at which Americans are affected by the program reductions in this bill, look at the distributional effects of the tax cuts that are also part of the budget. The tax bills reported from the Finance and Ways and Means Committees give the top 1 percent of the income scale the same percentage of the tax benefits as the bottom 60 percent on the income scale. At the same time, in order to make room for these tax breaks, we are reducing programs such as the one that we just voted on, which impact heavily on people who really cannot afford such reductions.

Mrs. BOXER. Mr. President, the Senate is not in order.

The PRESIDING OFFICER. The Senate will please come to order.

Mr. SARBANES. Mr. President, Members need to ask themselves whether they support the priorities reflected by these choices. For every dollar lost to the Treasury in tax cuts, a dollar must be added to the Treasury through reductions in programs that are essential to many of our citizens. If there were no tax cuts, or if the tax cuts were less than what is being projected, we wouldn't have to cut the home health program. These two things—tax cuts and program cuts—have to be understood together, even though they have been separated into two bills. The fact of the matter is that the whole budget plan, in order to provide for upper income tax breaks, has to reduce programs to offset the cost of the tax breaks. And the vote we just had is one example of a program that is being reduced.

So, in assessing this reconciliation bill that is before us, we need to ask ourselves whether providing tax breaks to the very well to do should be a higher priority than adequate funding for programs essential to the well-being of ordinary citizens. On each amendment we have to ask this very question: I repeat, is it more important to give a upper income tax breaks—and, in order to compensate for them, to cut programs such as the very program that we just voted on with respect to home health copayment, a program which clearly helps people at the very lower end of the income scale—or to preserve programs vital to ordinary Americans?

I think that question needs to be asked again and again as we confront these various proposals to deal with the program reductions that are contained in the reconciliation bill that is before us.

Mr. President, I would like to address one other item with respect to what we are confronting in this budget debate because it looks to the future.

Mr. President, the Los Angeles Times just yesterday published an article entitled ''Tax-Cut Plans Could Reseed Deficit.''

I quote: ''Analysts liken House and Senate bills as time bombs set to begin detonating shortly after 2002—the target date for balancing the Federal budget.''

I ask unanimous consent that the article be printed in the RECORD at the conclusion of my remarks.

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

(See exhibit 1.)

Mr. SARBANES. Mr. President, this article points out that under versions of the tax bills approved by the Tax Committees in the two Houses, the revenue loss to the Treasury would take off, starting in the year 2003 and continuing for many years thereafter. What has happened is the tax cuts have been crafted in such a way that they artificially are held down in the early years to stay within the terms of the budget agreement. But because of back loading the principal revenue impact comes in later years.

Robert Reischauer, the former head of the Congressional Budget Office, said, and I quote him:

> . . . warns that of all the debate surrounding the House and Senate tax bills—whether the reductions are skewed too much toward the wealthy, or whether they would overheat the economy—''this is the critical issue.''

I again quote him:

> If the tax bill explodes, it will explode just at the time that the baby-boom generation is beginning to retire and when we will need every penny we can get our hands on to pay for Medicaid, housing, transportation, and food stamps.

Moreover, many of the tax cuts contained in the two bills ''would not be easily reversible'' if the Government decided that it needed the extra revenue after all to pay for these vital programs.

The figures are very stark.

> [The figures] . . . compiled by the congressional Joint Committee on Taxation show that during the first five years, the tax cuts would result in a net loss to the Treasury of $85 billion—precisely what the budget agreement has allocated . . .
>
> But the figures also show that the House tax writers have held down the initial costs by phasing in some of the reductions slowly. Once the provisions are fully in effect the cost of the package jumps dramatically.
>
> As a result, while the House provisions would drain about $18.4 billion from the Treasury in 1999, by 2007, the annual cost would soar to $41.8 billion—more than double the earlier amount.

So, in other words, you come to the end of the 10-year period upon which limitations have been placed by the budget agreement and you have the revenue loss projected on trend lines that simply take off over the second 10 years. Some estimates have placed this loss at $600 to $700 billion over the next 10 years—2008–17—compared to a $250 billion cost over the first 10 years, 1998–2007.

The same criticism applies to the Senate Finance Committee version—a little less, but not much. Moreover, as I have noted, both bills threaten the deficit through backloaded, phased-in tax cuts, which principally benefit the wealthy.

Mr. President, as pointed out in this Los Angeles Times analysis, three of the main provisions in these tax bills—IRA's, capital gains, and inheritance taxes—make heavy use of gimmicks, including delayed effective dates, slow phaseins, and timing shifts in revenue collections to minimize the revenue losses that these tax cuts cause in the early years. But then the costs begin to rise sharply, and they accelerate as you move into the outyears.

In short, these cuts place the whole deficit reduction effort at risk.

So we have two things happening here. First of all, the tax cuts are inequitable as we have just seen because you do something like this home health copayment charge at the same time that you give a tax break at the top of the income scale. Forty-three percent of the people who use home health services have incomes of less than $10,000 a year, and now will have to make a payment of up to $760 a year under this bill for home health care before they get some assistance. At the same time you are giving a tax break to people at the top end of the income scale on capital gains, on inheritance tax, and on delayed IRA's.

Second, the broader question, what Reischauer called the critical issue, is the fact that the tax bill is structured in such a way that the cost of the tax bill will simply take off after the year 2007. It will start moving out after the year 2002, the so-called balance year, and then after the year 2007 it will really take off and we will then be confronted with a major threat to our fiscal stability. As this Los Angeles

Times article said, the ''Tax-Cut Plans Could Reseed Deficit.''

The whole purpose of this exercise is to eliminate the deficit, which is not being done.

Mr. President, I yield the floor.

EXHIBIT 1

TAX-CUT PLANS COULD RESEED DEFICIT

(By Art Pine)

WASHINGTON.—Prospects for keeping the federal budget balanced after 2002, the year that President Clinton and Congress hope to eliminate the deficit, are being threatened by a ticking time bomb: the tax-cut bills that Congress will take up this week.

Under versions approved by the Senate Finance Committee and the House Ways and Means Committee, the revenue loss to the Treasury would take off, starting in 2003, and continue for many years after that, most budget experts say.

Robert Greenstein, an analyst for the nonpartisan Center on Budget and Policy Priorities, says both tax-cut measures have been crafted to keep the impact of the cuts ''artificially low'' for the first few years to stay within the bipartisan balanced-budget agreement.

Such ''back-loading'' of the maximum revenue impact, he and other fiscal experts say, could threaten the government's fiscal integrity just as it is likely to be saddled with added costs related to the aging of the baby boom generation.

Robert D. Reischauer, a Brookings Institution budget-watcher, warns that of all the debate surrounding the House and Senate tax bills—whether the reductions are skewed too much toward the wealthy, or whether they would overheat the economy—''this is the critical issue.''

''If the tax bill explodes, it will explode just at the time that the baby boom generation is beginning to retire and when we will need every penny we can get our hands on to pay for Medicaid, housing, transportation and food stamps,'' Reischauer said.

Moreover, many of the tax cuts contained in the two bills ''would not be easily reversible'' if the government decided that it needed the extra revenue after all, Reischauer contends. Adjusting capital gains for inflation, for example, would be difficult to undo

The figures are stark by any standard.

Estimates compiled by the congressional Joint Committee on Taxation show that during the first five years, the tax cuts would result in a net loss to the Treasury of $85 billion—precisely what the budget agreement has allocated for the measure's cost.

But the figures show that the House tax writers have held down the initial costs by phasing in some of the reductions slowly. Once the provisions are fully in effect, the cost of the package jumps dramatically.

As a result, while the House provisions would drain about $18.4 billion from the Treasury in 1999, by 2007, the annual cost would soar to $41.8 billion—more than double the earlier amount.

And Greenstein's group estimates that if the cost of the Ways and Means Committee package escalates at its 2004–2007 pace, the cumulative revenue loss for the second 10 years—from 2008 to 2017—would surge to $600 billion or more.

The Senate Finance Committee version of the bill is only slightly less explosive. The revenue drain rises from $19.7 billion a year in 1999 to $40.2 billion in 2007—again totaling $85 billion for the five years covered by the bipartisan budget accord.

Once more, however, calculating the second decade's cost once the provisions have been fully phased in raises the annual revenue shortfall to $74 billion in 2017, Greenstein's group estimates. For the measure's second decade—from 2008 to 2017—it swells to $550 billion.

Greenstein and Iris J. Lav, another researcher at the center, attribute the bulk of the explosion in 2004 and beyond to a handful of provisions that provide primarily benefit higher-income taxpayers: cuts in the taxes on capital gains, inheritance and individual retirement accounts.

All three provisions ''make heavy use of gimmicks—including delayed effective dates, slow phase-ins and timing shifts in revenue collections—to minimize the revenue losses [that] these tax cuts cause during the first five years,'' the two analysts argue.

''Their costs then begin to rise sharply, with the pace at which these costs increase accelerating in 2006 and 2007.''

The House provision to allow taxpayers to adjust their capital gains to eliminate the impact of inflation is particularly vulnerable to cost spiraling. Under the terms of the House bill, taxpayers would not actually begin using it to lower their taxes until 2004.

Republicans are unapologetic about the apparent trends. Senate Majority Leader Trent Lott (R–Miss.) told a news conference Friday that while Republicans deplore the possibility that the cost of the tax cut might explode, that is not the important point.

While Lott said Republicans ''agreed we would not take actions'' that would cause fiscal distress beyond 2002, he added. ''The idea of having significant tax cuts for working Americans, I love it!''

But Reischauer and other critics are less sanguine. The nation already is facing a possible revival of large budget deficits when the baby boom generation reties, they say, and the prospect that policymakers will be able to cut spending then is dubious.

Many budget analysts predict that the bipartisan accord Congress and Clinton reached this past spring already runs the risk that the budget balancing—if it actually does occur in 2002, as predicted—will be brief and that the deficit will begin widening again.

''With the vanguard of the baby boom generation having already reached age 50, the nation cannot afford to budget with this type of sleight of hand,'' Greenstein said.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I yield myself 5 minutes to respond to the distinguished Senator from Maryland.

First, let me suggest that there are some Senators who want tax cuts. There are some Senators who want only certain kinds of tax cuts. I have never found a tax cut that the Senator from Maryland agrees with.

So we ought to start the argument by understanding that he is against the tax cut in this bill and probably any comparable tax cuts because he just doesn't like to cut taxes.

Having said that, let me just talk about some of the arguments he made. First of all, I am very pleased that this is a bipartisan effort to create some sense out of the havoc that is going to come down on the Treasury of the United States if we don't find some way to control home health care costs under part B for the seniors of our country.

Everybody should understand, including the seniors, that what we did in this package and what is being done in the House package is very, very beneficial to the senior citizens. In each bill we took half of the home health care costs—the fastest growing program in America, on average, 30 percent—we took half of that program out of the trust fund thus eliminating imminent bankruptcy. And we said, ''Seniors, you don't have to pay for that out of your trust fund.''

We did not hear anything from seniors, or the AARP, other than the AARP said ''thank you'' because, obviously, that is a very big gift which we did in order to make that trust fund solvent. We then put that amount of money down, and said let the taxpayers pay for it. So the Finance Committee came along and said, well, if the taxpayers are going to pay for it, we ought to start putting some control in it so that it will make sense in terms of costs. And the argument has been made by those who oppose what the committee did—and I don't serve on the committee—but the argument has been made that there are many poor seniors who can't afford the deductible.

Let's repeat again. If they are poor, the Medicaid Program of America pays their deductible. Let me repeat. For poor seniors, the Medicaid Program pays their deductible.

Frankly, I believe every other aspect—I am not an expert but I asked about this—every other aspect of delivering health care, hospitals and others, all have some kind of deductible. They do not have a deductible because we like to charge people where we could afford to give them something free. But we have deductibles so that everybody understands, including the recipient, that the program costs some money. Historically it has been a pretty good way to get that message across to the users.

The last argument being made by my friend from Maryland is a New York Times article that says the tax bill, which will come up next in the Senate and which already is on the House side, except ours is a little better in terms of the middle-income people—and he has an article from a newspaper which says that the tax bill is not good for middle-income Americans.

Let me suggest to the Senate that we don't have a New York Times article. We have the Congressional Budget Office. We have the Joint Tax Committee and every major accounting firm in the country that looks at this say to the contrary. In fact, let me tell you what the overwhelming evidence is that will soon be available from the Joint Tax Committee but also what our own firm that does our work for us says. They say that, at a minimum, 75 percent of the tax cut goes to those Americans who earn $75,000 and less. That is not a bad distribution.

In fact, I believe before we are finished, when we take into account the other things the Finance Committee did, it will probably be more like 78 percent of all of the tax cuts that are in this package will go to people in America earning $75,000 and less.

Now, that leads me to believe that those who want to attack the bill because of its distribution among taxpayers just do not want any tax cuts or, and here I will say unequivocally, that the White House chooses to attack this package because they have their own method of figuring out how much the American taxpayers earn and, believe it or not, the White House criticism—I yield 5 additional minutes off the bill—believe it or not, under the White House approach taxpayers should understand—and I say this to my friend from Texas—if they own a house, they are charged under the White House approach to this with receiving rent from the house equivalent to its value. So if you earn $25,000, and you have a house worth $100,000—the rent should be $10,000 on the house—you have earned $35,000.

Now, in addition, they also say if you have any capital gains—listen to this—they impute to you the value of the capital gain.

Now, the point of it is that the Joint Tax Commission approaches it in a completely different way. Accountants who have looked at it—and I will put a letter in from a major accounting firm—tell us that, indeed, this distribution under this tax bill, which is probably made better when they put $250 into the earned-income tax receipt—that probably makes the distribution better, but they tell us it is like 75 percent for $75,000 and under.

Now, I want to try to make a point because already the American people have been told, principally by White House spokesmen, that this tax bill is for the rich. We ourselves must set about to tell the American people the truth, and that will not be easy because every time somebody stands up who opposes the capital gains tax or the like, they are going to immediately say this tax bill is not good for average Americans.

So 3 years ago, in 1993, now on 4 years, the White House used, I say to Senator GRAMM, this same method of distributing earnings in another venture with the Congress, and I want to read and quote what David Brinkley said on one of his ABC wrapups of his own show about the way the White House figures the distribution of taxes, and so let me start. All of this is a quote from him.

A few words about Federal taxes and what some of the great minds in the United States Treasury are thinking about. The Treasury likes to calculate the American people's ability to pay taxes based not on how much money we have but on how much money we might have or how much we could have. For example, a family that owns a house and lives in it, the Treasury figures that if the family didn't own the House and rented it from somebody else, the rent would be $500 a month, so it would add that amount, $6,000, to the family's so-called imputed income. Imputed income is income you might have had but don't—

Said the distinguished news man Brinkley.

They don't tax you on that amount.

Nobody taxes you on that amount.

Now, concluding:

The IRS does not play silly games like this. Instead, the Treasury calculates how much you could take away from us if you decided to. If that were the system, consider the possibilities. How about being taxed on Ed McMahon's $10 million magazine lottery.

Maybe you might get that so why not tax you based on that.

I didn't win it, you say, but you could have. The Treasury must have something better to do——

He said.

If not, there's a very good place for Clinton to cut some spending. From all of us at ABC—

He went on to say—

Thank you.

We are going to start today, Mr. President, with this little sermon. We are going to start wherever anyone will listen to us and wherever any columnists are who write about this tax bill and we are going to tell them the truth, and we are going to ask them to read the Brinkley column about how the United States Treasury Department figures out what income people are earning. And frankly, they are also going to say, I say to Senator GRAMM, that this method of figuring out what somebody was earning was dreamed up in a Reagan administration. That is true.

Mr. GRAMM. We killed the guy.

Mr. DOMENICI. But essentially you can do all of these kinds of models for different purposes. The purpose that it is being used for now is totally distorted in terms of what the American people themselves are going to realize and who is going to realize the benefits of this tax bill. So wherever anyone will listen, we will hope to get our oar in alongside of the Democrats—some, not all—who say this tax bill does not help average Americans.

Several Senators addressed the Chair.

ORDER FOR RECESS

Mr. DOMENICI. Mr. President, I still have the floor, and I want to ask unanimous consent that the Senate stand in recess from the hour of 12:30 to 2:15 for the weekly policy luncheons to meet and, further, that the recess time count equally against the remaining statutory time allotted for the reconciliation bill.

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

Mr. SARBANES. Mr. President, will the Senator from New Mexico yield for a couple of questions?

Mr. DOMENICI. Mr. President, I have been told by the chairman of the Finance Committee that they want to proceed on the amendment that is pending and so I——

Mr. SARBANES. If the Senator will yield me just 2 minutes to respond to the point that was made.

Mr. LAUTENBERG. If the Senator from Maryland will indulge me for just a minute. The chairman said proceed, and I am wondering how far we want to proceed because if we are going to suspend at 12:30 until 2:15, there is a vote pending, I assume, I ask the distinguished chairman of the Finance Committee, and would you want to establish a time certain now for voting after lunch?

Mr. ROTH. I would like to have a vote before we recess for lunch.

Mr. LAUTENBERG. There is, I understand—I ask the Chair—an hour's worth of debate evenly divided for the discussion of the waiver of the point of order.

Mr. DOMENICI. That is correct.

Mr. LAUTENBERG. If we have just had a unanimous-consent agreement to leave here at 12:30, how does one accommodate an hour's worth of time?

Mr. DOMENICI. One doesn't. One assumes that both sides would like to take less.

Mr. LAUTENBERG. Well, I think in a survey of my side, Mr. President, I cannot accommodate that notion. Now, if the Republicans are willing to give up their side, we can do it in a half hour.

Mr. DOMENICI. Mr. President, let me try this on with everybody who is here.

Senator DURBIN wants a full hour?

How much time does the chairman think he needs?

Senator DURBIN gets a half hour.

Mr. ROTH. We want the half hour.

Mr. DOMENICI. You want the half hour.

That means we could not vote until after lunch. Very well, why don't we do this. We want to use the whole time. It is 5 minutes of 12. We would then go until 12:30. That is 35 minutes and then 25 minutes upon return.

Mr. LAUTENBERG. At 2:15. So that would be at 20 to 3.

Mr. DOMENICI. The first 25 minutes upon return to the floor will be used on this amendment and then a vote will follow.

Mr. LAUTENBERG. At that time.

Mr. DOMENICI. At this point we will, the time preceding our recess will be used on the motion to waive as equally divided as possible.

Mr. LAUTENBERG. The Senator from Maryland asked for a couple of minutes before we start the debate on the motion to waive.

Mr. DURBIN. Mr. President, reserving the right to object and acknowledging the fact that the Senator from New Jersey may yield to my friend and colleague from Maryland, can we say that the calculation be based on how much time is remaining on the debate when we do break at 12:30?

Mr. DOMENICI. Yes, that is fine.

I do not want to use any additional time. I want them to use it. But if the Senator insists on 2 minutes, I am not going to object.

Mr. LAUTENBERG. I therefore yield 2 minutes of the time on the bill.

Mr. DOMENICI. May we indicate the unanimous-consent request is that as soon as the 2 minutes is up we immediately move to the 65–67 issue?

Mr. GRAMM. May I just ask a question? Are we going to have the full

hour to debate this thing, so we will debate it some when we come back from lunch?

Mr. DOMENICI. Yes.

Mr. GRAMM. So nothing we are doing in going to lunch or listening to the rich people getting a tax break, none of that is limiting our time?

Mr. DOMENICI. No. He is only going to take 2 minutes on that issue.

The PRESIDING OFFICER. The Senator from Maryland is recognized for 2 minutes.

Mr. SARBANES. I thank the Chair. Mr. President, I sought the 2 minutes because I wanted to respond to the points made by the chairman of the Budget Committee. First of all, he said, if these senior citizens had difficulty with the copayment requirement, they could get Medicaid. That is true if they are at the poverty level or below—approximately $9,000 of income or less. But you have a lot of people that are above the poverty level who cannot afford this, and who, without Federal assistance, will suffer these program reductions at the same time that those at the upper income level receive tax breaks.

Second, we are told that the distribution tables show that these tax cuts are not going disproportionally to the upper end of the scale. Well, that is because of the backloading gimmicks that are in the tax bill. In fact, the capital gains and IRA proposals on which the distribution tables are based through the year 2002 show no net revenue loss—no net revenue loss—for that 5-year period of time, which is the sole subject of the distribution table. Yet, the combined revenue loss from those provisions for the period 2003 through 2007 is $51 billion. And that is never calculated in the distribution tables, let alone the cost of these tax breaks in the years after 2007, which, as I mentioned before could well be staggering and totally destructive of the deficit reduction effort.

Moreover, as a consequence of such backloading, the upper income tax provisions account for a growing proportion of the tax package over time. In the year 2003, outside the scope of the distribution tables that the chairman was citing, they will account for 30 percent of the gross cost of the tax cuts. By 2007, the figure is 42 percent. And as you move out into the next decade, they very quickly eat up more than half of the tax breaks.

Now, the way these cuts are structured makes the Joint Tax Committee analysis an inadequate indicator of the distribution effect of these tax cuts. Because of the way they are structured, with the backloading, a 5-year distribution table shows that they are not costing any revenue. But if you carry the cuts out beyond the 5-year period, they cost very significant revenue. And by the year 2010, it is estimated that a majority of the tax cuts in the package will be directed to the upper income sector of the population.

Now, as I stated earlier, the fact that you are making those tax cuts requires you, since you are trying to reach a balanced budget, to make program cuts. So you have to look at the tax cuts reported by the committee and weigh them against the program cuts. Here you have home health care being cut, with 43 percent of the people who use home health care making under $10,000, and here you also have tax breaks given to people at the very top of the income scale. These are not the right priorities for the Nation.

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

Mr. SARBANES. I thank the ranking member for yielding me time.

Mr. DOMENICI. Mr. President, I yield all the time on this issue to the chairman of the Finance Committee, for his control under the Budget Act.

The PRESIDING OFFICER. The question pending is the motion to waive the Budget Act in response to a point of order raised against section 5611 on the grounds that it violates section 313(b)(i)(A) of the Congressional Budget Act.

Who yields time?

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

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

Mr. President, I asked for a waiver because I oppose the point of order on the age of eligibility in the bill. What we are proposing to do is to make the age of eligibility for Medicare conform with Social Security. The age of eligibility will change from 65 to 67, which will be phased in over a 24-year period beginning in 2003 and ending in 2027. This is a very, very modest approach to an extremely serious problem. What we are concerned about is the solvency of Medicare. The solvency of Medicare is of critical importance as part A is seen going bankrupt by the year 2001. By the year 2007, if we do not make significant change, the program is at a loss of one-half trillion dollar. What we are seeking to do here, by making the age of eligibility for Medicare reform conform with Social Security, is to take a modest step forward to assure the solvency of this most important program.

The bipartisan Commission on the Future of Medicare will be required to analyze and report back the feasibility of allowing individuals between age 62 and Medicare eligibility the option to buy into Medicare. As I said, our provision will help us extend solvency in the program. It is, I think, the very least we should do. The average life expectancy for a man or a woman over age 65 has been steadily improving. People are living longer, they are leading more vibrant lives, and this means that changing the eligibility age for Medicare will follow our natural demographic progression. In fact, around the time Medicare was enacted, the average life expectancy for men at age 65 was about 13 years, for women about 16 years. In 2030, when this provision is fully phased in, average life expectancy at age 65 for men is anticipated to be about 17 years, and 20.5 years for women. This is a very modest step to bring about significant reform. It is critically important that we show that we have the courage to take these steps on behalf, not only of our senior citizens of today, but the increasing number that will join this group in 2010 and later.

It is, in a way, very ironic that a point of order was made on this matter, because while it is true that it will not have a significant impact on revenue in the early years because of the very, very compassionate way we are introducing changing the age of eligibility, the fact is that this very modest approach will do a very, very great deal in the long term in helping the solvency of this program.

I cannot emphasize too much the importance of this change. As I pointed out, it merely conforms to what already has taken place in respect to Social Security. It is a change that will make the program significantly more solvent in the long term, and I hope the Senate will assure that this language continues as part of the agreement.

I yield the remainder of my time.

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, I assume the distinguished chairman will be yielding further time on his side. At this point we have no requests for time now.

Mr. ROTH. I yield 5 minutes to the distinguished Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, when Social Security started in the mid-1930's, the average person paying into Social Security, given the lifespan projections, was not projected to live long enough to get any of the benefits. In fact, we forget that when Social Security started, the average life expectancy of Americans was substantially less than 65.

By 1983, Social Security had become insolvent. We were in danger, in the spring, of not being able to send out July checks. We had a crisis in Social Security, so we instituted a series of reforms to try to pull Social Security back in the black. One of those reforms was raising the retirement age beginning in the year 2003. Then over the ensuing 24 years it would be raised in small increments up to 67. We did it under crisis circumstances. I remember the vote. I was a young Member of the House at the time. It was adopted on a bipartisan vote. Nobody liked it, but everybody recognized that it had to be done.

We did not make a similar change for Medicare then because Medicare was in the black. Today, our circumstances with Medicare are very, very different. If you look at this chart behind me, we currently are in this last small part of blue. Medicare is now in the process, very rapidly, of going bankrupt and the Medicare part A trust fund, which pays

for hospital care, within 4 years will be insolvent. We expect Medicare, based on everything that exists now, to be a drain on the Federal Treasury of $1.6 trillion over the next 10 years.

Our problem is not only exploding costs, but the fact that we have a baby boomer generation that was born immediately after the war which made Medicare possible as all these baby boomers came into the labor market beginning in 1965. But 14 years from today, the first baby boomer retires. We will go from 200,000 people retiring a year to 1.6 million people retiring a year. The number does not change for 20 years. We go from 5.9 workers per retiree in 1965, to 3.9 workers per retiree, to 2.2 workers per retiree. We are facing a very great crisis in Medicare.

We also face a timing crisis. Everybody knows we are going to have to raise the retirement age for qualifying for Medicare as we did for Social Security. Everybody knows it is going to have to be done. If we do it today, we are going to have time for it to phase in. But if we wait another 3 or 4 years, the phase-in for Social Security will have started and we are going to be forced to tell people who have planned for retirement that their Social Security benefits and their Medicare coverage are not going to cut in when they plan to retire.

If we make this change today, people will have time to adjust. For example, I was born in 1942. If we pass this bill today, I will know that if I plan to retire at 65, that my Social Security benefits and my Medicare coverage will not cut in until I am 65 years 10 months of age. So I have 11 years, if I were looking forward to that retirement, to plan for it. If we keep waiting, knowing we are going to have to do this, we are going to end up having to force change on people when they are not ready. The advantage of doing what we have done is that it phases in between now and the year 2027, and people have time to plan for it.

It is the ultimate paradox that we have a point of order against this provision because we did this provision without claiming any savings for the budget. We made this change to save Medicare. We dedicate every penny of savings to the Medicare trust fund, we don't count a penny of the savings toward balancing the budget or funding tax cuts, and now we have a point of order against the amendment because we are not claiming savings.

So we try to answer the charge that is often made on the other side of the aisle that you are cutting Medicare to balance the budget or you are cutting Medicare to cut taxes. We try to respond to that by taking a long-term view of saving Medicare. We do not count it toward reducing the deficit, we don't let any of it be spent, and we don't let any of it be used for tax cuts. We simply are trying to do something that is fundamentally important.

Medicare is going broke. We have an unfunded liability for Medicare today of $2.6 trillion.

The PRESIDING OFFICER (Mr. SESSIONS). The Senator has spoken for 5 minutes.

Mr. GRAMM. May I have 1 additional minute?

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

Mr. GRAMM. The plain truth is we have guaranteed two generations of Americans benefits under Medicare, and we have not set any money aside to pay for it. We have an outstanding liability of $2.6 trillion. If we wait 10 years to do something about it, it will be $3.9 trillion. If we wait 20, it will be bigger than the entire national debt of the country at $6.1 trillion. The Finance Committee, in an extraordinary act of courage, decided to make this change and not count any of it toward balancing the budget and not count any of it to pay for the tax cut but to simply do it so we will never have to call up senior citizens and tell them Medicare went broke today.

I supported this provision because I have an 83-year-old mother who depends on Medicare, and I don't want to pick up the phone someday and say, ''Mama, Medicare went broke today. I knew it was going broke, but I did not have courage enough to do anything about it.''

We have an opportunity over the next 30 years to phase up the eligibility date for Medicare to conform to Social Security, something we have already had to do under crisis circumstances. Let's not wait until the house is on fire to do something about the problem.

I urge this point of order be waived.

The PRESIDING OFFICER. Who yields time?

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DURBIN. Mr. President, I don't know if I need permission from Senator LAUTENBERG on our side, but I am going to presume there is no objection to speak on behalf of our side in relation to this motion to waive. I see Senator LAUTENBERG on the floor now.

Mr. LAUTENBERG. I yield so much time, up to 10 minutes, as the Senator from Illinois requires.

Mr. DURBIN. I thank my colleague for making this legitimate.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

Mr. DURBIN. Mr. President, what is this all about? Well, you say the word ''Medicare'' and senior citizens start listening. ''Medicare, wait a minute, that is my mother's health insurance protection, it is my grandfather's health insurance. What are they doing to Medicare?''

Let me tell you for a moment, if you are 65 years old or older, listen with interest; if you are 59 years old or younger, listen to this debate with great interest. It is about you and when you will be able to retire. It is whether or not you will have the protection of health insurance in your old age.

This is the committee print for the bill we are considering, a very interesting document. There is a provision in here that we are now debating which you might overlook, but it is so important that virtually everyone under the age of 59 years in the United States of America, because of a handful of sentences here, may have to change their plans as to when they are going to retire. That is how important this debate is, that is how important this issue is, because buried in this committee print on page 161 at the bottom of the page is a Texas two-step for America's working families. A Texas two-step—step, step, slide, slide, and guess what? It raises the eligibility age for Medicare from 65 to 67.

What does that mean? It means if you were counting on retiring at age 65, taking your Social Security, taking your Medicare, guess what? You now have to wait a couple of years, or at least retire without the protection of Medicare.

Is that important to people? I think it is very important. Do you know how many people now at the age of 65 have health insurance in America? Thirty percent; 70 percent do not. They are people who count on Medicare to protect them. And the Senator from Texas offers an amendment which says, ''Oh, you can count on Medicare to protect you, just wait 2 years, wait 2 years, and then we will start protecting you.''

What if you should retire at age 60, what if your employer says to you, ''Oh, take your retirement, we'll give you health insurance protection,'' and changes his mind? Have you ever heard that story? I have heard it plenty. People who retired say, ''I'm taken care of, the company I work for gave me a watch, they gave me a health insurance plan, this is going to be great, I'm going fishing.'' Then what happens? The company is sold two or three times, a couple mergers, a couple cutbacks, and the next thing you know, they are saying, ''Sorry we have to send you a letter and tell you the bad news. No more health insurance, Mr. Retiree. Thanks for working for us for 35 years.'' And there you sit at age 61 without health insurance.

What does it cost you? I know what it costs in Chicago because we checked. About $6,000 a year if you are healthy. If you are not healthy and in your sixties, 10,000 bucks a year. Did you count on that when you decided to retire? I don't think so. And if you get stuck in that position, you know what you start doing? You start counting the days to when you will be eligible for Medicare. How many more months before I reach age 65 and Medicare is going to come in and protect me and my family and my savings? You count the days.

The Senator from Texas, who offers this amendment, wants you to keep counting for 24 months more, wants you to hang on until you are 67. Then he says we should make you eligible for Medicare.

I think that there is some question as to the statement in the committee print about its voracity. I know we are not supposed to say that, but let me

just tell you why I say that. The committee says we are changing Medicare so that it tracks Social Security and, in their words, they say, ''The committee provision will establish a consistent national policy on eligibility for both Social Security, old age pension benefits and Medicare.''

Let us concede the obvious. The age to retire under Social Security in the next century is going to go up from 65 to 67. This is true. It is the basis for this amendment. But it is not the whole story, I say to my friends. The whole story is this. You can draw Social Security at age 62. You won't get as much, but that is your option. ''I will take a lower retirement, I'm leaving at 62, that's it.'' But you can't do that on Medicare. You can't draw Medicare benefits at age 62. Right now you wait until you are age 65, unless you are disabled, and the Senator from Texas wants you to keep on waiting for 2 more years to the age of 67. I don't think that is an accurate statement when they say they are going to track Social Security. They don't track Social Security.

The Senator argues this gives people time to adjust. He talks about compassion and courage. How much courage does it take to say to a senior citizen who now has developed a serious heart problem, ''Keep drawing out of your savings accounts to pay for your health insurance.''

You know what will be compassionate and courageous, not raising the age to 67. What would be compassionate and courageous is universal health care. To say no matter how old you are, rich or poor, where you live, black or white, regardless of your ethnic background, you are insured in America. You are not going to be stuck in the situation we are creating with this bill, you are not going to be stuck in the position with a terrible medical problem at age 62 and no health insurance, waiting and praying for the day when you are eligible for Medicare. That would be compassion and courage. That would be responsive to the 40 million Americans stuck today without health insurance.

Let me tell my friends, my opposition to this provision to raise the eligibility age for Medicare comes, of course, from the Democratic side, but I have some interesting allies in this battle. Eighty different corporations have written to the Members of the Senate and said, ''Please, do not do this, do not accept Senator Gramm's proposal to raise the eligibility age for Medicare to 67.'' Among them, the National Association of Manufacturers and the U.S. Chamber of Commerce.

What is a Democrat doing arguing the position of the U.S. Chamber of Commerce here? I will tell you why. These companies and their associations now offer to their employees health insurance protection until they are eligible for Medicare. That is written in the contract. If you make eligibility for Medicare age 67 instead of 65, these companies have a new liability that has been dumped in their laps by the Texas two-step, and it is a disincentive for any other company to offer this benefit to their employees. They know it costs more, and they don't know what the Senate is likely to do next year when it comes to Medicare eligibility. That is what this battle is all about.

When I look at the number of people currently covered by health insurance at age 60 and 65 in America, it is clear. Fewer companies are offering protection. More people are on their own. The expense of health insurance when you reach age 60 goes through the roof, even without any kind of medical problem. That is what this debate is all about.

You want to save Medicare? There are lots of things we need to do on a bipartisan basis. There is a Commission created by this bill to study those ways, to make sure that we do it in a sensible, fair, compassionate way. But instead, my colleague from Texas and his friends on the committee have decided, let's just take a flier, let's throw one of them out there. And the first one they throw out there does not impose any new liability on health care providers, it imposes a new burden on seniors in years to come.

Those who retire after the year 2003 have to start waiting longer and longer and longer. I say to my friends, I don't think that is what Medicare is all about. Many of the people who proposed this, frankly, don't care much for Medicare. That came out in the last campaign. Some of the candidates stood up and said, ''Yeah, I voted against it, and I'd do it again.'' I am not one of them. I didn't have the opportunity, the rare opportunity, to vote for this program. But I will tell you this, I am going to vote to protect it. I am going to vote to protect it because of what it has meant to my family. Medicare has meant to my family that you can retire not only with the dignity with Social Security, but with the protection of Medicare.

Parents don't want to be burdens on their children. They want to live independently, enjoy their lives because they played by the rules and they have paid in. To change the rules at this point, to say we are going to raise the retirement age for Medicare really reneges on a promise that was made over 30 years ago. It is the wrong way to go. We can make Medicare solvent in the long term, and we can do it in a sensible way.

At this point, I yield, for purposes of debate, to my colleague from California, Senator BOXER.

Mr. LAUTENBERG. Mr. President, I ask how much time does the Senator from Illinois have remaining that I gave him?

The PRESIDING OFFICER. The Senator has spoken for 10 minutes.

Mr. LAUTENBERG. He has spoken for 10 minutes.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, I yield myself 4 minutes.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Mr. President, let me first point out that when our colleague talks about people waking up and finding that age of eligibility is changed by 2 years, let me say that those people are 37 years old today. It will be between now and the year 2027 that this retirement age will phase up.

One of the reasons we want to do this now is we don't want people to wake up and discover that this has happened and they have not had time to plan on it. By doing it now, this will affect the full 2-year increase; it will affect only people born after 1960. That is, they are going to have 30 years in which to change their life's plan in order to accommodate this change.

Our colleague acts as if tomorrow they are going to wake up and discover that the eligibility has changed.

Let me remind my colleague, unless the note I have been passed is incorrect, that in 1983, on March 24, our colleague voted to raise the retirement age for Social Security, is that correct?

Mr. DURBIN. Will the Senator yield?

Mr. GRAMM. I yield for an answer to that question.

Mr. DURBIN. The amendment offered was the Pickle-Pepper amendment in the House of Representatives. I voted with Mr. Pepper and against raising the retirement age.

Mr. GRAMM. You voted for final passage on the bill on March 24. My point is, we are going to have to do this. Everybody knows we are going to have to do it. Should we wait until there is a crisis so that we will literally do what the Senator from Illinois says and make the change so it will go into effect immediately?

That is what is going to happen when you look at the exploding deficit of Medicare. We will have a $1.6 trillion loss to the Treasury in trying to maintain the program in the next 10 years alone.

Our colleagues are not telling us that by the year 2025 when we will be going into the final phase up, we will have to triple the payroll tax—triple the payroll tax—to pay for Medicare if we don't begin to make changes. They are not proposing today to triple the payroll tax. They are simply saying, ''Don't act now, wait until there's a crisis; wait until Medicare is flat on its back and then make the change.''

Let me tell you why we can't do that. We can't do it because the phase in is already underway in Social Security, something that both Houses of Congress approved, and the President signed. It was voted for on a bipartisan basis raising the effective retirement age for full retirement benefits to 67. That is already the law of the land, and that phase up begins very slowly, a matter of months each year, very slowly, but it begins in the year 2003.

If we wait, we are going to end up doing what our colleague accuses us of today. But the truth is, by doing it now, for those who will have to wait an additional 2 years, they will have 30 years to adjust. This is the responsible way to do it. It is the way it should be done, and I hope it will be done. If we don't do it, we will be back here in 3 or 4 years doing it under crisis circumstances and doing it immediately.

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

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I ask unanimous consent that we set aside temporarily the motion before us to consider a technical amendment that has been cleared on both sides.

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

AMENDMENT NO. 431

(Purpose: To provide for managers' amendments)

Mr. ROTH. Mr. President, I send an amendment to the desk on behalf of Senator MOYNIHAN and myself and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH], for himself and Mr. MOYNIHAN, proposes an amendment numbered 431.

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

The PRESIDING OFFICER. Is there objection?

Mr. FAIRCLOTH. Reserving the right to object.

The PRESIDING OFFICER. Does the Senator object?

Mr. FAIRCLOTH. I do object.

The PRESIDING OFFICER. The objection is heard. The clerk will read the amendment.

The legislative clerk proceeded to read the amendment.

Mr. FAIRCLOTH. Mr. President, I withdraw my objection.

The PRESIDING OFFICER. The objection is withdrawn.

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. LAUTENBERG. Mr. President, none of this time is charged, I assume, to the waiver amendment that the Senator from Delaware has proposed?

The PRESIDING OFFICER. The Senator is correct.

Mr. ROTH. Mr. President, as you can imagine, drafting a piece of legislation this large in such a short timeframe and having to incorporate over 50 amendments resulted in some technical errors and omissions. The items contained in this amendment are those which are technical in nature, and replace inadvertent omissions or are necessary to bring the legislation into compliance with the committee's budget instructions.

The amendments accepted or adopted in the committee markup were done so with the proviso they would not bring the committee out of compliance with its instruction.

Therefore, now that the Congressional Budget Office has completed scoring of the entire package, certain revisions to these amendments are necessary. A description of the items contained in this amendment is located on each Senator's desk.

I ask this amendment be adopted and be considered original text for the purpose of amendment.

The question is on agreeing to the amendment.

The amendment (No. 431) was agreed to.

Mr. ROTH. I move to reconsider the vote.

Mr. LAUTENBERG. I move to lay it on the table.

The motion to lay on the table was agreed to.

RECESS

The PRESIDING OFFICER. Under the previous order, the Senate will now stand in recess until the hour of 2:15 p.m.

Thereupon, the Senate, at 12:32 p.m., recessed until 2:19 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer [Mr. COATS].

BALANCED BUDGET ACT OF 1997

The Senate continued with the consideration of the bill.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

Mr. LOTT. Mr. President, for the information of all Senators, approximately 6 hours remain for debate with respect to the Balanced Budget Act, basically equally divided. There are approximately 30 minutes remaining on the motion to waive the Budget Act with respect to the Medicare age increase issue. Therefore, a vote will occur on that motion to waive around 3 o'clock, or maybe shortly before that.

As was mentioned in both luncheons today, the Senate will remain in session this evening until all time is consumed. If any Senator intends to offer an amendment after the time has expired, they will be required to do so this evening. It will then be my intention to stack all votes on the amendments and the final passage, after the time has expired this evening, until approximately 9:30 a.m. on Wednesday.

So all debate time and all amendments will be offered tonight, and then we will begin a series of votes at 9:30. We don't know exactly how many amendments that could entail. It could be as few as five, I hope. It could be many more than that. We will begin voting at 9:30 and continue voting until we complete all the amendment votes and final passage. Then, of course, we will go to the taxpayers' relief act.

Senators can expect additional votes today and a series of votes beginning at 9:30 on Wednesday, the last of the series being final passage of the Balanced Budget Act.

Mr. CHAFEE. Mr. President, I would like to ask the majority leader a question. As I understand it, suppose somebody has an amendment this afternoon and is prepared to go to a vote this afternoon; would there be a vote this afternoon?

Mr. LOTT. Yes, there can certainly be votes this afternoon. In fact, we expect votes throughout the afternoon, probably until all time has expired, or around 8:30 this evening. So you could have votes at least until 7 or 7:30, and then we will put the rest of the votes over until 9:30.

Mr. LOTT. I yield the floor, Mr. President.

The PRESIDING OFFICER. Who yields time?

Mrs. BOXER addressed the Chair.

The PRESIDING OFFICER. Who yields time?

MOTION TO WAIVE THE BUDGET ACT

Mr. CHAFEE. Mr. President, I would like to address the matter before us, and I believe the time is running anyway, is it not?

The PRESIDING OFFICER. Time is being charged against the motion to waive the Budget Act, which is the pending business.

Mr. CHAFEE. I ask that I might have 5 minutes on Senator ROTH's time on this matter.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

The Senator from Rhode Island is recognized to speak for up to 5 minutes.

Mr. CHAFEE. Mr. President, there is an organization set up to report to the Congress every year on the status of Social Security and the status of Medicare. This group is a very distinguished group. It consists of the Secretary of the Treasury; the Secretary of Health and Human Services; the Secretary of Labor, or Acting Secretary of Labor; and the Commissioner of Social Security, or the Acting Commissioner of Social Security. These are the people, plus two members of the public. I might say, of the first four—and there are six in all—four of these are Democrats. They are not Republicans; they are Democrats. They submitted a report to us in the Congress in April of this year. What did they say?

As we have reported for the last several years, one of the Medicare trust funds, the Hospital Insurance—

The HI, the so called part A.

will be exhausted in 4 years without legislation that addresses its fiscal imbalance.

This isn't a bunch of right wing Republicans saying there is trouble

ahead. These are the very prestigious, qualified Cabinet Members of the President of the United States—every single one of them a Democrat. It goes on to say:

We are urging the earliest possible enactment of legislation to further control Hospital Insurance program costs because of the nearness of the Hospital Insurance Trust Fund exhaustion date.

Mr. President, these are serious matters. They go on to explain why this is happening.

On page 6 of its report it says:

Why do costs rise faster than income? The primary reason for these costs of Social Security and the Hospital Insurance costs are because of the baby boom generation retirees, while the number of workers paying payroll taxes grows more slowly.

Mr. President, we are facing an emergency here. This legislation, which came from the Finance Committee, proposes to do something about it. What is the situation? In 1950, which is 47 years ago, there were 16 workers for every retiree—16 workers in the United States paying into the Hospital Insurance Fund and paying into Social Security.

Mr. DOMENICI. Will the Senator yield for a moment?

Mr. CHAFEE. I will.

Mr. DOMENICI. Mr. President, I want to yield control of the bill to the chairman of the Finance Committee, even to the extent of his yielding time off the bill, if he sees fit. He may run out of time, and Senator BREAUX may need time. I am going to leave for about a half hour, so you can take it off the bill if you need it.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. As I said, 47 years ago, in 1950, there were 16 workers for every retiree. Today, there are 3 workers for every retiree—not 16, but 3. Twenty-eight years from now, in the year 2025, the ratio will fall to two workers for every retiree. So something has to be done if this Medicare trust fund is going to survive.

What we have proposed is increasing the Medicare eligibility age to conform with that of Social Security. In 1983, we raised the age of Social Security eligibility gradually. It comes into full force in the year 2025. By the year 2025, the retirement age will be 67, not the 65 that it is today.

We have proposed that the Medicare Program step up in similar fashion. The key thing, Mr. President, is to take these actions now; don't wait until the baby boomers are all there collecting and we can't do anything about it. Now, if we act, we can take these very gradual steps. For example, the first step will be in 2003, 6 years from now, when the eligibility age for Social Security and Medicare will go from 65 to 65 and 2 months. Then it goes up to 65 and 10 months by the year 2007. Then we take a break for 11 years—excuse me. In 2008, it will be at age 66, and then gradually it goes up by 2 months and 4 months and 6 months until the year 2025, when the retirement age for Social Security——

The PRESIDING OFFICER. The Chair advises the Senator that his 5 minutes have elapsed.

Mr. CHAFEE. I ask unanimous consent that I may have 2 more minutes.

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

Mr. CHAFEE. Social Security is already set. That goes to 67. We did that in 1983. That goes to age 67 in 2025. What we do in this program is to have Medicare conform to that.

Mr. President, unless we take these actions, there isn't going to be any Medicare for the future. A lot of people say, ''Do nothing.'' Well, I think that is totally reckless. Other people can say, ''Well, just increase the tax.'' That would mean increasing the tax on Medicare by 250 percent. That is what would be required to increase the payroll tax. It would have to be increased from the current amount of 1.45 percent of payroll to 3.6 percent, which is nearly a threefold increase.

So, Mr. President, this is a very wise provision that we did, in a bipartisan manner, in the Finance Committee, and I certainly hope that it will withstand any attacks. I thank the Chair and I thank the distinguished chairman of our committee.

The PRESIDING OFFICER. Who yields time?

Mr. LAUTENBERG. I yield 5 minutes to the Senator from California.

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

Mrs. BOXER. Thank you very much, Mr. President. I support the Senator from Illinois in his attempt to keep the age of Medicare eligibility at 65.

Mr. President, raising the eligibility age to 67 in the future is part of the bill that is before us and was an amendment offered by the Senator from Texas, Senator GRAMM.

Now, had the Senator from Texas and his supporters had an alternative in place for those who would be unable in the future to get Medicare between the ages of 65 and 67—if there was an alternative in place, if this bill said that we will, in fact, raise that age, but only after we have an alternative in place for those people, I would be here supporting it.

But it is so reckless, Mr. President, to take away Medicare from people who pay for it their entire working lives—to take it away from them for 2 years unless there is an alternative in place. I do not know if any of my colleagues know about our health insurance, but we have a pretty good plan around here. As a matter of fact, I voted in during the health care debate to offer that plan to every American. That didn't fly. ''Oh, we are covered. What do we have to worry about? We are fine.'' But to take away Medicare from people who have been paying for it out into the future without any way to replace it, I don't know what we are doing here.

The Senator from Texas says he is concerned about the solvency of Medicare. That is what the Senator from Rhode Island said—if we care about solvency, we will support this. We all know there are many ways to address solvency.

By the way, the committee does it in some other areas that I support, but not this one.

My friends, it isn't that tricky to preserve the solvency of Medicare. If you want to really preserve the solvency, raise the eligibility age to 90, and for the people who are on Medicare at 90—there will be enough money to take care of them because everyone else who would have been eligible previously, will have died.

Medicare solvency is the new mantra of my colleagues on the other side of the aisle. First they want to vote against Medicare —now they say they are going to save it. They are going to make it solvent by telling people that in the future without any alternative means of health insurance in place, no universal health care, that they have to wait until they are 67 to be eligible for Medicare.

Medicare remains solvent because they don't talk about what happens to you when you can't get insurance and you don't get preventive care and you get sicker. What are people going to do? Either they have to go out and find it in the marketplace and pay thousands and thousands of dollars to get coverage, or they will fall down on their hands and knees and pray to God that they don't get sick.

That is not an option because, unfortunately, if you look at the tables and you see when Alzheimer's strikes, when Parkinson's strikes, when stroke strikes, when heart disease strikes, when prostate cancer strikes, and even when breast cancer strikes, the older you get the more you are apt to get these conditions. You cannot control it.

The Senator from Rhode Island said we have to save Medicare. What about saving the people who are served by Medicare?

So this part of the Finance Committee bill puts the cart before the horse. Don't just say we are going to raise the age at which people can get Medicare and have nothing in its stead and not even make it contingent on having universal health care in place because when people reach the age of 65 they will not have an option.

Mr. President, we ought to look at what we are doing around here. It sounds great, ''save Medicare.'' I think we need to save the people who rely on Medicare.

We all know the horror stories of people getting sick. They don't expect it. And then they try to tie it to the increased age of Social Security retirement which we phased in, which I support—phasing it in. But there is one difference. People can still retire at age 62. If they choose to retire at that age and go on Social Security, there is

a penalty but it can be done. There is no such provision in here. This is just a cutoff. The proposal does not say if you need Medicare you can get half coverage; you can pay 50 percent of your premium. No. This just takes people off the plan without any alternative—at a time in their life when they are apt to get seriously sick. If you have ever been in a hospital and you see some of these charges that come back at you, thousands of dollars a day, we will put people into ruin. We will go back to the days when people have to in fact rely on their children taking care of them at the height of their lives when they need Medicare and they cannot get it.

So, Mr. President, I urge my colleagues to support the Senator from Illinois. I want to save Medicare because I believe in it. I do not want to hurt the people who need Medicare. When you have something in place for those people to go to, when you have an alternative insurance plan, I'll am with you all the way. I will support you 100 percent.

We already have 40 million people who are uninsured in this country. They have no health insurance. You are going to throw 7 million more of these people onto the uninsured rolls, and you are going to do it in the name of saving Medicare.

Something is wrong with this picture. It doesn't add up. My friend from Illinois calls it the ''Texas two-step.'' I think it is the ''backward step.'' It is going back—back to the days when our senior citizens were very sick with no place to go.

I hope you will support the motion by the Senator from Illinois.

I yield the floor.

Mr. KERREY addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 5 minutes to the Senator.

The PRESIDING OFFICER. The Senator from Delaware will be advised that the time remaining under his control is 4 minutes and 22 seconds. The Senator may take time off the bill.

Mr. BREAUX. How much time?

Mr. ROTH. Four minutes.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

Mr. ROTH. How many minutes?

The PRESIDING OFFICER. There are 4 minutes approximately left. The Senator may take time off the bill itself.

Mr. ROTH. I yield a total of 5 minutes with 1 minute being off the bill.

The PRESIDING OFFICER. The Senator from Louisiana.

Mr. BREAUX. Thank you very much, Mr. President. I thank the chairman for yielding.

Mr. President, this is really an interesting dialog because on the one hand we have some facts that are uncontested; that is, if we do not do anything to fix Medicare, it is not going to be around for anybody by the year 2001 because that is the year when, if we do not do anything, we are not going to have enough money in the Medicare Program to pay benefits to nobody.

So it is very clear that Congress now has to do something if it is going to be around for everybody who is counting on it when they reach retirement age.

It is really interesting. In the Finance Committee we have had people come before the committee all of the time saying, ''You all have to fix Medicare. If is very important. It is the lifeblood or lifeline for seniors in this country.''

Then we ask them when they tell us to fix it, ''All right. Do you want to increase premiums?''

''No. We don't want you to do that.''

Then we say, ''Well, would you want to decrease the payments going to doctors and hospitals?''

They generally say, ''Don't do that either because doctors and hospitals will soon quit treating Medicare patients because they are not getting paid enough for those services.''

Then we say, ''Well, would you like us to increase the age limit of people who are eligible for Medicare?''

They say, ''Oh. No. Don't do that.''

But then, the bottom line: They say when they leave the committee room, ''Be sure you fix it, by the way. Make sure it doesn't go broke in the year 2001. Fix it. But don't, don't, don't do anything that is necessary in order to fix it.''

That is an impossible suggestion for the members of the committee and the Members of Congress to adopt. If we do nothing it will not be around for anyone.

In 1965, when Congress in its wisdom passed the Medicare Program, the life expectancy for people at that time was 66.8 years of age for men; 73 years of age for women. So Congress in its wisdom at that time said, ''Well, let's make an appropriate date for the beginning of Medicare benefits at 65.''

Guess what has happened since 1965? For every year the life expectancy of Americans has increased. But the eligibility age for Medicare has not been increased one time. We did it for Social Security. What this committee does is to say, ''Let's put the glidepath for Medicare eligibility the same as Social Security, recognizing that people in fact live substantially longer and draw Medicare benefits substantially longer, I might add as well. It almost sounds like we are getting these calls in our offices from people who are retiring, none of which are affected by this amendment—not a single one because they already are on Medicare. In fact, it goes down quite a ways before anybody is affected whatsoever.

An interesting point is that it sounds like we are talking about having all of this going into effect immediately, when just the opposite is true. The amendment that was offered, I guess by Members from our side, takes 24 years to increase it 24 months. It doesn't increase it the first year to the age 67. You start off right where you are today, and it is increased 2 months a year and over 4 years we get to the age of 67 which is comparable to what we have in Social Security.

Would it be nice if we didn't have to do that? Sure. Would it be nice if we didn't have to do anything to fix Medicare? Absolutely. The problem is we have a system that is in the tank as far as being able to survive, if we do not do anything. It would be wonderful to say make no changes and everybody continues to get exactly what you get at the time you are eligible for it. That is not an option. None of the options are easy. This one I would argue is far easier than any of the others, and it helps allow for Medicare to continue for a long period of time.

Mr. HARKIN. Will the Senator yield?

Mr. BREAUX. I would be happy to yield for a question.

Mr. HARKIN. Did the Senator say under his proposal that for each year that the age increased by 2 months?

Mr. BREAUX. Two months per year.

Mr. HARKIN. In 6 years it would increase by 1 year and, therefore, in 12 years it would increase by 2 years, not 24 years.

Mr. BREAUX. It is increased 2 years over 24—2 months. The whole thing takes 24 years to get to the age 67; 24 years before 67. It takes 24 years to reach the age of 67, however that calculates out.

Mr. HARKIN. That is 1 month per year.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 5 minutes off the regular time to the Senator from Nebraska.

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

Mr. KERREY. Mr. President, I rise in strong opposition to the point of order that has been raised against this provision.

Raising the eligibility age from 65 to 67 is fair. Raising it, too, from 65 to 67 will change the future course of this program and enable us to say that we are taking a long-term as well as a short-term view; and enables us to accomplish the objectives that we were instructed to accomplish which is to preserve and protect Medicare.

If you want to have universal health insurance as the objective, I am for that. I would love to change the eligibility under law saying if you are American, or a legal resident, you are in. But I can't keep Medicare, Medicaid, VA, and income tax deduction all sitting out there.

This establishes I believe a basis for us to be able to say that for the long-term Medicare is a solvent program, and it is eminently fair.

As the Senator from Louisiana pointed out, in 1965 the life expectancy for men was 67; for women it was 76; today it is 73 for men, and it is 80 for women. It is going to be even greater. We are enabling people to live longer and

longer as the consequences have changed in behavior and with changes in health care technology. And, as a result, the Medicare Program as well needs to be adjusted.

For those who have come expressing the concern for people not being able to get health care from 65 to 67, that problem exists today from 62 to 65 and sometimes even earlier. We have in this law a commission and there is language in the law as well to recommend strongly to this commission to consider allowing people to buy into Medicare. There is plenty of time for us to get that done.

For Americans that are listening to this debate, if you are 65—if you are 64 today, your eligibility age is 65. If you are 63, your eligibility age is 65. If you are 62, your eligibility age is 65. If you are 61, it is 65. If you are 60, it is still 65, all the way down to 59. If you are 59 years of age and you are listening to this debate, please don't fall into the trap of presuming that all of a sudden your eligibility age is going to go to 67. It is still 65. If you are 58, it goes to 65 years and 2 months. The Senator from Iowa and the Senator from Louisiana engaged in a colloquy earlier. This thing does not fully phase in until the year 2024 or 2025.

Mr. President, I have had many people come up to me and ask, many people call and ask, why is this necessary? Well, I have a fact. I have a very difficult fact I have to deal with. Again, the objective here is to preserve and protect Medicare. That is the idea. This law has lots of great provisions to move to market and get more competition, lots of terrific provisions in it that I think will enable us to seek customers and consumers who like Medicare more than they do as a result of choice, great cost controls in here, some courageous efforts on disproportionate share in this bill.

There are lots of good things in the bill. But the fact out there in the future that all of us need to accommodate and think about as we decide how we are going to vote on this amendment is that from the year 2010 to the year 2030—that is 20 years—the baby boomers retire. You can't change that number. The 76 or 77 million of them that will retire, they will become eligible for Medicare in that 20-year time period. We are going to have an increase in the number of Americans who are in the work force of 5 million people, and the number of retirees will increase 22 million over that period of time.

That is a fact, Mr. President. I may wish it wasn't so. I may wish it was a different number, but that is the number. Unless you are prepared to come down here and argue for a tax increase or some other change, you have got to move the eligibility age in order to be able to preserve and protect Medicare out in the future.

It is an imminently fair thing to do given what has happened with life expectancy. If we were putting Medicare into law today, I don't believe we would put this program, given the costs of the program, in place at age 65. This does not affect Americans immediately. It is phased in. It gives people a chance to plan. Those who argue that it doesn't have a budget impact and use that as a reason not to support this provision are wrong. It is precisely because we are phasing it in, that it produces long-term savings, that they should support it. We are giving people a chance to plan. We are saying we are going to adjust the law in order to be able to account for this change out in the future.

I hope that my colleagues will resist the political temptation to cast an easy vote and will enable this provision to remain in this law. It is one of the most significant long-term changes that we make in Medicare. And whether you are a Republican or whether you are a Democrat, you ought to be standing on this floor saying I want to be remembered out there in the future for casting a vote that did something good. ''No'' on the motion to strike this provision is the courageous position.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. Mr. President, I would like to——

The PRESIDING OFFICER. Who yields time?

Mr. LAUTENBERG. I yield to the Senator from Massachusetts 4 minutes, Mr. President.

The PRESIDING OFFICER. The Senator from Massachusetts is recognized for 4 minutes.

Mr. KENNEDY. Mr. President, as we are moving through this debate, we have to recognize that in the proposal before us, we have a number of attacks on Medicare, with all due respect to our colleagues. We addressed one earlier today. Collecting $5 billion under Medicare. You are going to permit double billing, which this body has long refused to do in order to protect our senior citizens. Now we are going to permit doubling billings.

The Finance Committee failed to make up the $1.5 billion that was part of the budget agreement. It refused to do that, and now we have a proposal to change the eligibility age from 65 to 67.

I thought we had a commission that was going to study the long-term implications of Medicare. The President submitted a program that provides for the financial stability of Medicare for 10 years. We can consider a variety of different options. I daresay that I don't happen to be one who thinks you should just increase the age of eligibility or otherwise increase the taxes as some have suggested. We know that 90 percent of Medicare recipients cost $1,400 a year, the other 10 percent more than $36,000. You do something about that 10 percent to reduce disability, and chronic illness, and you are going to have a dramatic impact in terms of Medicare spending.

That has not even been considered here, Mr. President. Why should we, at a time when we are increasing the total number of Americans who are uninsured, take action in the Senate that is going to add to that problem. The idea that this can be compared to Social Security makes no sense, and the Senator from Louisiana understands that. You can retire now at 62 and get some benefits, but you can't with regard to Medicare. It is basically a lifeline to our senior citizens. The Finance Committee failed to give any assurance to those millions of people who are watching today that they are not going to be sent right off the cliff.

With all of the signed contracts containing terms to terminate health insurance in corporate America now at 65, all the workers across this country whose contracts end health care coverage at 65, and nothing from the Finance Committee gives them any kind of assurances that there has been any attention to what is going to happen to them.

Sure, pull up the ladder. We can make this Medicare financially secure by just continuing increase the age from 65 to 67 to 69. Let us look at this over the long term, not the short term, and let us stop this wholesale assault on Medicare that is part of this whole proposal. It makes no sense.

The PRESIDING OFFICER. Who yields time?

Mr. LAUTENBERG. Mr. President, I yield 4 minutes to the Senator from Iowa.

The PRESIDING OFFICER. The Senator from Iowa is recognized to speak for 4 minutes.

Mr. HARKIN. Mr. President, I want to echo what the Senator from Massachusetts just said. If anything, this provision is the ultimate anti-blue-collar provision that I have ever seen on the Senate floor. This strikes right at the heart of the Americans we ought to be here protecting today. There is a difference. There is a difference between a corporate executive for Xerox and someone who is out there working hard every day of their life on a construction job, in a factory, in a plant. There is a difference between a Senator sitting on this floor or a Member of the House and that worker who is out there on the line day after day, the women who suffer from carpel tunnel syndrome, the people who work in our packing plants. Try that on for size. Do that for 5 years, 10 years, 20, 30, 40 years of your life. There is a difference.

Sure, if you are a corporate executive, you have nothing to worry about. If you are a Senator, you have nothing to worry about. But I will tell you, if you are a blue-collar worker out there and you have worked hard all your life, you have raised your kids, you have sent them to school, you are now 62, you are worn out, maybe you are not physically able to continue working. Have you ever thought of that? So they retire. They get Social Security. God bless them. But they can't get health care coverage.

What this amendment does, it just sticks it right in their back one more

time. You can say, oh, it's just 1 more month a year, 2 more months a year for 6 years. Then there is this gap and it takes all this time. But if this provision stays in there, the die will be cast. And we will have sent a strong message to our seniors: Sorry, when it comes to health care, you're out of luck; you're on the street some place.

We have a commission, a national bipartisan commission looking at this. It is supposed to report next year. Why are we jumping the gun on it?

Now, I would agree with Senators who are supporting this provision that, yes, we have to do things to ensure the viability of Medicare. There are a lot of things we can do to preserve the viability of Medicare. But this is not one of them. This will destroy Medicare because it destroys the compact we have had all these years. This is an antiworker provision. That is all it is.

Now, if you want to vote for this provision, sure, fine, keep it in the bill, but I am telling you, for that working stiff who is out there who wants to retire, their physical health may not be the best; they have to retire at age 62, if anything, what we ought to be doing on this Senate floor is we ought to be closing the gap. We ought to provide medical care for elderly who have to retire early. But, no, we won't even do that. Now we are going to make it even a longer period of time. Well, I think this provision is really unconscionable, should have no place in this bill, and I hope that we will vote to strke it overwhelmingly.

Mrs. BOXER. Will the Senator yield for a question?

Mr. HARKIN. I yield to the Senator.

Mrs. BOXER. Is the Senator aware that there are 40 million uninsured Americans today and about 7 million in this category age 65 to 67? So the Senator is so right. We are talking about adding millions more to the uninsured rolls. This committee did nothing, mentioned nothing about any kind of way to get people through this timeframe. They just took it out without even writing anything in there that said only if we have replacement insurance.

Mr. HARKIN. I appreciate the comments of the Senator from California. It just seems that when I hear this debate about this provision and I hear proponents of this provision talk, it is as if everybody in America is like us. Everybody in America is not like us. They do not have the kind of health care benefits we have. They do not have the kind of protections we have. They do not have the incomes that we have. They do not have the lifestyles we have.

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

Mr. HARKIN. It is time we start fighting for the working people in America.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I yield 3 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized to speak for 3 minutes.

Mr. SANTORUM. I thank the Chair.

Mr. President, we have all now just seen and heard why it is so hard to change anything in Washington. Because anything you try to do is wrong. You can look at all the facts. And the Senators from Louisiana and Nebraska and Texas and New Mexico and Delaware laid out chart after chart. For anyone listening to this debate, the facts stare you smack in the face. This fund runs out of money in the year 2001 with the baby boomers retiring in the year 2010. This program is not sustainable in its current form. Everybody who can read a simple arithmetic chart can understand that. Yet, you have everybody flying to the floor saying, oh, yes, it is a problem, but not this.

Well, then, what? We are going to raise taxes? How many are for raising taxes? There will be a few over there who want to raise taxes. But that is the option: Raise taxes.

The Senator from Massachusetts talked about rationing care. It is those people who use all that Medicare who are the problem. And unless we start rationing that care, we are not going to get to the problem here. So we can ration care to people who are over 65. That is another option. Or we can cut reimbursements to providers. The Senator from Louisiana talked about that. But if we do that, all of us know if you cut reimbursements to providers, people cannot get care because they cannot afford to provide the care and rural hospitals close, inner-city hospitals close. So you cannot take that option.

We can cut benefits. How many here are for cutting back Medicare benefits? OK. Well, so there we are. What are we going to do? We have a problem. It is not going to go away. We can sit here and demagog on the issue and say, well, this is not the right thing.

The only reasonable course is to look at the demographics and see that I, right here, am the first Member of the Senate who is going to retire at age 65—right here, age 39, born in 1958. I will retire at the age of 67. I am ready, willing, and able to take on that responsibility. I feel I have been adequately warned, giving myself about 30 years in advance to be able to figure this out. And I think we are capable of taking it. I am not going to live as my mother and my father and those before me, whose life expectancies were, as I think the Senator from Nebraska said, 73 for a female, 68 for a male. At age 65, my life expectancy, the Lord willing, as a group anyway, is going to be well over 80. I am quite willing and prepared as a generation to save my generation, the folks who are paying the bills, big-time bills that previous generations did not pay. We are paying 1.45 percent of every single dollar we earn. And I would like to say for that dollar you are going to have a program that is going to be there and provide adequate benefits when you retire, and, yes, I am willing to take a little sacrifice. I am willing to pay a little bit more, but I am also willing to take my share of sacrifice to make sure that it is there for not just me but for everyone else in my generation and future generations.

What we are talking about here is being responsible, not standing up and demagoging to get votes back home. We have got a problem. There are people in my generation who are tired of this language.

Mr. HARKIN. Will the Senator yield?

Mr. SANTORUM. No.

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

Mr. SANTORUM. I ask for 1 additional minute.

The PRESIDING OFFICER. The time of the Senator from Pennsylvania expired. Who yields time?

Mr. SANTORUM. One additional minute? May have 1 additional minute?

Mr. ROTH. Yes.

The PRESIDING OFFICER. The Senator is recognized for 1 additional minute.

Mr. SANTORUM. I go around and I have talked to hundreds of high school students, thousands of them. I have been to over 100 high schools since I have been in office. I ask them, how many believe Medicare and Social Security will be here when you retire? Not a hand goes up. I ask them, how many believe in UFOs? And about 20 percent of the class raise their hand. They believe we are all just joking around, that any time a serious issue comes up about their long-term future, we run away. We hide behind our desk and wait for the bombs to explode around us.

Stand up for the future. Stand up for these young people who pay and are going to be paying the rest of their lives very dearly for this program, and stand up and make sure it is healthy for them.

I thank the Chair. I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. LAUTENBERG. I yield myself just a couple of minutes because I listened with interest. One could not avoid listening.

The fact of the matter is, it is so easy, so easy to stand here at $135,000 a year with all kinds of benefits and everything and say, ''I am willing to sacrifice, I am willing to sacrifice. I am willing to do what I have to. I have 35 years.'' Go down to the factory and talk to somebody who is hanging on to his job by his fingernails, ask the poor fellow who has been downgraded as companies shrink their size. I love these heroics we get in this place, big speeches on lofty pinnacles. Talk to the people who are doing the work every day, bringing home the lunch pail, and see what we have.

Sacrifice? I'll tell you how to sacrifice. Cut the benefits here. Cut them now. Stand up and say we will take less for our health insurance and our retirement and everything else. If you want to pull a nice heroic stand—somebody's

last stand—stand up here and recommend a cut in benefits instead of talking about, shrieking about, how people have to sacrifice—from this lofty place.

I will not say anything further. I yield 2 minutes to my friend from Iowa.

The PRESIDING OFFICER. The Senator from Iowa is recognized.

Mr. HARKIN. Mr. President, I will not even take 2 minutes. I listened to the impassioned argument of my friend from Pennsylvania. I just had two observations. No. 1, along the lines of what Senator LAUTENBERG said, No. 1, what retirement income will a Senator have when a Senator retires here? What is that retirement income going to be? A lot of money. When a Senator retires at age 65, you get a lot of money—big time money for retirement. It is not a blue collar worker retiring on Social Security, No. 1.

No. 2, if you retire as a Federal Government employee or as a U.S. Senator, you can keep your Federal employee's health benefits. There is no gap for you. You can keep it. It costs you, what, $100-something a month, $110, $120 a month. So it is easy for a Senator to stand here and talk about saving his generation. But those in his generation are not all U.S. Senators. Those in his generation are not all people who can go on Federal Employee health benefits when they reach age 62. They need Medicare. That is where most of America is, not sitting in the U.S. Senate.

I yield the remainder of my time.

The PRESIDING OFFICER (Mr. KEMPTHORNE). The Senator from New Jersey.

Mr. ROTH. Mr. President, I yield 5 minutes off the bill to the Senator from North Dakota.

The PRESIDING OFFICER. The Senator from North Dakota is recognized for 5 minutes.

Mr. CONRAD. Mr. President, we have heard a lot of passion on both sides of this issue. I understand the passion that this issue generates. But I hope we will think quietly for a moment of where we are headed in this country.

We have heard pleas to think of the working people. I agree with that. I came to this Congress wanting to fight for the working people of my State. The question is, how do we best do that? The hard reality is, Medicare is headed for a cliff. Social Security has problems and they have problems because, No. 1, people are living longer. I was asked moments ago, why do you favor this change in Medicare eligibility? It is very simple. People are living longer. In 1965, when we started with Medicare, a male in this country could expect to live to be 66.8 years of age. A female, 73.8. In 1996, a male could be expected to live to the age of 72.5, a female to the age of 79.3.

In 2025, when this change is fully phased in, a male is projected to live to 75.6 years of age, a female to 81.5. These are facts. They are indisputable. People are living longer, and the hard reality is, this program that we have put in place only extends the solvency of Medicare for 10 years. This provision is an attempt to deal with the longer term problem of Medicare, just as we have done it with Social Security, to slowly phase in and move up the age of eligibility to treat Medicare entitlement the same way we treat Social Security. Why? Because we do care about working people, because we do care about providing for those who are less fortunate, because we do care about preserving and protecting Medicare. That is precisely why this Finance Committee agreed, on a bipartisan basis, to extend the age of retirement for Medicare eligibility.

We have another problem. The other problem is a demographic time bomb, and that demographic time bomb is the baby boom generation. As I look around this Chamber, there are a number of baby boomers here. All of us in the U.S. Senate understand, if we fail to act, all of these programs are going to be in deep trouble. The harsh reality is, the number of people eligible for these programs is going to double in very short order. Starting in the year 2012, when the baby boomers start to retire, the number of people eligible for these programs is going to double. The entitlements commission told us 2 years ago that in the year 2012, if we fail to act, every penny is going to go for entitlements and interest on the debt. There is not going to be any money for parks. There is not going to be any money for highways. There is not going to be any money for education. There is not going to be any money for law enforcement. There is not going to be any money for one thing after another. If that is the course we want to stay on, agree with this amendment.

Some people say let's wait for a commission. Two years ago we had a commission. We had the entitlements commission. What did they tell us? They told us, if you fail to act, you are headed for a cliff. Now we can choose to continue to fail to act. If we do, we know the results. There is no question what will happen. We will go right over the cliff. Unfortunately, it will not be just us going over the cliff, but we will be taking our fellow Americans right with us.

We do not need another commission. It is time to act. It is time to protect Medicare for the long term. It is time to reject this amendment.

Ms. MIKULSKI. Mr. President, I rise today to support the point of order by Senator DURBIN to strike the language increasing the eligibility age of Medicare from 65 to 67.

I oppose raising the eligibility age because it breaks the promise of health insurance at age 65 for all Americans. The change was made to balance the budget. It was not to make a better, more efficient health care system. The change will hurt people who work hard and play by the rules.

In 1965, our country realized that it was important to make sure that all Americans over the age of 65 had health insurance. For those Americans that did not have the ability to purchase health insurance, Medicare was there.

It was a promise that America's seniors had somewhere to go. Now, we are breaking that promise. I can't support that. Promises made must be promises kept.

We can't turn our backs on people who have planned their lives depending on our promises.

This change wasn't done to help people. It wasn't done to improve the system. It wasn't done to make sure that seniors in Maryland and the country will have a longer and happier life.

It was done to balance the budget. It was done to save a few dollars.

No thought was given to the real life effects on America's seniors.

Raising the eligibility age hurts people when they need insurance most: in their sixties, at the end of their working lives.

Retirees cannot afford insurance at that age if they can even find it.

What do we say to the factory workers and construction workers whose bodies are worn down by age 60?

Now when they need insurance the most, it isn't there. The government just moved the Medicare age another 2 years away.

Before we start to make big changes in Medicare, we need to talk to the most important people to consider: The people who use the program.

We need to ask them what works, what could be better, and what we should change.

We need to have a national bipartisan debate on what Medicare should look like.

We need Presidential leadership.

I want the people of Maryland to be a part of that debate.

That way, if we need to make big changes, everyone will have had a chance to speak up and be heard.

Everyone will understand the changes.

Raising the eligibility age penalizes the citizens of Maryland and the rest of the country who have worked hard, saved, and played by the rules.

I ask the other Senators to join me and Senators DURBIN and REED to support this amendment.

Let's strike the increase in the Medicare eligibility age from 65 to 67.

We do not serve in the Senate to tell Americans, ''we needed a few more dollars for our budget so you'll have to change your plans.''

We should listen to people, debate options, and make the hard choices openly.

Let's not change the rules during the middle of the game and the middle of the night.

The PRESIDING OFFICER. Who yields time?

Mr. LAUTENBERG. I yield 4 minutes to the Senator from Massachusetts.

The PRESIDING OFFICER. That will consume all the time of the Senator from New Jersey.

Mr. LAUTENBERG. I understand.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KERRY. Mr. President, I have listened to a number of my colleagues come to the floor and say we are heading toward the cliff, we have to do this because people are living longer and, if we do not do this, we are not going to be able to save Medicare.

It is true that people are living longer. But it is not true that this is the only way to save Medicare. The notion that we have to be forced to have a choice on the floor of the Senate, with the idea that, in order to make up for a fixed amount of money that we are supposed to find to make up for cutting, that we have to take it out of that gap between the age of 65 and 67, is absolutely specious. What they have decided to do is find a fixed amount of money so we can give an $85 billion tax cut. I mean, the tax bill is not on the floor today, but this is related to the tax bill. The fact is, we are going to find our capacity to give back $85 billion, the lion's share of which will go to the wealthiest people in America under the current construction. And, in order to do that, we are forced to come here and tell people who are 65 years old, in the future—even if it begins for somebody who is 60 or 65 today, if you are 61 and you are looking at the time when you are 67 then you will be eligible for Medicare, you are forced to go out and find it somewhere in the marketplace. For a whole lot of people in America that age they cannot find it in the marketplace. They cannot afford it. There is no provision in this measure that provides some kind of stopgap capacity for those people to be able to afford the premiums they will be charged in the marketplace.

So the choice of the U.S. Senate is, so we can give an $85 billion tax bonanza to a lot of people in America, people between the age of 65 and 67 in the future are going to have to do whatever they can to get health care. Do whatever you can; we are cutting you off. We are moving exactly in the opposite direction from what everybody in the health care industry in this country says—that we ought to be covering more people, not less. What is the rationale for that? What is the philosophical connection between saying we want more people covered in their health care in America, particularly in the later years of their life, but we are going to come along here now and facilitate this great tax give-back by making sure that we fix Medicare. What is the connection between the tax and the Medicare?

Everybody says we have to fix it. Well, it is money that is available. This is a zero sum game. There is money here. There is money there. You have the ability to find it if you want to. You do not have to necessarily do that, but, instead, we are making a choice to do it.

I recognize obviously people are living longer. I know what the demographics say about Medicare in the long run. Maybe in the long run the commission would come back and say it makes sense to lift the age but it also makes sense to guarantee that nobody falls through the cracks. The way you are going to guarantee that nobody falls through the cracks is raise the premiums on the richest people in America, for whom the average person is paying for their ability to be able to ride the Medicare train, and ask them to contribute more so the people who will fall through the cracks won't in fact fall through the cracks. This is not that hard a choice.

But rather than even try to do that, we are being presented at the 11th hour with something that the White House didn't cut in in the deal. This wasn't in the budget agreement. This is right out of the sky. We are going to reach out and do this because in a certain respect it seems to make sense on paper. I do not think it makes sense in the lives of a lot of people who will not be able to buy health care, who will be squeezed out of the system, even if you can say it is not going to cut in until the year 2002 and people are going to have plenty of time for it. Somebody who is downsized and out of work at that age and does not have the ability to provide additional income does not have the capability of paying $6,000 or $7,000—and it will be more by then, incidentally, for the annual health care premiums.

So what you are really deciding to do is cut off and not include people, poor people, in coverage. You are going to exclude people from coverage, and that is the exact opposite direction than we ought to be moving in.

I yield back whatever time I have.

The PRESIDING OFFICER. All time has expired on the motion to waive.

Who yields time?

Mr. NICKLES. Will the Senator give me 5 minutes off the bill?

Mr. ROTH. I yield 5 minutes to the Senator from Oklahoma.

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

Mr. NICKLES. Mr. President, first, I wish to compliment several speakers, Senator KERREY of Nebraska and Senator CONRAD of North Dakota, for excellent statements, and Senator GRAMM and others who spoke out on the need for policy change.

Some of my colleagues on the other side say it was not in the budget agreement. That's right. The reason they can make a point of order is it has no financial impact over the next 5 years. The reason is, as proponents of this amendment, we wanted to give people plenty of time to make this change, to get rid of the eligibility time to be concurrent with Social Security. I urge my colleagues on the other side who are opposing this amendment to take a look at the estimate of 1997 Hospital Insurance Trustee Report regarding what the health of Medicare part A trust fund will be. It is going broke and it is going broke rapidly.

Some of my colleagues say this bill keeps the trust fund solvent for 10 years. You will not hear this Senator say it because I do not think it is the case. We are making some changes. We are going to save $115 billion in Medicare. In addition, we are going to transfer home health, over a period of years phase it into part B, three-quarters of which is paid for by general revenues, by taxpayers. I do not think it keeps the trust fund solvent for 10 years.

I am looking at the trust fund report. It says that by the year 2005 Medicare part A is going to have a $97.3 billion revenue shortfall, deficit; in Medicare alone, almost $100 billion by the year 2005, only 7.5 years from now. I fail to see how we are going to keep it solvent for 10 years.

To address some long-term reforms, the Finance Committee passed some good policy changes that will make eligibility for Medicare concurrent with Social Security, and, yes, that means somebody my age is going to have to wait another year before he or she is eligible for Medicare.

Well, guess what? Life expectancy has increased since 1965. Males age 65 are now expected to live 15.5 years and females age 65 will live 19 years. In 1965, a male age 65 would live on average only 13 years and a female 16 years. People are living longer. And the percentage of people who are paying into the system is decreasing. In 1965, we had 5.5 workers for every beneficiary. In 2030, there will only be 2.3 workers for every beneficiary.

Some people seem to think the solution is raising taxes. If we want to keep the trust fund solvent for the next 25 years, the trustees say we should increase payroll taxes by 66 percent, and if you want to keep it solvent for 75 years, they say we should raise the current 2.9 percent tax—that is 1.45 percent for employee and employer—we should raise that to 7.22 percent immediately. I don't want to do that. I don't want to have that big a payroll tax increase.

So what can we do to make the system more solvent? What can we do to make sure the money will be there when people need it? One of the things we can do, and one of the things that will come out of any report—any report—will say that we should have eligibility age be concurrent with Social Security. It is the right thing to do.

I compliment my colleagues on the Finance Committee who have spoken on behalf of this amendment, as well as the chairman of the Finance Committee for putting it in. We didn't get any scoring for it. If anybody says we are doing it so you can pay for tax cuts for wealthy citizens, that is absolutely, totally, completely false. We got zero scoring for this, but it happens to be the right thing to do, and it happens to be in the long term, that this will help

keep Medicare more solvent, it will help ensure there will be a Medicare program when I reach retirement age. It still won't solve the problems. I will tell my colleagues, even in spite of the fact we do—and we have to do it and the earlier we do it the better off so people have more time to know the changes are coming—in spite of this, we are still going to have to make further changes.

I ask unanimous consent to have printed in the RECORD a report of the part A trust fund by the hospital trustee report.

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

PAYROLL TAX DATA FOR EMPLOYEE AND EMPLOYERS

Year	Wage base		Tax rates (in percent)			
	OASDI	HI	Total	OASI	DI	HI
1950	3,000	n/a	1.500	1.500	n/a	n/a
1951	3,600	n/a	1.500	1.500	n/a	n/a
1952	3,600	n/a	1.500	1.500	n/a	n/a
1953	3,600	n/a	1.500	1.500	n/a	n/a
1954	3,600	n/a	2.000	2.000	n/a	n/a
1955	4,200	n/a	2.000	2.000	n/a	n/a
1956	4,200	n/a	2.000	2.000	n/a	n/a
1957	4,200	n/a	2.250	2.000	0.250	n/a
1958	4,200	n/a	2.250	2.000	0.250	n/a
1959	4,800	n/a	2.500	2.250	0.250	n/a
1960	4,800	n/a	3.000	2.750	0.250	n/a
1961	4,800	n/a	3.000	2.750	0.250	n/a
1962	4,800	n/a	3.125	2.875	0.250	n/a
1963	4,800	n/a	3.625	3.375	0.250	n/a
1964	4,800	n/a	3.625	3.375	0.250	n/a
1965	4,800	n/a	3.625	3.375	0.250	n/a
1966	6,600	6,600	4.200	3.500	0.350	0.350
1967	6,600	6,600	4.400	3.550	0.350	0.500
1968	7,800	7,800	4.400	3.325	0.475	0.600
1969	7,800	7,800	4.800	3.725	0.475	0.600
1970	7,800	7,800	4.800	3.650	0.550	0.600
1971	7,800	7,800	5.200	4.050	0.550	0.600
1972	9,000	9,000	5.200	4.050	0.550	0.600
1973	10,800	10,800	5.850	4.300	0.550	1.000
1974	13,200	13,200	5.850	4.375	0.575	0.900
1975	14,100	14,100	5.850	4.375	0.575	0.900
1976	15,300	15,300	5.850	4.375	0.575	0.900
1977	16,500	16,500	5.850	4.375	0.575	0.900

PAYROLL TAX DATA FOR EMPLOYEE AND EMPLOYERS—Continued

Year	Wage base		Tax rates (in percent)			
	OASDI	HI	Total	OASI	DI	HI
1978	17,700	17,700	6.050	4.275	0.775	1.000
1979	22,900	22,900	6.130	4.330	0.750	1.050
1980	25,900	25,900	6.130	4.520	0.560	1.050
1981	29,700	29,700	6.650	4.700	0.650	1.300
1982	32,400	32,400	6.700	4.575	0.825	1.300
1983	35,700	35,700	6.700	4.775	0.625	1.300
1984	37,800	37,800	7.000	5.200	0.500	1.300
1985	39,600	39,600	7.050	5.200	0.500	1.350
1986	42,000	42,000	7.150	5.200	0.500	1.450
1987	43,800	43,800	7.150	5.200	0.500	1.450
1988	45,000	45,000	7.510	5.530	0.530	1.450
1989	48,000	48,000	7.510	5.530	0.530	1.450
1990	51,300	51,300	7.650	5.600	0.600	1.450
1991	53,400	125,000	7.650	5.600	0.600	1.450
1992	55,500	130,200	7.650	5.600	0.600	1.450
1993	57,600	135,000	7.650	5.600	0.600	1.450
1994	60,600	no limit	7.650	5.260	0.940	1.450
1995	61,200	no limit	7.650	5.260	0.940	1.450
1996	62,700	no limit	7.650	5.260	0.940	1.450
1997	65,400	no limit	7.650	5.350	0.850	1.450
1998	68,700	no limit	7.650	5.350	0.850	1.450
1999	71,400	no limit	7.650	5.350	0.850	1.450
2000	74,100	no limit	7.650	5.300	0.900	1.450
2001	76,800	no limit	7.650	5.300	0.900	1.450
2002	79,800	no limit	7.650	5.300	0.900	1.450

Source: 1996 Trustees Reports and President's Budget.

PAYROLL TAX DATA FOR EMPLOYEES AND EMPLOYERS

Year	Maximum annual contribution			
	Total	OASI	DI	HI
1950	45	45	n/a	n/a
1951	54	54	n/a	n/a
1952	54	54	n/a	n/a
1953	54	54	n/a	n/a
1954	72	72	n/a	n/a
1955	84	84	n/a	n/a
1956	84	84	n/a	n/a
1957	95	84	11	n/a
1958	95	84	11	n/a
1959	120	108	12	n/a
1960	144	132	12	n/a
1961	144	132	12	n/a
1962	150	138	12	n/a
1963	174	162	12	n/a
1964	174	162	12	n/a
1965	174	162	12	n/a
1966	277	231	23	23
1967	290	234	23	33
1968	343	259	37	47

PAYROLL TAX DATA FOR EMPLOYEES AND EMPLOYERS—Continued

Year	Maximum annual contribution			
	Total	OASI	DI	HI
1969	374	291	37	47
1970	374	285	43	47
1971	406	316	43	47
1972	468	365	50	54
1973	632	464	59	108
1974	772	578	76	119
1975	825	617	81	127
1976	895	669	88	138
1977	965	722	95	149
1978	1,071	757	137	177
1979	1,404	992	172	240
1980	1,588	1,171	145	272
1981	1,975	1,396	193	386
1982	2,171	1,482	267	421
1983	2,392	1,705	223	464
1984	2,646	1,966	189	491
1985	2,792	2,059	198	535
1986	3,003	2,184	210	609
1987	3,132	2,278	219	635
1988	3,380	2,489	239	653
1989	3,605	2,654	254	696
1990	3,924	2,873	308	744
1991	4,085	2,990	320	774
1992	4,246	3,108	333	805
1993	4,406	3,226	346	835
*1994	4,636	3,188	570	879
*1995	4,682	3,219	575	887
*1996	4,797	3,298	589	909
*1997	5,003	3,499	556	948
*1998	5,256	3,675	584	996
*1999	5,462	3,820	607	1,035
*2000	5,669	3,927	667	1,074
*2001	5,875	4,070	691	1,114
*2002	6,105	4,229	718	1,157

*=The table computes the maximum HI tax contribution based upon the OASDI wage base, even though the HI wage base was higher than the OASDI wage base in 1991, 1992, and 1993 and eliminated thereafter.

Source: 1996 Trustees Reports & President's Budget.

Mr. NICKLES. Mr. President, I ask unanimous consent to have printed in the RECORD a chart showing the Medicare eligibility age as to what it is today and what it will be should this amendment be adopted.

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

MEDICARE ELIGIBILITY AGE

Age today—	Born in—	Current law (years)	Proposed	Change
Over 65	Before 1931	65	65 y	None
Over 65	Before 1932	65	65 y	None
Over 64	Before 1933	65	65 y	None
Over 63	Before 1934	65	65 y	None
Over 62	Before 1935	65	65 y	None
Over 61	Before 1936	65	65 y	None
Over 60	Before 1937	65	65 y	None
Over 59	Before 1938	65	65 y	None
Over 58	Before 1939	65	65 y 2 m	+2 months
Over 57	Before 1940	65	65 y 4 m	+4 months
Over 56	Before 1941	65	65 y 6 m	+6 months
Over 55	Before 1942	65	65 y 8 m	+8 months
Over 54	Before 1943	65	65 y 10 m	+10 months
Over 53	Before 1944	65	66 y 0 m	+1 year
Over 52	Before 1945	65	66 y 0 m	+1 year
Over 51	Before 1946	65	66 y 0 m	+1 year
Over 50	Before 1947	65	66 y 0 m	+1 year
Over 49	Before 1948	65	66 y 0 m	+1 year
Over 48	Before 1949	65	66 y 0 m	+1 year
Over 47	Before 1950	65	66 y 0 m	+1 year
Over 46	Before 1951	65	66 y 0 m	+1 year
Over 45	Before 1952	65	66 y 0 m	+1 year
Over 44	Before 1953	65	66 y 0 m	+1 year
Over 43	Before 1954	65	66 y 0 m	+1 year
Over 42	Before 1955	65	66 y 0 m	+1 year
Over 41	Before 1956	65	66 y 2 m	+1 yr 2 months
Over 40	Before 1957	65	66 y 4 m	+1 yr 4 months
Over 39	Before 1958	65	66 y 6 m	+1 yr 6 months
Over 38	Before 1959	65	66 y 8 m	+1 yr 8 months
Over 37	Before 1960	65	66 y 10 m	+1 yr 10 months
36 and under	Before 1997	65	67 y 0 m	+2 years

Mr. NICKLES. Mr. President, I urge my colleagues, let's have a bipartisan vote for responsibilities not to score some points, but really try to make sure Medicare funds will be there when promised. I yield the floor.

The PRESIDING OFFICER. All time has expired on the motion to waive.

Mr. LAUTENBERG. Mr. President, I yield 4 minutes off the bill to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota is recognized.

Mr. WELLSTONE. I am pleased to follow the Senator from California, if that would be all right.

Mrs. BOXER. Just 1 minute.

Mr. LAUTENBERG. Fine. The Senator from California can have 1 minute.

Mrs. BOXER. Just 1 minute.

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

Mrs. BOXER. Mr. President, I thank my colleague for yielding. People are living longer, so what are we doing about that? We are punishing them in the committee bill, saying, ''You're living longer, therefore, you have to

wait until you are 67 to get onto Medicare.''

I say to my colleagues, why do you think people are living longer? Because we have Medicare. In the old days, we didn't have it and people got very, very sick. Take a look at Russia. The average man there lives to 58 because they have no access to health care. People are living longer because they go to a doctor early, they don't wait for a crisis. They get preventive care, and what this bill does is say, ''American people, you're living too long, we're going to have to send this back.'' Do we want to go back to when people died at 58 and 60? Then you will really have a strong Medicare Program because no one will be able to use it. Thank you, I yield the floor.

The PRESIDING OFFICER. Who yields time?

Mr. WELLSTONE addressed the Chair.

Mr. LAUTENBERG. I yield 4 minutes to the Senator from Minnesota.

The PRESIDING OFFICER. The Senator from Minnesota is recognized for 4 minutes.

Mr. WELLSTONE. I thank the Chair, and I thank the Senator from New Jersey.

Mr. President, just two points in 4 minutes, the first one being, I was listening to my colleague from Oklahoma, and I know he had to leave the floor, but I heard him say this has not been scored and it has nothing to do with the tax cuts. But, I think only here in the Senate do we sort of decontextualize what we are doing. I don't think most people in the country do. Most people in the country see a clear connection between the reconciliation bill on tax cuts, the lion's share of benefits going to the very top of the population and, at the same time, what is, indeed, the functional equivalent of a cut in Medicare benefits.

I am troubled by the discussion because, Mr. President, I think that what some of my colleagues are talking about in the name of saving or preserving Medicare will have just the opposite effect. Maybe that is the problem. We do it on a reconciliation bill, there is not a lot of time, and we don't really know what the consequences are of what we are doing. But, I will suggest to you that if we are serious about cost containment and we are serious about what we need to do to deal with the estimates of how many people will be living to be over 65 and 85 when we get to the year 2030 and, at the same time, how many people are working, and all of what has been presented here by way of demography, then what we will do is not just focus on Medicare, we will go back to looking at this overall health care system, and we will figure out ways in which we contain costs so that, indeed, we can provide decent health care coverage, not just to the elderly but to other citizens as well.

What we are doing now, philosophically, is we are moving in exactly the opposite direction. Whatever happened here? Just a couple of years ago, we were talking about Medicare for all. We were saying that we ought to make sure that other people have the same opportunities as elderly people. Now what we seem to be doing is saying, My gosh, there are some people in the country who don't have good coverage; what we now need to do is downsize Medicare instead of improving Medicare and improving health care for people in this country. It makes no sense whatsoever.

Mr. President, this is a huge mistake—a huge mistake. We ought to be talking about providing good health care coverage for elderly people. We ought to be talking about keeping this as a universal coverage program. We ought to be talking about health care reform systemwide. And we ought to be talking about not downsizing Medicare but, as a matter of fact, taking this very good program and making sure that all of our citizens have the opportunity for decent health care coverage.

This proposal coming out of the Finance Committee takes us exactly in the wrong direction. It is profoundly mistaken, and I thank Senator DURBIN for his leadership and am proud to support his effort. I yield the floor.

Mr. COATS addressed the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. COATS. I wonder if the Senator from Delaware will yield me a couple of minutes off his time?

Mr. ROTH. I yield 2 minutes off the bill.

The PRESIDING OFFICER. The Senator from Indiana is recognized for 2 minutes.

Mr. COATS. Mr. President, I was sitting in the Chair and listening to the debate and listening just now. I came to the Congress in 1980, and one of the first issues we tried to do was the pending Social Security problem.

Over an 18-year period of time, we have been debating Medicare and Social Security and what changes need to be made to guarantee solvency for the future. I don't think there is any Member on this floor who doesn't understand the facts. The trustees have reported over and over, we have had commissions, we have had demographers, we have had politicians—everybody has been talking about the problem that we all know is coming very, very soon: The problem that if we don't make structural changes within the programs, we are going to face imminent collapse of the system. It just can't sustain. The numbers are clear to everybody.

There are a number of ways to fix it. As the Senator from Pennsylvania said, we can raise taxes, cut spending, impose penalties on providers. I find it somewhat stunning that a proposed phase in of a fix—which doesn't fix the problem, it defers the problem for another 10 years so the Congress in 2008 can deal with it as we are dealing with it here and every Congress before that—something that phases in over a period of 24 years that basically doesn't affect anybody in the current system, raises such a level of passion as if we are destroying the program.

We are going to probably lose this vote. We will have postponed for the umpteenth time any solution proposed by anybody. No matter what is suggested, it is rejected. I have seen dozens of proposals out here. Every one rejected. The language always turns to—well, I don't want to use the word demagoguery—it always turns to pitting one class against another class, and those who are trying to get a fix proposed basically are labeled as people who want to destroy the system. Actually, they want to save the system.

I don't think we have the political will to do it. Probably when the system collapses or is near collapse, the people will rise up and demand their representatives do something. I hope they look back at the record of all those who tried to do something over 18 years and, basically, were shouted down in the process time after time after time. We will undoubtedly lose this one, too. We will move on. Hopefully, we will get to the brink of collapse sooner rather than later, so it will not cost as much to fix it.

The PRESIDING OFFICER. Who yields time?

Mr. LAUTENBERG. Mr. President, I yield 5 minutes off the bill to the Senator from Illinois.

The PRESIDING OFFICER. The Senator from Illinois is recognized.

Mr. DURBIN. Mr. President, I thank my colleague from New Jersey.

So it is understood what we are debating, there is a provision in this bill which would raise the eligibility age for Medicare from 65 to 67. There are those of us who think that is unwarranted and are opposing it and there are those, of course, who are defending it.

It is interesting to me to consider what we are debating here. Five years ago, we debated on Capitol Hill the premise that not enough Americans had health insurance. Forty million Americans uninsured, millions underinsured, what would we do as a nation? Would we rise to the challenge? Would we come to the rescue of these families and individuals? We debated it long and hard, and we failed.

When it was all said and done, nothing was done. A lot of ridicule and scorn was heaped on the White House and the First Lady and nothing happened.

So 5 years later, we return to the debate of health insurance coverage, but this time with a different premise. Instead of helping more people receive insurance coverage, we now have in this bill a proposal to take more people off insurance coverage.

Have we come full circle? Five years later, there is a proposal to increase the eligibility age for Medicare from 65 to 67, and the younger Members of the Senate stand over there and say, ''People can prepare for it, people can get used to it, people can save for it.''

Think of the real-life challenges. Someone I know personally at age 60 retired from management in a company in California with health care benefits and a gold watch. Along came some changes in management, a little downsizing, and guess what? They sent him a letter saying, ''Sorry, no more health insurance for you as a retiree from the management of our company.'' As he received the letter, he started having heart problems, two different heart surgeries, and this individual who had derided big Government programs overtaking your lives started counting the days until he would be eligible for Medicare, realizing that uninsured and uninsurable, he had no protection.

What is the proposal in the Finance Committee? Let him hang out for another 24 months, let him count another 24 months and days wondering if he can live long enough to be covered by Medicare. It is shameful. It is shameful that we have not preceded this debate with a discussion about how we will provide more coverage for people across America.

They want to create a commission in this bill to study the problem, and we should. One of the provisions the commission is supposed to study is whether or not to extend Medicare to those age 62 and beyond. But before the commission comes back and reports, the Finance Committee would say to us, before we know what the fix is for Medicare, let's start with the premise that we are going to raise the retirement age, let's start with the premise that people will pay more out of pocket, and then let's talk about reform of Medicare.

Excuse me; excuse me. This program was designed to help people in their retirement. It has worked. It is successful. Some of my friends on the other side resent it because it is a Government program that people respect and admire. For them to now have a shot at raising this retirement age to age 67 is unfortunately going to put more people in the lurch. People who have made their plans and want to make them cannot anticipate whether they will be wealthy enough to pay for hospitalization insurance, whether they will be healthy enough to take care of themselves. Instead, we should be providing protection. What we are doing is putting more and more people into jeopardy. I think that is shameless.

Look at this, too. This comes to us as part of a debate about a tax cut. This was supposed to be a tax cut that families across America would cheer. Which family will cheer the prospect of 2 more years of uninsurability under health insurance? You and I know we value this as much as anything.

When my young daughter, fresh out of college, got a new job, the first thing her dad asked was, ''What about health insurance, Jennifer?''

''Oh, dad, I have a little bit of this and a little bit of that.'' And I worry about it every step of the way. She is a healthy young woman, but think about a situation where you are 60 or 62 and you are not healthy, you don't have insurance, and it costs $10,000 a year out of your pocket. The folks in the Finance Committee say this is part of reform, this is responsible, this is compassion, this is courageous. I'm sorry, this is just plain wrong.

Let us have a national debate to make sure that Medicare is there for decades to come for everyone who needs it. Let us say to the high school classes that are skeptical, yes, you have to sign up to help your parents and grandparents, as your children will sign up to help you. It is part of America. It is part of our responsibility as a family in America. Instead, we have these potshots at Medicare to raise the retirement age to 67 without so much as a suggestion of what it will mean to the American family. This is wrong. We should defeat it.

I urge my colleagues to join me in opposing the motion to waive the budget agreement.

The PRESIDING OFFICER. The Senate Democratic leader.

Mr. DASCHLE. I will use my leader time to address the amendment.

I rise to associate myself with the remarks so eloquently made by the distinguished Senator from Illinois. He speaks for many of us and has done so on several occasions.

This issue really does define us. It is an issue that, in many respects, reflects our party's approach to the larger issue of access to health care in this country. Year after year and time after time in Congress after Congress many of us have come to the floor expressing a desire to expand ways to protect people from the serious problems they face when they have inadequate health coverage.

Many of us have had personal family experiences in recent times that personalize this issue for us. Those of us who have parents who have suffered as a result of illnesses can thank our predecessors for the foresight they demonstrated in bringing Medicare to people that otherwise would not have had any health coverage. Indeed, other provisions of this legislation recognize the importance of expanding health coverage by encouraging States to find new ways to insure children. So how ironic, at the very time we are expanding health care for one segment of our population we are taking it away from another. How ironic.

Mr. President, this is too important an issue to be left to a brief debate on an amendment in a reconciliation bill. This ought to be the subject of a weeklong debate. We ought to be debating this in depth, debating all of the ramifications of this amendment, because this issue is as important as they get.

This legislation essentially tells millions of Americans that their coverage is no longer available to them, at the very time when they need it the most.

As many of my colleagues have noted, we have hundreds if not thousands of companies that have mandatory retirement at age 65, and along with that retirement comes a termination of health benefits. What is going to happen to these people? What is our message to them?

Now, if we had done the right thing a few years ago and ensured that everybody, regardless of age, had access to health care, I probably would not be standing here at this moment. But we did not do that. Instead, we said we will address this problem step by step, that we will find ways to expand coverage incrementally. Never once did I hear anybody come to the floor and say we should be taking insurance away from people.

Mr. President, I cannot support an effort that will increase the number of uninsured Americans. I cannot be a part of it. I hope that my colleagues on this Senate floor, before they vote, will think about what it means for millions of people who are watching right now, hoping that we have the good sense not to take away the only option they will have for good health care in the future. This is a critical vote. I hope all of my colleagues will weigh very carefully all of the consequences of this legislation prior to the time they cast their vote.

I yield the floor.

Mr. LAUTENBERG. I yield myself 3 minutes. Mr. President, a significant part of the discussion has been why it is that we do not, to use the expression, bite the bullet, get it going, set the program into place so that over the years this will work its way into the system and we will have done better by Medicare.

Well, Mr. President, I was the senior Democratic negotiator in developing the budget resolution, and we shook hands and we came to the consensus, and this bill before the Senate, part of the reconciliation package, now is supposed to put into place, as I understand it, the things that we agreed to in the extensive meetings that we had, including participants from the White House and the House of Representatives, as well.

Having gotten that into place, suddenly now we are approached with something that I describe and Senator KERRY from Massachusetts before described as coming in from nowhere, coming in from outer space. I say coming in from left field. Suddenly, we had a new proposition to consider whether or not we will say to those who are anticipating that their coverage would fall into place at age 65, well, no, we have a new kind of novel idea. We are going to extend it to age 67 and we want to get it into place now.

Mr. President, in the development of this bill, this big booklet I am holding, there is a chapter on commissions, and we say that the commission shall meet and within 12 months after their appointment—it is a 15-person commission, bipartisan in character, with 3 appointees by the President—we say in 1 year we will have a report, we will have recommendations. It is not going to be

done in a half hour or half day on the floor of the Senate. We are going to take good time and thoroughly review it. We will debate it, as our leader said just now, debate it, have hearings, review it, make sure we are all certain about what we want to do. But, no, suddenly that is too slow. We want, in reality, to take 20 or 30 years to develop it, but it has to be done today to kick it off. I think that is part of the absurdity of this, Mr. President.

I look at this legislation, and I am wondering what happened between the Finance Committee's final deliberation and this moment here.

We talk about the purpose of this. The purpose of this is purportedly to present more solvency to the Medicare Program. There is only one problem: The program will perhaps be more solvent, but more individuals will be insolvent. That will be the outcome. There is nothing more worrisome today—and I see it in conversations, social, business and otherwise—than any other time that I ever remember, people saying, ''I hope I don't lose my health insurance if my company closes down.''

I understand that even now in separation agreements in marital disputes that a part of the responsibility that is being asked of the income earner is, ''I want to be provided,'' says the person being left, ''with health insurance. I need to protect myself. I can't be there with the children and be exposed to a sickness or an accident.''

People worry about that all the time. People who have saved all their lives so they would have a little nest egg for retirement are saying, ''Wow, you see what it costs to be in the hospital these days, see what it costs to have an operation. It costs so much I would be bankrupt if I had to go through one of those things.''

We are dealing with a very sensitive issue, a very complicated issue. I hope, Mr. President, that all of our friends on the floor of the Senate will give this a chance for the commission to get to work to review it and not introduce this new—I will call it—extraneous subject, and I am not defining it in terms of the budget process but in terms of the place that it holds.

I hope we will work, Mr. President, not to permit the waiver of the budget agreement.

Mr. ROTH. Mr. President, I yield 5 minutes off the bill to the distinguished Senator from New York.

The PRESIDING OFFICER. The Senator from New York is recognized for 5 minutes.

Mr. MOYNIHAN. Mr. President, today the Senate is considering two important changes approved by the Finance Committee for the Medicare Program: increasing the eligibility age from 65 to 67, and increasing premiums for higher income beneficiaries. Raising the eligibility age will simply bring Medicare into line with the retirement age under Social Security. And means-testing the part B premium is in fact overdue.

I was a member of the administration of President Johnson when Medicare legislation was developed and enacted, and I remind Senators that at that time the part B provision for physician's bills was meant to be paid one-half by the individual and one-half out of general revenues—50–50.

In 1972, we limited the increase in the part B premium to the rate of increase in Social Security benefits, which are tied to the Consumer Price Index. Inasmuch as medical costs grew at a much faster rate than that, generally, of prices, that 50–50 share gradually dropped to what is now a quarter, 25 percent. In no way do we change that 25–75 arrangement that has emerged, but we do ask that high-income retired persons pay a higher premium. About 6 percent to 7 percent of retirees will be affected.

Retired couples with incomes under $75,000, will not in any way be affected; individuals with incomes under $50,000 will not in any way be affected. We are really only returning somewhat to the original intention and the original provisions of Medicare part B.

If my distinguished chairman would permit me, I yield the balance of my 5 minutes to the distinguished Senator from Louisiana.

Mr. ROTH. That is fine.

Mr. BREAUX. I thank the distinguished chairman and the distinguished ranking member. There is no easy answer to this problem. Everybody wants us to fix Medicare, but nobody wants us to do anything in order to fix it.

When you say, ''Do you want to increase premiums,'' everybody says no. When you say, ''Do you want to reduce benefits,'' everybody says no. When you say, ''Do you want to reduce payments of doctors and hospitals,'' they say no because they may not serve us any more. When we say, let's gradually, by the year 2027, forewarn people that that will be the eligible age of Medicare, we are now saying do not do that, either.

The fact is that in the year 2001 Medicare becomes insolvent. What are we going to tell the people then? Are we going to say we did not have the political courage to do anything, so there is no more Medicare available for anybody, regardless of age? That is what is facing us now. This is probably one of the easiest steps toward ensuring that Medicare will be solvent. There are no easy answers, and I suggest that this is one of the easier ones. If we do not have the political courage to do this, how are we going to handle the question about what happens when there is no more Medicare available for anyone?

I think this ought to be adopted.

Mr. ROTH. I yield back to the distinguished chairman of the Budget Committee.

Mr. DOMENICI. Mr. President, first, I apologize to the distinguished chairman for not being on the floor, but I understand that everybody did a great job. I wish I could have been here to listen to it all.

I had a chart printed in the RECORD. I do not think the numbers and years can be disputed off of this chart. I want to make sure everybody knows what this fight is about.

First of all, for anybody age 59, nothing changes. When you get to be 58, it will have changed by 2 months. If you are today 58, this has been changed by 2 months. If you are 57 today, it is changed by 4 months. If you are 56, it is changed by 6 months. If you are 55, it is 8 months, and if you are 54, it is 10 months.

Now, there is after that period of time if you are 53, 52, 51, 50, 49, 48, 47, 46, 45, 44, 43, 42, it is 1 year—1 year for all of those, 1 year. If you are 41 today, it is changed by 1 year and 2 months. If you are 40, it is 1 year and 4 months. I will skip to 37, where it is 1 year and 10 months, and if you are 36 or under, it is 2 years.

Those are the facts regarding the changes that are going to cause the insurmountable damage that has been alluded to here on the floor.

Let me repeat, these are the actuarial numbers and the numbers in this statute. They are not dreamed up; they are written. Essentially, it says what I have just said. Now, let me ask—somebody 59, there is no change, OK. So anybody talking about that, there is none. If you are 58, it is changed by 2 months. And then let us go all the way down to 42 years of age; it is changed by 1 year. So if you are 42 today, planning on getting Medicare when you come of age, instead of 65, it will be 66 for that person; is that right, Senator GRAMM?

Mr. GRAMM. That's right.

Mr. DOMENICI. A person 42, a 1-year change. If you are all the way down to 36 years of age, in order to have a Medicare that is solvent, it will be changed 2 years for you.

I ask unanimous consent that this chart be printed in the RECORD.

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

MEDICARE ELIGIBILITY AGE

Age today—	Born in—	Current law (years)	Proposed	Change
Over 65	Before 1931	65	65 y	None.
Over 65	Before 1932	65	65 y	None.
Over 64	Before 1933	65	65 y	None.

MEDICARE ELIGIBILITY AGE—Continued

Age today—	Born in—	Current law (years)	Proposed	Change
Over 63	Before 1934	65	65 y	None.
Over 62	Before 1935	65	65 y	None.
Over 61	Before 1936	65	65 y	None.
Over 60	Before 1937	65	65 y	None.
Over 59	Before 1938	65	65 y	None.
Over 58	Before 1939	65	65 y 2 m	+2 months.
Over 57	Before 1940	65	65 y 4 m	+4 months.
Over 56	Before 1941	65	65 y 6 m	+6 months.
Over 55	Before 1942	65	65 y 8 m	+8 months.
Over 54	Before 1943	65	65 y 10 m	+10 months.
Over 53	Before 1944	65	66 y 0 m	+1 year.
Over 52	Before 1945	65	66 y 0 m	+1 year.
Over 51	Before 1946	65	66 y 0 m	+1 year.
Over 50	Before 1947	65	66 y 0 m	+1 year.
Over 49	Before 1948	65	66 y 0 m	+1 year.
Over 48	Before 1949	65	66 y 0 m	+1 year.
Over 47	Before 1950	65	66 y 0 m	+1 year.
Over 46	Before 1951	65	66 y 0 m	+1 year.
Over 45	Before 1952	65	66 y 0 m	+1 year.
Over 44	Before 1953	65	66 y 0 m	+1 year.
Over 43	Before 1954	65	66 y 0 m	+1 year.
Over 42	Before 1955	65	66 y 0 m	+1 year.
Over 41	Before 1956	65	66 y 2 m	+1 yr 2 months.
Over 40	Before 1957	65	66 y 4 m	+1 yr 4 months.
Over 39	Before 1958	65	66 y 6 m	+1 yr 6 months.
Over 38	Before 1959	65	66 y 8 m	+1 yr 8 months.
Over 37	Before 1960	65	66 y 10 m	+1 yr 10 months.
36 and under	Before 1977	65	67 y 0 m	+2 years.

Mr. DURBIN. Will the Senator yield?

Mr. DOMENICI. Yes.

Mr. DURBIN. I would like to ask the Senator a question. At age 65, how long would you be willing to go without insurance if you had a medical problem and you realize that your medical bills could bankrupt your family and squander your family savings?

Mr. DOMENICI. I will answer that for the Senator. If you are 36 years of age and you start planning for this and then you are 65 years of age and you still don't have coverage between 65 and 67, then something is wrong with you. You have 31 years to get ready for it. If you are 65 today, you don't even get any impact.

Mr. DURBIN. Will the Senator yield further?

Mr. DOMENICI. Yes.

Mr. DURBIN. Is the Senator suggesting that we pass a law to guarantee that insurance be available to every one at age 65?

Mr. DOMENICI. I might say we didn't pass any that required 65; it just happened because it is reasonable. People are working longer. They are going to be working longer than 65. They are going to have coverage everyplace. You are suggesting they are going to be denied coverage because we say you have to wait a year 25 years from now?

Mr. DURBIN. If the Senator will yield further, 70 percent of the people of age 65 today have no health insurance. The Senator suggests it is just going to vanish. This is reality, what families face.

Mr. DOMENICI. If there are people 65 who don't have any health coverage, then I assume they don't have Medicare. If they don't have Medicare, that is going to be the same situation later on. There is no difference.

Mr. DURBIN. Will the Senator yield?

Mr. DOMENICI. Of course.

Mr. DURBIN. The point I am trying to make is that of the people between ages 60 and 65, 30 percent of them have health insurance through employment and 70 percent do not. These are people who are retiring without health insurance. The Senator is suggesting this is going to get better automatically. I don't think so.

Mr. DOMENICI. Well, Mr. President, I am suggesting that for those people who are covered by Medicare today and those who are going to be covered by it in the future, it has been discussed on the floor of the Senate today that people are going to be shocked and they are going to have no insurance. I submit, if you are 36 years of age now, when you get to be 65, you will have 2 years added. So for people 36 years of age, it will be 67. How do any of the arguments made about not having coverage apply to that? Are they not going to have coverage? Of course, they are. If they have Medicare today, they are going to be working 16, 18 years from now, too—unless we assume everybody is no longer going to work, so you won't even qualify. Frankly, maybe we will not do this before the time this finishes conference. I don't know. The House didn't do it.

But all I am trying to say is, if this is a major issue between the two parties—and luckily it isn't because some Democrats have the courage to face up to the truth—so no matter how much the leader on that side says this is distinguishing between the parties, there are some Democrats who agree with us. If it is being said that this is going to just annihilate senior citizens, I thought we ought to put a chart in and let Americans look at it. Let's ask a 36-year-old, would you rather have a chance of having Medicare solvent so it will be there for you? Or would you rather insist that when you get to be 65, you get it, even if we were to tell you we greatly enhanced the chance of it being there if you wait until 67? If it is a chasm between our parties, let me suggest that it is a little, tiny chasm. It has nothing to do with great philosophical differences about who is for seniors and who is against them. That is just rubbish.

I yield the floor.

Mr. KERRY. Will the Senator yield for a minute?

Mr. LAUTENBERG. I yield time to the Senator from Massachusetts for 1 minute because this debate is just about over.

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

Mr. KERRY. I wanted to ask the Senator a question. I think there are two truths here. I don't think the gap is that great. All of us accept the fact that the demographics are changing. We accept the fact that we are going to have to do something. We accept the fact that people are living longer. You are going to have an increasing number retiring that we don't have a sufficient capacity to cover. We understand that.

But the other truth is the truth that the Senator from Illinois spoke of—the fact that you have this very large proportion of people today who aren't covered and who haven't reached the age of eligibility. The question that is avoided by the Senator from New Mexico, which would bridge the gap, is: How do you guarantee, as you raise the age, that you are not going to lose more people in that gap? That is the only issue that separates us. As I have talked to colleagues on the other side of the aisle, they have agreed that the commission will probably recommend that solution. We could have provided some kind of capacity for a stopgap and we would all walk out of here having done the right thing, but also having guaranteed that we are not going to lose more people without coverage.

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

All time having expired, the question now occurs on the Roth motion to waive the Budget Act in response to the point of order of the Senator from Illinois. The yeas and nays have been ordered.

The clerk will call the roll.

The assistant legislative clerk called the roll.

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

The yeas and nays resulted—yeas 62, nays 38, as follows:

[Rollcall Vote No. 112 Leg.]

YEAS—62

Abraham	Frist	Lugar
Allard	Glenn	Mack
Ashcroft	Gorton	McCain
Baucus	Graham	McConnell
Bennett	Gramm	Moynihan
Bond	Grams	Murkowski
Breaux	Grassley	Nickles
Brownback	Gregg	Robb
Bryan	Hagel	Roberts
Burns	Hatch	Roth
Campbell	Helms	Santorum
Chafee	Hutchinson	Sessions
Coats	Hutchison	Shelby
Cochran	Inhofe	Smith (NH)
Conrad	Jeffords	Smith (OR)
Craig	Kempthorne	Stevens
DeWine	Kerrey	Thomas
Domenici	Kohl	Thompson
Enzi	Kyl	Thurmond
Faircloth	Lieberman	Warner
Feinstein	Lott	

NAYS—38

Akaka	Durbin	Mikulski
Biden	Feingold	Moseley-Braun
Bingaman	Ford	Murray
Boxer	Harkin	Reed
Bumpers	Hollings	Reid
Byrd	Inouye	Rockefeller
Cleland	Johnson	Sarbanes
Collins	Kennedy	Snowe
Coverdell	Kerry	Specter
D'Amato	Landrieu	Torricelli
Daschle	Lautenberg	Wellstone
Dodd	Leahy	Wyden
Dorgan	Levin	

The PRESIDING OFFICER. On this vote the yeas are 62, the nays are 38. Three-fifths of the Senators duly chosen and sworn having voted in the affirmative, the motion is agreed to.

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

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

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question occurs on the Harkin amendment, amendment No. 428. The Senator from New Mexico is recognized. May we have order, please?

Mr. DOMENICI. Mr. President, I ask unanimous consent that the pending amendment be set aside so that we may proceed with a committee amendment with reference to means testing. I believe this process has been cleared with the manager on the Democratic side.

The PRESIDING OFFICER. Is there objection? Hearing none, it is so ordered.

Mr. DOMENICI. I yield time on the amendment which will be sent to the floor by Chairman ROTH, I yield time to manage it under the Budget Act to the chairman.

The PRESIDING OFFICER. The Senator from Delaware.

AMENDMENT NO. 434

[Purpose: To provide for an income-related reduction in the subsidy provided to individuals under part B of title XVIII of the Social Security Act, and to provide for a demonstration project on an income-related part B deductible]

Mr. ROTH. Mr. President, I send an amendment to the desk on behalf of Senator MOYNIHAN and myself.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Delaware [Mr. ROTH], for himself and Mr. MOYNIHAN, proposes an amendment numbered 434.

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

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. ROTH. Mr. President, this amendment does two important things. First, it would raise part B premiums for seniors who could afford to pay more. Second, the amendment would provide new part B premium assistance for low-income beneficiaries. Regarding the income-related premium, the amendment would reduce the Federal subsidy of part B premiums—

The PRESIDING OFFICER. Will the Senator withhold for a moment, please? The Senate will please come to order so we can hear the substance of the amendment.

The Senator may proceed.

Mr. ROTH. Mr. President, as I was saying, regarding the income-related premium, the amendment would reduce the Federal subsidy of part B premiums for some seniors. Today, the Federal Government pays 75 percent of the cost of the part B program and Medicare beneficiaries pay just 25 percent. The Federal Government funds part B, which is a voluntary program, and pays for such things as doctors' bills out of general tax revenues which are raised from all taxpayers, rich, poor, and middle income. This amendment would require those single seniors with incomes of $50,000, to pay a bit more for part B; single seniors with incomes over $100,000 paying all of their share of part B costs.

The corresponding income range for couples would be $75,000 to $125,000. But, even under this proposed increase, the cost of participation in part B will remain relatively modest. Next year, it would cost a senior with an income of $100,000, paying his or her entire share of part B costs, an additional $1,620. The savings from this amendment would go into part A trust fund, helping to ensure its continuing solvency. In addition, the amendment would provide premium assistance for more low-income seniors. Today, for poorest seniors, those individuals with incomes below 120 percent of poverty, part B premiums are paid by Medicaid. The amendment would give States additional funds to help seniors with incomes between 120 and 150 percent of poverty. This amendment meets the terms of the budget agreement which provided for $1.5 billion in additional premium assistance for low-income beneficiaries over the next 5 years. In short, this amendment helps protect the most vulnerable seniors and keeps our word with the President.

Mr. President, I ask this amendment be adopted and considered original text for purposes of amendments.

The PRESIDING OFFICER. Could we have a little more order around the outside periphery here, please, so we can hear the proceedings? Will staff please take their conversations in the cloakroom.

The Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, the Senator from Delaware, the chairman of the Finance Committee, just gave us an assurance that the text here will be considered original text for the purpose of further amendment. It is acceptable on our side. This amendment, as we have heard, just to repeat for a moment, has three major elements. It includes $1.5 billion to protect low-income individuals with incomes that are up to 120 percent of poverty from having to pay additional premiums in the future. This provision is designed to bring the bill into compliance with the bipartisan budget agreement. The amendment also would change the means-tested deductible into a means-tested premium. This is in response to the broad criticism of the Finance Committee's original bill as unworkable and inequitable. However, I want to make it clear that I intend to support a motion that we are going to hear about shortly to strike the means-tested premium.

Finally, the amendment includes a modest initiative to explore the concept of a means-tested deductible. This is a very limited test that would not force any seniors to pay a means-tested deductible but would allow a very small number of them to do so, rather than paying a higher premium.

So we are again willing to accept this amendment.

Mr. ROTH. Mr. President, I urge its adoption.

The PRESIDING OFFICER. If there be no further debate, the question is on agreeing to the amendment.

The amendment (No. 434) was agreed to.

Mr. LAUTENBERG. Mr. President, I move we reconsider and then lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The Senator from Massachusetts.

AMENDMENT NO. 440

(Purpose: (1) To strike income-relating of the Medicare part B premiums and deductibles; (2) to delay the effective date of income-relating of the Medicare part B premiums and deductibles; and (3) to means-test Senatorial health benefits in the same way as the bill means-tests Medicare part B premiums and deductibles)

Mr. KENNEDY. Mr. President, I send an amendment to the desk on behalf of myself and the Senator from Maryland, Senator MIKULSKI——

The PRESIDING OFFICER. The Harkin amendment is pending.

Mr. KENNEDY. I ask that be laid aside.

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

The clerk will report.

The bill clerk read as follows:

The Senator from Massachusetts [Mr. KENNEDY], for himself and Ms. MIKULSKI, proposes an amendment numbered 440.

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

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

The amendment is as follows:

Strike section 5542.

In section 5542(d)(1), strike ''1998'' and insert ''2000''.

On page 1047, between lines 5 and 6, insert the following:

SEC. 6004. MEDICARE MEANS TESTING STANDARD APPLICABLE TO SENATORS' HEALTH COVERAGE UNDER THE FEHBP.

(a) PURPOSE.—The purpose of this section is to apply the Medicare means testing requirements for part B premiums to individuals with adjusted gross incomes in excess of $100,000 as enacted under section 5542 of this Act, to United States Senators with respect to their employee contributions and Government contributions under the Federal Employees Health Benefits Program.

(b) IN GENERAL.—Section 8906 of title 5, United States Code, is amended by adding at the end the following:

''(j) Notwithstanding any other provision of this section, each employee who is a Senator and is paid at an annual rate of pay exceeding $100,000 shall pay the employee contribution and the full amount of the Government contribution which applies under this section. The Secretary of the Senate shall deduct and withhold the contributions required under this section and deposit such contributions in the Employees Health Benefits Fund.''.

(c) EFFECTIVE DATE.—This section shall take effect on the first day of the first pay period beginning on or after the date of enactment of this Act.

Mr. KENNEDY. Mr. President, I demand a division of the amendment as follows: Division I being line 1, division II being line 2, and division III being the balance of the amendment.

Mr. President, I will be glad to withhold that request as long as I do not lose the right to do so.

The PRESIDING OFFICER. The Senator has a right to divide his amendment.

Mr. KENNEDY. I thank the Chair. Let me just explain.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I make a point of order a quorum is not present.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mr. DOMENICI. Now, Mr. President, might I ask a parliamentary inquiry. I understand—and is my understanding correct—that the second amendment is subject to a point of order?

The PRESIDING OFFICER. Yes, it is.

Mr. DOMENICI. Then I propose that we do the following, and I think it is going to be acceptable, that we not have a vote on the third amendment but, rather, accept it, and then that we proceed thereafter with debate on the first amendment. And I would ask on the first amendment could we have a half-hour on each side?

Mr. KENNEDY. A half-hour on each side.

Mr. DOMENICI. On the first one. And on the second one, when the point of order is made on the motion, you would move to waive it, I assume?

Mr. KENNEDY. Yes.

Mr. DOMENICI. How much time does the Senator want on that?

Mr. KENNEDY. Half an hour on a side.

Mr. DOMENICI. Could we do 15 minutes on a side?

Mr. KENNEDY. Half an hour on that.

Mr. DOMENICI. Let us say not more than. And you could maybe do it in less.

Mr. KENNEDY. That is fine.

Mr. DOMENICI. I put that unanimous-consent request to the Chair.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. DOMENICI. I reinstate my previous allocation on the time and management to the chairman of the Finance Committee.

VOTE ON AMENDMENT NO. 440—DIVISION III

The PRESIDING OFFICER. The question then is on agreeing to division III of amendment No. 440.

The amendment (No. 440), Division III was agreed to.

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

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 440—DIVISION I

The PRESIDING OFFICER. The question now is on agreeing to division I.

Mr. KENNEDY addressed the Chair.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. As I understand now there is a half-hour on each side?

The PRESIDING OFFICER. That is correct.

Mr. KENNEDY. I yield myself 6 minutes, Mr. President.

This is what I consider another real assault on the Medicare-health care concept that has served the American people so well. I think the two great experiments we have seen that have taken place since the 1930's have been Social Security and also Medicare. We understand now that the Medicare trust fund needs attention. The President has made the recommendation that we have a period where we would have the opportunity to have a thorough discussion and debate about what steps must be taken in order to remedy the long-term financial needs of Medicare.

That was what was recommended to go to conference and come back with recommendations to work that process through. What we have here in this particular Medicare proposal is not really dissimilar in many respects to some of the other proposals, and that is it has a very fundamental change in the whole Medicare system. It has this important change.

For years, under the Medicare system, it was a universal system in the sense that people would pay in all across this Nation, needy people, poor people paid in and wealthy people paid in and people received the benefits under the Medicare system. Now that concept is being challenged and I believe undermined in a very important way for this reason. We are using under the recommendation of the Finance Committee effectively a means test for those of certain incomes—above the $50,000 as individuals or $75,000 up to $100,000 and up to $125,000. That means that there will be an increase in the various premiums and the ability to pay.

Now, that will go into effect in another year. First of all, what is the message that this sends to hundreds and thousands, millions of Americans who are earning $50,000 a year and just about to go on Medicare? We are saying to them that their premiums are going to rise from $64 a month—it will rise in the current proposal by $2,000. It can rise under this proposal from $259.60 a month up to $3,100 a year for those at $100,000. We are saying to senior citizens this is going to be put upon you. They had little time to prepare for it, little time to plan for it.

Mr. President, $50,000 is a lot of money but for many Americans it is right there in the heart of working families with two members of the family working. So we are saying—and this is the fundamental point—the first means test that we are going to provide on health care is going to be Medicare. We are not providing means tests for the deductibility of health insurance for the self-employed, the doctors and professional personnel, as well as some others in our society. We are not saying we are going to means test your particular health benefits. We are not saying to the wealthiest individuals who are going to be able to use the tax system to provide a deduction for their health benefits, we are not saying we are going to means test you. No. The only people we are going to means test are those under Medicare. That is the only group. We do not do it to those individuals who are self-employed. We do not do it to individuals who are deducting under much more costly health care programs. We are saying it's all right for you to go ahead and deduct and let the taxpayers pick up your deduction. We are saying, with regard to the self-insured, the same thing, but not with regard to Medicare—not with regard to Medicare.

Now, what is going to be the result of this? Mr. President, what you are going to find out is that the wealthy individuals who participate in the Medicare system—listen to this. Those with the highest incomes, the top 25 percent

under Medicare will pay about $159,000 more than they will collect in benefits. Do we understand that? The top 25 percent—that is what you are looking at in this particular amendment—they pay in $159,000 more than they collect in benefits. In contrast, those in the lowest income category, the bottom 25 percent collect $72,000 more in benefits than they will pay in taxes.

That is the current system. So it would seem to me that we ought to give some consideration to those individuals from $50,000 to $100,000 who have been paying into Medicare, because they have been paying in more than they are paying out.

What are the financial implications of that loss? What we are going to see, when any individual is going to be paying $3,100 a year in terms of premiums, they are going to leave the system. They are going to leave the system. We don't have any studies on that. We have no guidance, no professional advice as to the extent they are going to leave the system, how fast they are going to leave the system, but they are going to leave the system.

The PRESIDING OFFICER. The Senator's 6 minutes have expired.

Mr. KENNEDY. I yield myself 2 more minutes.

So we are taking a high-risk kind of approach on something which is very basic and fundamental, and that is the integrity of the Medicare system.

By means testing this premium, we are endangering the total Medicare system, because those who are contributing the most and adding to the Medicare system which needs those funds are going to leave the health care system. We have not had 5 minutes of hearings on the implication of this program to the Medicare trust fund.

Beyond that, what we are saying is, of all the people in this country who are going to be means tested, it is going to be those individuals, working families, men and women who played by the rules, contributed to Medicare over the course of their lives, depending on the Medicare system, they are going to find that they are the first beneficiaries to whom the means test is applied.

It is wrong in terms of the Medicare system. It is wrong in terms of a health care policy. I don't know what it is about the Senate Finance Committee. They are trying to drive more and more people out of Medicare health care coverage. They are doing it by raising the age of eligibility, and they are doing it with regard to this particular program. I can understand why some would want to do it, because they want to ship people out of Medicare and into the private insurance market so they can make profits in Medicare. We are endangering Medicare and taking a high risk. It is the wrong economic policy. It is the wrong health policy. I hope the amendment will be accepted.

I yield 8 minutes to the Senator from Maryland.

The PRESIDING OFFICER. The Senator from Maryland.

Ms. MIKULSKI. Mr. President, I thank the Senator from Massachusetts. I rise to support the Kennedy-Mikulski amendment, and I am proud to be an original cosponsor of this amendment. This amendment strikes the Medicare means-testing provision in this bill. I am adamantly opposed to Medicare means testing. I have two very grave concerns about the legislation pending. First, it breaks the bonds of faith between the people and their Government. Second, it overturns 30 years of Medicare in 3 days, without any hearings and no real debate.

This bill breaks faith with seniors. It breaks faith with workers currently paying into Medicare. This bill says if you paid into Medicare under one set of rules, you are going to receive your benefits under a completely different set of rules. The bill penalizes those who work hard, save and try to play by the rules.

This bill puts a previous condition on getting Medicare benefits: the money you saved. It tells the American people that their savings account counts against them when they are ready for Medicare.

I believe that promises made must be promises kept. This bill breaks that promise.

If I were a financial planner, I would advise the senior citizens in Maryland, ''Go to Ocean City for a vacation, buy a big car, live it up. Don't save your money for retirement, because the Government will take it away from you and increase Medicare deductibles, increase Medicare premiums and place a penalty on you for your savings. If you don't have any money, at least then you might qualify for Medicare.''

But I am not a financial planner. I am a U.S. Senator, and it is my job to stand sentry to protect Medicare.

Medicare was meant to be portable, affordable and undeniable. The purpose of Medicare was to provide health insurance to senior citizens because the private sector wouldn't do it in a way that was affordable, portable and universal for people over the age of 65.

Medicare premiums will now go beyond what some private insurance policies now cost. This provision ends Medicare, as we know it, and turns it into a welfare program. This is unacceptable.

We must ask ourselves, who are we making Medicare affordable for? Is Medicare meant to be affordable for senior citizens, or was it meant to be affordable for Government? I want to make sure that Medicare is affordable to the senior citizens who need it.

Let's be realistic, we do have a problem with Medicare. Yes, the clock is ticking on solvency. Yes, we do need to address this problem with a sense of urgency.

As we are concerned about the future solvency of Medicare, we need to be concerned about the solvency of senior citizens. They need Medicare now. This bill attacks them when they are sick, when they are most vulnerable, and it does nothing or little to make Medicare solvent.

For those young people working who are now in their twenties, thirties, forties and fifties—the baby boomers—they should be concerned. We have 78 million baby boomers in this country. They are going to be doubly squeezed. They will be taking care of their aging parents and paying the high cost of educating their children, and now we would have them pay Medicare taxes for 47 years and then pay again when they are elderly.

If we want to talk about Medicare costs, we can begin cracking down on the $23 billion of fraud in Medicare. We don't do anything by sticking it to the middle class in the middle of the night, and that is what this bill does.

This legislation is a direct attack on the middle class and the beginning of a slippery slope for more attacks on work and savings. This is not the time, this is not the place or the way to change Medicare. It should be the starting point for a national debate on how we protect Medicare and reward work and saving.

It is too important not to have a debate, but there has been little or no debate. We should not have spent the time this year debating contentious issues that are going nowhere. We should have spent the time debating Medicare, its solvency and a variety of alternatives to be able to educate the American people.

Instead, we are changing the rules in the middle of the game and the middle of the night. We need Presidential leadership. We need bipartisan cooperation. We don't need a middle-of-the-night attack on the middle class that raises costs, does nothing to improve health care for our citizens and threatens the very health care for the middle class.

I will stand sentry to protect Medicare. I will stand sentry to make sure the promises made are promises kept. And I will stand sentry for America's senior citizens. The means testing in this legislation before us breaks faith with those seniors.

Retired seniors, as well as those nearing retirement age, have planned for that retirement with the understanding that they would have to pay about $100 in deductibles. Now they will be advised that they will have to contribute anywhere from $550 to $2,000 a year for a premium on a Government insurance program and at the same time have to pay Medigap insurance.

When you are retired, every dollar counts, and even those with average incomes need to be able to count on every dollar. We must preserve the covenant that we established with our seniors to provide affordable accessible health insurance at old age. Out-of-sight additional fees and new income reporting requirements break those promises. What we are telling people is, if they play by the rules, they are now going to lose.

Those who planned and saved the most are penalized for their efforts. The provision tells seniors that after a lifetime of hard work and savings, the Government is going to add to your burden when you are sick.

So these provisions send a horrible message to seniors with higher incomes, but they also send a frightening message to every senior who depends on Medicare. If we make this change now, what does it say to seniors who fall just below the income threshold of the provision in the bill? What assurance do they have we won't be asking them to pay higher out-of-pocket expenses in the years ahead?

I believe it is wrong to scare seniors this way, and it is unconscionable to undermine our commitment to people who depend on Medicare.

Honoring your father and your mother is a great commandment. I think it is a great public policy. The Medicare Program must embody the values of ''honor your mother and your father.''

Mr. President, that is why I support the Kennedy-Mikulski amendment. I believe we should strike this means testing, wait for another day after we have had a national debate, a report of a national commission, and then look at the variety of tools best able to ensure the solvency of Medicare, and yet at the same time reward hard work and savings.

I yield back such time as I might have.

The PRESIDING OFFICER. Who seeks time?

Mr. ROTH. Mr. President, I yield 5 minutes to Senator GRAMM.

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

Mr. GRAMM. Mr. President, I want to begin by reading from the report of the trustees of Social Security and Medicare programs. In their annual report dated April 1997 they state:

> As we reported for the last several years, the Medicare trust fund would be exhausted in 4 years without legislation that addresses its financial imbalance. Further delay in implementing changes makes the problem harder to solve. We urge the earliest possible enactment of legislation extending the life of the HI trust fund.

The HI trust fund is the Medicare part A trust fund. That is not me talking. This is the trustees of Medicare, three of whom are Cabinet officials of the Clinton administration.

No one disputes the facts. This chart represents the cumulative deficit of Medicare as we look toward the future, and we know with relative certainty that over the next 10 years, Medicare is going to be a cumulative drain of $1.6 trillion on the Federal budget.

We now know about some of the things that the Senator from Massachusetts is against. We know he doesn't want to conform the eligibility age for Medicare with the retirement age under Social Security. We know that he doesn't want to ask high-income retirees to pay more of their share of the cost.

However, we don't know what he is for. We don't know if he is willing, as will be required in the year 2025, to triple the payroll tax? It is very easy to say what you are against. It is easy to say, let's not do this today, let's not do it this year, let's not do it this decade, let's never do it. But the problem is, 4 years from now, Medicare will be in the red, and the system is going to be bankrupt if we don't act.

What have we done? First of all, all this rhetoric about playing by the rules of the game and paying into Medicare over our working lives is good rhetoric, but it has nothing to do with the bill before us. Nobody pays for any part of part B of Medicare, which is basically physician services, during their working lives.

Let me repeat that. During our working lives, we pay 2.9 percent of our wages into the part A trust fund which funds hospital care, but only after we retire do we pay anything for our part B benefits. We now pay 25 percent of the cost as a premium.

The bill before us means tests that premium. It says that for those individuals who in retirement have incomes of $50,000 to $100,000, or couples $75,000 to $125,000, that we are going to phase up the part B premium from 25 to 100 percent so that individuals who have $100,000 of earnings in retirement and couples who have $125,000 of income in retirement will be asked to pay another $1,577 a year in their part B premiums.

Let me remind people that part B of Medicare is voluntary; it is not a mandatory program. Nobody makes anybody participate in this program. If asking people who have incomes of $125,000 a year to pay $1,577 more a year for this coverage is too much, they don't have to do it.

Mr. GREGG. Will the Senator yield for a question?

Mr. GRAMM. I will be happy to yield.

Mr. GREGG. I think you have raised a very significant point. It goes to the argument of the Senator from Massachusetts. What you are saying is today a person who participates in the Medicare system pays 25 percent of the costs of the part B premium.

Mr. GRAMM. That's right, and pays none of the cost during their working lives.

Mr. GREGG. That means 75 percent of the cost is being paid by the wage earner.

Mr. GRAMM. That's right.

Mr. GREGG. By John and Mary Jones who happen to be working on a line in a factory in New Hampshire or working in Texas trying to raise a family, they are paying 75 percent of the cost of the premium of the person who today is receiving part B Medicare benefits, is that not correct?

Mr. GRAMM. That is correct.

Mr. GREGG. So if you follow the logic of the Senator from Massachusetts, you are saying John and Mary Jones, the wage earner of America, should be subsidizing the person who is earning $100,000, that would be the practical effect of adopting Senator KENNEDY's amendment.

Mr. GRAMM. Not only would it have that effect, if we adopt Senator KENNEDY's amendment, we are going to be asking moderate-income-working families to subsidize people in retirement who are making up to $125,000 per year. The program is voluntary. If they don't think it is a good deal, they don't have to do it.

Can I have 1 additional minute, Mr. President?

The PRESIDING OFFICER. Does the Senator from Delaware yield additional time?

Mr. ROTH. I yield 1 additional minute.

Mr. GRAMM. Mr. President, in order to keep Medicare solvent, we are going to ask very high-income retirees to begin to pay more of the cost of a benefit which they receive. It is a voluntary benefit which no one pays for during their working life and for which they are currently paying 25 percent of the cost. We are going to phase that up to 100 percent of the cost for individuals with incomes of $100,000 a year and couples with incomes of $125,000 a year in order to keep the system solvent.

The alternative is to ask moderate-income-working families to pay the cost. We don't believe that is fair. This is a voluntary program. Nobody is required to participate in part B of Medicare. It is a voluntary program. So if very high-income people do not want to pay the $1,577 they do not have to pay it. They can drop out of the program. They are not going to drop out because it is still a good deal.

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

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

The material that the Senator from Texas was quoting was not focused on this particular amendment. It was talking generally about the problems of the Medicare.

The Senator has not responded to one of the principal criticisms of this amendment and that is that the top 25 percent of the Medicare recipients are paying into the Medicare system some $132,000 more than they are taking out over a lifetime. You are raising their part B premiums to $3,100 and you are talking about it being voluntary.

How many of those individuals in the top 25 percent will leave Medicare? And what will the economic implications on the trust fund be then? You have not had any hearings or any testimony. The answer that I hear is, ''Well, the very wealthy get 75 percent of their part B paid by general revenues.'' Yes, they do, and I can give you the studies that show that the top 25 percent pay more into part B than they get back in terms of whatever services or assistance they get under part B.

So you are going to take steps here on means testing premiums for the first time, on a program that is working, and has no financial problems

under the proposal of President Clinton —$115 billion of savings. We will make sure we have 10 years to set up that commission and to consider a variety of different alternatives in terms of the Medicare trust fund. But no, no, we have the answers to these problems today in the Finance Committee. They were marking up these measures with 5-minute time limitations on discussion for each of the various amendments.

Mr. President, this is not the way to treat senior citizens. I know the Senator is against the Medicare system. I have listened to him oppose it. I know he was part of a program in the last Congress to cut it by $256 million and use the money to pay for billions of dollars in tax breaks for wealthy individuals.

The Senator asked me what I am for. I am for preserving the Medicare system and not destroying it. And I am for giving careful consideration and study to the different alternatives, in the light of day. I am not for having a seat-of-the-pants recommendation which can threaten the Medicare system. We are fast-tracking these proposals. We are debating these issues on Medicare with a time limit of 1 hour.

I was here when the Senate debated Medicare for days and weeks, and now it reverses itself over a period of 3 years. We are now asked here to make judgments and decisions in just a few moments. It is a disservice to senior citizens. It is a disservice to all the men and women in this country who believe in a retirement that they can plan, knowing what they could expect in terms of the Medicare premium.

Finally, HCFA, which is the principle organization that is going to be working through the process of administering this, keeps no income records. What is going to happen to an individual that makes $49,500 and somebody that makes $50,500? What happens when they make a certain amount 1 year but not the second year? What if they make it in the third quarter and not the fourth quarter? How do you administer this? Who will make those decisions? You are going to set up a massive bureaucracy. The Senator has not commented on that.

We were here debating just the other day a children's health bill, talking about doing a cigarette tax and we already collect a cigarette tax. We were talking about distributing that money to the States through the agreement that Senator HATCH and I proposed, and we heard ''Wow, a totally new administration will have to be set up.''

What the Senators in the Finance Committee are proposing will require the grandaddy of all bureaucracies to be set up. A set up in a way that I think will seriously threaten the long-term security of the Medicare system.

Mr. ROTH. Mr. President, I yield 5 minutes to the distinguished Senator from Louisiana.

Mr. BREAUX. I thank the chairman for yielding.

These arguments on the floor sometimes become very confusing. Everybody wants to fix Medicare. But what I hear from so many of our colleagues when we can all agree on fixing it, no one can agree how to fix it.

We ask the question, when are we going to fix it? And some say, well, not now. And we ask the question, well, who is going to fix it? And we say, not us. And then they ask the question, well, how are we going to fix it? And the response is, well, not this way, but fix it.

I think that the politics of the issue at hand before the Senate is really very confusing to me. I cannot imagine going to my State of Louisiana and talking to a truck driver who is making, say, $25,000 a year, and supporting a wife and two children, and explain to him how it is correct and good policy to say that he and his two children and his wife are going to subsidize a retired couple that is making over $75,000 a year in retirement income.

As a Democrat, how do I handle that? I suggest as a Republican, how do I explain that? It is not explainable. It is not good politics. Even more important, it is not good Government.

Medicare is going to be insolvent in the year 2001. We have an obligation to try and fix it. I think it is good policy to say to that person who works every day and maybe makes $25,000 that we no longer are going to ask you to subsidize somebody's doctor's insurance that may be sitting home, in retirement, collecting over $100,000 a year, clipping coupons.

Now, you would think that good policy for both parties would be to say we want to help the guy who is struggling to raise his two children, support his wife, who makes $25,000 a year, by asking someone who is retired that makes over $75,000 a year in retirement to pay a little bit more of what he is getting from the Government.

We asked the Congressional Research Service—and certainly they are bipartisan, nonpartisan—how many people are affected by this change? They said that approximately 1.6 million people in the Nation age 65 or older, one-half of 1 percent of the noninstitutionalized people, not in hospitals or homes, have adjusted gross income at or above the threshold that this bill provides for—$50,000 for a single person or $75,000 for a couple filing their return.

Ms. MIKULSKI. Will the Senator yield?

Mr. BREAUX. That means only 1.6 percent of the people filing returns would be affected by this. How many millions of people do we have back in our States that are making $25,000 and continuing to subsidize those who are in retirement income? The average income in my State for working people is about $22,000 or $23,000. We have very few people that are retired that make over $75,000 a couple—almost none.

I am happy to yield.

Ms. MIKULSKI. The Senator just stated, according to CRS, it affects only 1 million people. If the numbers are so modest then could the Senator explain in his remarks, and I will be glad to ask for additional time, if the numbers are so modest in terms of population, then how are the financial savings so great?

Mr. BREAUX. It is not necessarily just the financial situation we are looking at. We are looking at something that is called fairness. When we, as Democrats, look at trying to tax people that are making $25,000 and a blue-collar job, driving a truck in my State of Louisiana, and telling that couple that they should be subsidizing someone who makes $100,000 a year who is retired, that is not good policy.

So this is a policy change as much as it is anything else. It is a question of fairness. We have a system that is going broke and we are going to make changes. The changes should be fair. I suggest this is a fair and equitable change to ask for those who can most afford it to pay a little bit more so those who can least afford it will not have to continue to subsidize those who are very well-off in retirement. That is a fair test. It is a good proposal. I suggest that we support it.

Ms. MIKULSKI. I ask 2 minutes additional time for the Senator to answer a question.

Mr. KENNEDY. I yield 4 minutes.

Ms. MIKULSKI. How much, then, is this going to save, or is it, as we believe, just a ruse to create the principle of means testing to get what I call the slippery slope done—that really will not save very much money in Medicare, and it really does not deal with solvency of Medicare, it just lays the groundwork for additional means testing.

Mr. BREAUX. I respond to the Senator from Maryland who has been active in this issue, in addition to the overriding fairness, it saves $3.9 billion over 5 years. I suggest that when you add the fairness test plus $3.9 billion to a system that is nearly broke and insolvent, that is a good deal.

Mr. KENNEDY. I yield 3 minutes to the Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, one thing that occurs to me listening to this debate is that some very, very important principles followed by amendments are being put before the Senate in a context that the American people do not fully understand nor have they any reason to because it has not really been discussed with them.

In speaking quite honestly, this sort of grew up within the Finance Committee, of which I am a member, and it became a kind of a fluent subject within the Finance Committee. It got a credence—had people for it, had people against it—it got its own momentum, and the Finance Committee was acting apart from the rest of the Senate, and apart from the rest of America.

I am not by definition innately opposed to means testing but I am oppose to doing things before they receive what I call a larger consideration,

which I think falls into the commission on Medicare which is what I introduced as a bill 2 years ago. It seems to me when you are dealing with something in a State, for example, like West Virginia, where the average senior citizen income is $10,700 a year, you really do not make decisions like this—or like a number of other issues that have been before us —without a larger discussion with the American people, a larger context being placed before the American people. We have traditionally done that with major pieces of legislation.

This discussion has come out of a kind of sanctuary of privileged discussion. I am not saying it is not without merit at some point, but I do not think it is at this point, because of the absence of the larger discussion of the American people. When you are dealing with people that have $10,700 a year to live on, every deductible, every single decision about a means test, all of it counts, and it really does in human terms. I am not being evasive. I am simply reflecting what a whole lot of people in this country are very afraid of.

So my plea would be that we would not let up on this but that we would continue this, but in the larger context of the commission on the future of Medicare, which I think is the only place to really do that. That reflects not just my feeling about this amendment but other amendments that I have voted on during the course of the day in a way which I might not vote on after a commission had discussed it and a national discussion had been held. That has not taken place to this point. It is kind of a privileged conversation, and it is not one I am entirely comfortable with on behalf of the people I represent.

Mr. LAUTENBERG. Mr. President, I rise in opposition to the proposal to means test Medicare part B premiums.

Mr. President, I am not opposed in principle to asking wealthier Americans to pay more for certain Government services. At the same time, I think we have to be very, very cautious before making fundamental changes in a program as important as Medicare. And it's not something that should be done on a fast-track reconciliation bill, with little opportunity for public input or debate.

Mr. President, Medicare is a universal program that can benefit each and every citizen. The universal nature of Medicare provides a broad base of beneficiaries that helps maintain the program's economic viability. By covering all eligible individuals, no matter their health risks, Medicare spreads those risks broadly, as an insurance program must do.

Yet increasing the costs of Medicare to better-off individuals threatens to drive wealthier and healthier individuals away from the voluntary part B program. And, at some point, that could undermine the broad base of beneficiaries that is necessary. I am not prepared to say that the particular proposal in this bill would do so. I don't know. But it's a serious issue that deserves careful consideration before we move forward.

Mr. President, beyond the need to ensure Medicare's economic viability, there's also a need to ensure that the program maintains broad support among the public and in the Congress. That's why so many Medicare supporters are concerned about turning the program into anything that resembles a welfare program.

Now, Mr. President, at some point, these concerns may have to give way to the stark economic realities of upcoming demographic changes. But if we are to move toward some type of means testing, we need to do it very carefully, to ensure that the public understands, and supports the change. The stakes are too high to rush into this without preparing the way, and making sure we're doing it right.

Mr. President, beyond the broad economic and political concerns involved with introducing means testing into Medicare, there are practical issues to resolve, as well. If premiums are to vary based on income, who is to evaluate a person's income, and how? Will the IRS take on the responsibility? Or will we create a whole new bureaucracy to do the job—some might call it, Son of IRS.

This proposal seems to adopt the latter approach. But many believe this is duplicative and inefficient. It also raises questions about whether this new bureaucracy will adequately protect the confidentiality of senior citizens' private financial information.

A related question is how we can monitor the changing incomes of beneficiaries. Take an individual who last year received a sizable salary, but who was laid off at the end of the year, and now has no income. How are we supposed to know that this person now cannot afford a higher premium? I wonder whether this type of issue has really been thought through.

Mr. President, all of these issues need to be considered carefully before we rush into a proposal of this magnitude. Yet the proposal to means test premiums comes to us now at the last minute. It has not been subject to hearings. Nor has the public been involved in the debate.

Mr. President, there is a more appropriate avenue for considering this kind of proposal. The bill before us calls for a commission that would study long term changes needed to sustain the Medicare system. So my suggestion would be to wait, and have the commission study the proposal and options for implementation. The commission is required to report back within a year. So this issue will not get deferred indefinitely. But we need to do this right.

Mr. President, I would remind my colleagues that we do not need to means test Medicare premiums to balance the budget. Nor is it necessary to make Medicare solvent for an 10 additional years. We've accomplished those goals in the bipartisan budget agreement, and without resorting to means testing.

So, Mr. President, I would suggest to my colleagues that we should act with caution when it comes to a program as important as Medicare. Means testing has potentially huge implications for the economic and political viability for the Medicare Program. And, in my view, it's not something we should be doing on a fast-track bill with little opportunity for serious review and public input.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 5 minutes to the distinguished Senator from Rhode Island.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. Mr. President, I would like to briefly review the bidding here, if I might. Part B is a program that provides for payments to physicians; it is an insurance program. Nobody who is in Medicare has to take out this insurance program. Those that do pay a $45-per-month premium currently, over 99 percent of all Social Security beneficiaries, take the part B insurance. That is what it is—insurance. What is this premium that they pay the $45? That is calculated to cover 25 percent of the costs of the program, of the entire part B cost. Twenty-five percent is what an individual pays. So where is the other 75 percent coming from? The other 75 percent comes from the General Treasury. So you get this anomalous situation of a very low-income individual that might be the person that cleans the streets, if you will, or cleans up our offices early in the morning; that individual's income taxes go into the General Treasury, and then part of them come out to pay some millionaire retiree's doctor bills—75 percent of them. Now, something is wrong here. Why should those people be paying 75 percent of Warren Buffet's doctor bills?

So what we have proposed here is that there be what we call a means test. The wealthier individuals will pay more for that premium instead of having it come out of the General Treasury. So did we start with low-income people? Hardly. Before anybody has to start paying more than the 25 percent premium, that individual, if he is an individual, as opposed to a married couple, that individual has to have an income of over $50,000 a year as a retiree. And it gradually comes in a greater portion, until finally that individual, if he is making $100,000 per year, is paying 100 percent of the premium. He doesn't have to take it if he doesn't want it. If he can go out and find a better deal somewhere, so be it. But I suspect he will find that this is a very, very good insurance program and he is delighted to pay the 100 percent, and he surely can afford it. It will only be $135 a month more, if he is paying the total premium, than if he were just paying the 25 percent.

What about the married couple? There is talk here about how onerous

this is. It doesn't even start with a married couple to pay more than the 25 percent until that couple is filing an income tax return showing that a $75,000 income. They don't pay the entire amount of the premium until their income is $125,000 a year. Where I come from that is a pretty good income.

So, Mr. President, what we are trying to do is overcome this, I think, shocking situation where a very wealthy person is only paying 25 percent of the cost of a program with the taxpayers of the Nation. That cleaning woman, her taxes are going into that general fund to come out and pay some wealthy person's doctor bill—75 percent of them. That, Mr. President, just plain isn't fair.

The question is whether we should debate it longer. I don't know how long it takes to understand the particular program we are proposing here this evening. Now, there are going to be savings. As the distinguished Senator from Louisiana pointed out, the savings are nearly $4 billion over 5 years. You can say, oh, that's not much. Boy, that is getting pretty inured to Washington spending if you say $4 billion isn't much. All that savings goes into the Medicare Program, the part A program, the hospital insurance, which is about to go under. Is it me that says that? No.

We previously, this evening, quoted from the report of the trustees of the Medicare fund. Those trustees have used the most alarming words. I have here the little booklet that they put out in which they use terms of the part A trust fund, namely the Hospital Insurance. They use terms like—these are the trustees, and four of the six trustees are Cabinet officers, all Democrats. This is what they say:

> Further delay in implementing changes makes the problem harder to solve. We urge the earliest possible enactment of legislation to extend the HI trust fund. The Medicare trust fund, the HI, will be exhausted in 4 years without legislation to address it.

It seems to me, Mr. President, that this is a very worthwhile undertaking. It is the right thing to do. It is not hurting anybody. If people at a $125,000-a-year income can't pay their entire insurance bill, then they are not doing their budgeting very well.

So, Mr. President, I strongly support this measure, which was reported from the Finance Committee.

Mr. MOYNIHAN. Unanimously.

The PRESIDING OFFICER. Who seeks time?

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

The PRESIDING OFFICER. The Senator has 5 minutes remaining.

Mr. KENNEDY. I yield 2 minutes. I listened to my friend and colleague from Rhode Island talking about how Part B of the Medicare system is subsidized by 75 percent from the general funds. Well, of course, the health insurance of every Member of the U.S. Senate is also subsidized by roughly the same amount. When he talks about how bad it is for upper-income seniors to pay only 25 percent of their Part B costs, it should be clear that Senators—whose incomes are all above the maximum threshold they have set for senior citizens—also pay only 25 percent of the health insurance premium.

This is the point, Mr. President. Under family coverage for Blue Cross, we only $108.40 per month, while the taxpayers spend $292 a month on our coverage. So that is what happens right here in the U.S. Senate. If we are going to begin to means-test taxpayer-subsidized health insurance benefits, why are we starting with Medicare?

The third part of our amendment changes this by requiring Senators whose annual income is over $100,000 to pay for 100 percent of their health insurance premiums. As we have seen under the Lewin-VHI study commissioned by the National Committee to Preserve Social Security and Medicare, the top 25 percent of wage earners of this country pay $159,000 more into the Medicare system than they take out. By contrast, those in the lowest income category—the bottom 25 percent—will collect about $72,000 more in benefits than they pay in taxes.

You cannot assure us that higher income group is going to choose to stay enrolled in Medicare under these new conditions. Studies have demonstrated that those in the top 25 percent pay more into part B than they receive back. All we are asking for is a hearing on this issue. Those are the figures. I have the studies right here to demonstrate that. Now, if that is true, we don't want to lose this group because they are providing help and assistance for other needy workers. I must remind my colleagues that health status generally rises with income, which means wealthier senior citizens are generally healthier. If they choose to leave Medicare, they take their premium dollars with them.

So I believe that it is true, and we have the testimony to provide it. We ought to at least explore this proposals impact on Medicare enrollment before blindly voting for it.

The PRESIDING OFFICER. The time of the Senator is up.

Mr. KENNEDY. I yield myself another minute. The fact is, if that is true—and I believe it is—we have to make a calculation of how many people are we going to drive out of the part B, because we are raising their annual premiums to well over $3,000. You can't tell us different here this afternoon. So, Mr. President, I think that this measure ought to be given more consideration.

A final point. Ten years ago, Medicare recipients spent on average 18 percent of their income on out-of-pocket health care expenses. It is now up to 21 percent.

The PRESIDING OFFICER. The Senator's time is up.

Mr. KENNEDY. I yield myself 1 additional minute. The elderly already spend a disproportionate share of their income on health care. While those under age 65 spend only about 8 percent of their income on health care, Medicare beneficiaries spend an average of 21 percent. This amendment will only increase that disparity. It poses, I believe, a serious threat to the Medicare system and it should be given much more thought and consideration than it has here today. Medicare's success is based in part on the fact that all groups are treated equally — poor, rich, younger, older, sick, healthy. This provision undermines the fundamental promise of Medicare that says you will all contribute an equal amount and you shall all be guaranteed equal benefits.

I withhold the remainder of my time.

Mr. ROTH. Mr. President, I yield 5 minutes to the Senator from Nebraska.

Mr. KERREY. Mr. President, I oppose the effort to strike this important provision in the Finance Committee's bill. Since Medicare was enacted in 1965, there have been many legislative efforts to make it more fair, to make it more progressive. Most colleagues, I suspect, support the Qualified Medical Beneficiary Program, the QMB Program and the SLMB Program, the dual-eligibility program. All of these programs are efforts not in 1965, but much later, to make the program fair, to help lower-income beneficiaries, to make it more progressive. That is what these programs do.

Dual eligibility in Medicaid is a terrific program. It enables that low-income individual to be held harmless against all costs, premium, deductibles, copayment, as well as additional Medicaid coverage. QMB does premium deductible and copayment for all Medicare beneficiaries under 100 percent of poverty. And it made the program fair, more progressive. SLMB is up to 120 percent. The chairman has added a provision that would allow it to go from 120 to 150 percent because of the changes recommended by the President, shifting home health from part A to part B.

Those who argue against this change say that we are on the slippery slope somehow. We have done this before. There have been constant efforts to try to evaluate Medicare and to try to make it fair. This proposal makes Medicare more fair on its face. Individuals earning up to $50,000 a year will continue to enjoy a 75 percent subsidy in part B. That doesn't change. That is for individuals at $50,000 and couples at $75,000. We begin to phase out the subsidy of that part B premium. It will go from about $560 to about $2,100. That $1,500 or $1,600 subsidy that we currently have in place will be phased out. For seniors, with adjusted gross incomes of $100,000 for individuals and $125,000 for couples, they will pay an unsubsidized part B. They will still receive part A with no change, but for part B, physician services, they will pay an unsubsidized premium.

It makes the program more progressive, Mr. President. It has been noted,

and quite correctly, that for many seniors there is a significant percentage of income that goes for health care. But what we need to look at is that inside that senior population, there are significant differentials. For lower income beneficiaries, they will pay for health care a higher out-of-pocket amount than higher income beneficiaries—30 percent versus 3 percent for higher income beneficiaries. This is a problem that we are trying to solve. We are trying to make this program more progressive.

As to the suggestion that we need to study this, this is not a proposal that just came out of the blue. This is a proposal that has been around a long time. It has been discussed; it has been opposed; all kinds of arguments have been thrown up against it. There have been all kinds of good suggestions that perhaps we can improve it somehow. So this is not a brandnew proposal. We don't need to study this, Mr. President.

I have great respect for the senior Senator from Massachusetts and the Senator from Maryland, as well. They come to the floor because they care deeply about Medicare beneficiaries, wanting to preserve and protect Medicare, which is the goal of this piece of legislation. By making Medicare more progressive, I believe we have a much better chance of securing the intergenerational commitment that Medicare represents.

Medicare is an intergenerational commitment on the part of younger people to allow themselves to be taxed so that we can provide benefits to the beneficiaries of Medicare. It is a strong commitment. It is a good commitment. It has made our Nation better as a consequence of having it in law. This change, by making it more progressive and fair, will strengthen the commitment that we have for this good program.

Mr. KENNEDY. Can I ask the Senator a question on my time? Will the Senator yield for a question?

Mr. KERREY. I am kind of busy.

Mr. KENNEDY. I heard the Senator say this has been around a long time. I think it has been on the floor here for about an hour. This wasn't the proposal that came out of the Finance Committee, was it?

Mr. KERREY. No, it was not the proposal that came out of the Finance Committee.

Mr. KENNEDY. Had that been around a long time, too.

Mr. KERREY. Is this a jury deal, where I get a yes-or-no answer? You have lots of time here.

Mr. KENNEDY. I don't have much time.

Mr. KERREY. Mr. President, we did get a proposal that came out of the committee to use deductible instead of premium and, as a consequence of that being untested, we changed it back to premium. The premium is not an untested proposal. I have been asked about whether or not——

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

Mr. KENNEDY. I yield another 30 seconds.

Mr. KERREY. Another 30 seconds? I can't say hello in 30 seconds.

This proposal has been around—adjusting by income the part B premium has been around a long time. I know I was asked about it when I campaigned in 1988. This is not a new proposal. It has been argued. It has been vented. It has been discussed. It is reasonable. It is fair. And I hope my colleagues will oppose the KENNEDY effort to strike.

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

The PRESIDING OFFICER. The Senator from Massachusetts has 37 seconds.

Mr. KENNEDY. I yield whatever time remains to Senator MIKULSKI.

Can we get 2 minutes to wind up for Senator MIKULSKI to make a final comment?

The PRESIDING OFFICER. Is there objection to the request for 2 additional minutes?

Mr. DOMENICI. Reserving the right to object—I shall not—how you much time remains on our side?

The PRESIDING OFFICER. The Senator from New Mexico has 8 minutes. The Senator from Massachusetts has 37 seconds.

Mr. DOMENICI. I would like to take it off the bill, if we can.

Mr. LAUTENBERG. We will give the Senator from Maryland 2 minutes off the bill.

The PRESIDING OFFICER. The Senator from Maryland.

Ms. MIKULSKI. Mr. President, 32 years ago this summer I graduated from the University of Maryland School of Social Work. And my very first job was to go out to the Baltimore neighborhoods to tell people what this new bill called Medicare was; to tell them what medical services they would be entitled to. As I went door to door to door in the streets and neighborhoods, onto the white-marbled steps of Baltimore, people's eyes opened wide. They could not believe that the United States of America had passed legislation that would provide them universal affordable health care in their old age and that it would be the next step to the Social Security commitment; that they would have in perpetuity a safety net that did not have a previous condition on it; that the premium would be affordable; that it would be undeniable.

Thirty-two years later we are changing the rules of the game. The very people that were 30 years old then are now in their sixties. They didn't know it was going to be means tested. I respect the Finance Committee. But I will tell you that there has been no national discussion on what it means to the solvency of Medicare.

All we are asking is strike the means testing now. Let's have an American national debate, not a time-limited rule which we agree to temporarily. But let's have a national debate.

The Finance Committee might have studied it. It might not be a new idea to them. But I will tell you something. It is a new idea to the American people. And the middle class knows that the minute you start this class-warfare language of means testing people over $100,000 and say it is fair, button down your hatches, blue-collar workers. They are coming after you next.

The PRESIDING OFFICER [Mr. COATS]. Who yields time?

Mr. ROTH. I yield 3 minutes to the Senator from New Hampshire.

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

Mr. GREGG. Thank you, Mr. Chairman.

Mr. President, listening to this argument here, it seems to me that it is extraordinarily disjointed coming from the other side.

Let's remember what we are talking about. We are talking about people who are making $75,000 or $100,000 a year being supported in their health care under part B by people who are making $25,000 a year, $30,000 a year, or $40,000 a year. People who are working on a line job in New Hampshire, at a restaurant in Texas, and at a garage in New Mexico are supporting people who are retired who are making $75,000 to $100,000. And what is the complaint from the other side? The complaint from the other side is that somebody who makes $100,000 might have to pay 2 percent of their income in their retirement years to buy part B insurance—2 percent. You tell me where you can go out and spend as a senior citizen in the private sector 2 percent of your income and buy a health care plan that is going to cover you for physician costs. You can't do it.

The statement was made from the other side that somehow these extremely wealthy people have been paying into the system more; and, they paid in more and, therefore, they should get some sort of extraordinary benefit as a result of that where they are subsidized by people earning $25,000 to $30,000 a year. That is simply not true. They may have paid more into part A, yes. But they have not paid more into part B. Part B is on a cash basis system. It is a pay-as-you-go system. You buy that insurance on an annual basis. The people who pay more for part B happen to be the poor men and women who are working in America who are paying payroll taxes, and who are paying into the general fund and then have to subsidize to the extent of 75 percent the person who is making $100,000. That is the person who is paying more—the wage earner. The concept that high-income individuals should not have to pay the full cost of the health care benefit which they are receiving, the insurance benefit they are receiving, makes no sense at all. It makes no sense that someone who is making $100,000 shouldn't have to bear the full cost of the part B premium.

We heard earlier today that the other side was surprised that people are living longer, and that is why they don't

want to move too quickly into the issue of whether or not we should raise the retirement age. We heard earlier today from the other side that people were, I guess, surprised that the part A trust fund is going broke. That is why they don't want to move too quickly into the issue of whether or not people should have their age of retirement raised.

I can't believe, recognizing the speakers from the other side who have been carrying the water on this issue, that they are surprised that there are rich people in America, and that is what this is about. There are rich people in America, and they are not paying their fair share.

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

Mr. ROTH. I yield 3 minutes to the distinguished Senator from New York.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, some may have thought that there has been a leakage of reality about the social insurance programs of the American Nation; that only crisis brings us forward to some sensible responses. But I think today we proved just the opposite. The vote earlier on extending the eligibility age for Medicare over the next generation to 67 years parallels exactly the measure we took at a time of crisis in 1983 with respect to Social Security. This was recommended by a commission of which I was a member. Senator Dole, our beloved former majority leader, was a member.

Sir, I don't know about other Members of this body but I have not heard a word about that. It has been accepted. It is something that is going to take place over a generation. It makes sense.

The same on this matter of contributions of high-income persons—what is basically an intergenerational subsidy on retirement benefits and health-care benefits.

In 1983, we began to tax Social Security benefits for high-income persons up to 50 percent of their benefit. In 1993, in legislation I brought to the floor from the Finance Committee, we took it to 85 percent. That is the actuarial income that is not paid by the contributor himself or herself.

Sir, there has been no response or reaction to that, save acceptance that it is fair, and it makes sense. This is fair, and it is necessary.

I would say once again I was a member of the administration of President Johnson when the planning for Medicare and Medicaid took place. On part B we specified that half the premium would be paid by the person choosing to take the option of buying this form of health insurance. In 1972, we limited increases in the premium to the rate of increase in Social Security benefits, which are tied to the Consumer Price Index. But because of the higher rise in medical costs in the years that followed, above the rate of price increase, we dropped it to 25 percent. It is 25 percent today—not what we planned when we began this program, when the costs were much lower and unsustainable in the years ahead. The annual part B subsidy right now per person is $1,600 of general revenue—not trust fund. And if we have to provide that a $500,000 earner pays 2.9 percent, why can we not do so? I think, Mr. President, we are going to.

I thank the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield the remainder of my time to the distinguished chairman of the Budget Committee.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Do you have some additional time you would like, if I can take 5 minutes off the bill?

Mr. ROTH. All right.

Mr. DOMENICI. You keep your 5. I will speak.

The PRESIDING OFFICER. The Senator from New Mexico is recognized for 5 minutes, with the time to come off the bill.

Mr. DOMENICI. Mr. President, I yield 2 minutes off the bill to just talk a little bit to the Senate about where we are.

First, let me inquire.

How much time remains for both sides?

The PRESIDING OFFICER. The Senator from New Mexico has 1 hour and 15 minutes remaining, and the Senator from New Jersey has 1 hour and 21 minutes.

Mr. DOMENICI. I wonder if I might propound a unanimous consent request to get us moving on two votes?

I understand, immediately after we are finished debating this amendment, that the next thing that would come up would be the second Kennedy amendment which is subject to a point of order; I would make a point of order, and the Senator would move to waive. And he has indicated that he would be satisfied with 2 minutes of debate on each side on the motion to waive.

I put that unanimous-consent request to the Senate.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request?

Without objection, it is so ordered.

Mr. DOMENICI. I thank the Chair.

I apologize for interrupting.

Second, I would ask that we proceed as follows: That as soon as we finish the debate on the current amendment, that we vote on it, or in relation thereto, and then we proceed immediately, before we proceed to vote, we take care of the 2 minutes on each side on the Kennedy motion to waive, and then we proceed on two votes back-to-back with the first one being 15 minutes and the second one being 10.

The PRESIDING OFFICER. Is there objection?

Mr. KENNEDY. Mr. President, I apologize to the chairman of the committee. So you want to yield back the time and we would then ask consent that it would be in order to make the point of order?

Mr. DOMENICI. We just got that.

Mr. KENNEDY. I was glad to accommodate the leader, and always try to. But I would like to at least say that we eliminate the 2 minutes. I would like to at least have the opportunity to perhaps address the Senate for that period of time before we vote. It will not save an awful lot of time just to go back to back, as the Senator knows. I would like to make just a very, very brief comment about what that commitment is. We have very different amendments.

I would appreciate that.

Mr. DOMENICI. The Senator objects. Why don't we just do it in two parts? We will dispose of the first amendment in the manner we described, and thereafter there will be 4 minutes after that vote is completed, 2 minutes to a side, and that will be the subject matter of—that vote will be a waiver of a point of order that the Senator from New Mexico will make on the Kennedy amendment.

The PRESIDING OFFICER. Is there objection?

Mr. BUMPERS. Reserving the right to object—I shall not—will the Senator indicate approximately what time this back-to-back vote will occur?

Mr. DOMENICI. How much time do you want to use Senator—2 or 3 minutes?

I would say 6 minutes.

Do you want some time? Ten minutes maximum.

Mr. KENNEDY. Is this additional time to be yielded off the bill, or just because we are going to have additional time? I think we are over.

The PRESIDING OFFICER. A total of 2 minutes for the Senator from New Mexico.

Mr. KENNEDY. I was willing in accommodation to go back and limit our side. Now we have been limited. And now the other side is getting additional time for the amendment. Then I would ask for equal time to be able to respond. I would be glad to move ahead as agreed on earlier.

Mr. DOMENICI. We are going to do that. We will yield our 2 minutes remaining to Senator NICKLES, and I believe 5 minutes off the bill for me to accommodate some time taken off the bill on your side. That makes it about even.

Mr. KENNEDY. Whatever. That is fine.

Mr. LAUTENBERG. As long as your arithmetic is right. I would ask the Parliamentarian. How does that time projection stack up?

The PRESIDING OFFICER. Only 2 minutes has been yielded off the bill. It was yielded to the Senator from Maryland.

Mr. LAUTENBERG. So what is being requested over here now?

Mr. DOMENICI. The remaining 2 minutes on our side goes to Senator NICKLES, and I asked for 5 minutes off the bill.

Mr. LAUTENBERG. The Senator from Massachusetts——

Mr. KENNEDY. I ask for equal time, and I probably will not use it.

Mr. DOMENICI. OK. I will cut my time down to 2 minutes. Might I ask right now, please?

I ask unanimous consent that it be in order that I make the point of order against the second Kennedy amendment.

The PRESIDING OFFICER. Is there objection?

Mr. KENNEDY. As I understand it, I have time at the conclusion or you want me to make it now?

Mr. DOMENICI. I think now we ought to ask unanimous consent it be in order the Senator make his motion to waive at this point.

The PRESIDING OFFICER. Is there objection?

Mr. KENNEDY. That I can be in order to waive.

Mr. WELLSTONE. Mr. President, I say to the Senator from New Mexico, I am not trying to hold things up. Just a question on the way we are going. I have been waiting for quite a while to introduce an amendment. Is there a way that we could have some understanding about introducing amendments after we get through with this as far as unanimous consent is concerned?

Mr. LAUTENBERG. I would, if I may on this side, Mr. President——

Mr. DOMENICI. Surely.

Mr. LAUTENBERG. I had promised the Senator from Rhode Island early this morning that he would have an opportunity. He has deferred and waited to introduce an amendment that he wanted to have done. As we heard from the Presiding Officer, we have about 2½ hours, as I calculate it, left in total. So certainly if we can divide these up into proper sized pieces, why if we could just lay it out——

Mr. DOMENICI. Mr. President, let me just suggest that if we are going to go back and forth, we will have disposed of two Kennedy amendments in a row. And then I assume we should get at least one, if not two, and then return to that side. And I would like to do that. Senator GRAMM has a simple amendment that should not take very long. We would like to do that next, but I am not asking that we have time agreed to. And then is there another one on our side?

We then move to your side. You have one for Senator REED.

Mr. LAUTENBERG. Senator REED would be willing to take 20 minutes equally divided.

Mr. WELLSTONE addressed the Chair.

Mr. DOMENICI. What is the Reed amendment?

Mr. REED. It would substitute.

Mr. DOMENICI. Substitute for the whole bill?

Mr. REED. Yes, it is, eliminating some of the provisions we have already debated with respect to the age limitation, MSA's, et cetera.

Mr. DOMENICI. I do not want to agree to that other than to say you are entitled to an amendment. But it may be subject to a point of order in raising the same subject matter that has already been debated today with a motion to reconsider, table and reconsider having already been voted on. But if the Senator will let us look at it—

Mr. REED. I would be happy to let the distinguished chairman do that.

Mr. DOMENICI. Does anybody need time to discuss a complete substitute?

Mr. GRAMM. It might be a substitute.

Mr. DOMENICI. It might be. Let's not agree on your time yet. You might take more time than your 10 minutes.

Mr. REED. Fine.

Mr. DOMENICI. There is a half-hour on each by statute.

Mr. WELLSTONE. Mr. President, again since I initiated this discussion, I wonder whether I could not be a part of this. I have two amendments—one Senator MIKULSKI wants to do with me—and I wonder whether they could be part of it.

Mr. DOMENICI. Will you tell me which one Senator MIKULSKI is with you?

Ms. MIKULSKI. The amendment Senator WELLSTONE and I wish to do is a version of the restoration of the Boren amendment on nursing home reimbursement to ensure safety standards and adequacy.

Mr. LAUTENBERG. In how much time do you think you could deal with that?

Mr. DOMENICI. We are going too far ahead. I do not even have the amendments listed on anything that was given to me by that side. I do not have the Boren amendment's reinstatement on this list. I have your mental——

Mr. WELLSTONE. That is the one that I would like to get in right now on this unanimous consent, on the mental health. That one I have been waiting several days.

Mr. DOMENICI. Senators, let me just suggest that we get the votes out of the way and in the meantime any Senator who has any amendments, we would like to have—we now have 18 amendments, and that is without any process amendments and there may not be any process votes on this bill. It may be that they will be saved for another time. But if you can get us any amendments, and as soon as this vote is over, I will try to arrange yours in sequence, I say to Senator WELLSTONE.

Mr. WELLSTONE. I thank the Senator.

Mr. DOMENICI. Can we proceed then?

The PRESIDING OFFICER. If the Senator from New Mexico will restate the unanimous-consent request, the Presiding Officer is somewhat confused as to what the correct state of affairs is.

Will the Senator restate the unanimous-consent request we will order.

Mr. DOMENICI. My last one is that it be in order for Senator KENNEDY right now——

Mr. KENNEDY. I do not need the time. Four minutes to the Senator will be fine.

Mr. DOMENICI. I need the Senator to do something else. I ask it be in order that he waive the Domenici point of order and he do his now even though it is reserved for later.

Mr. KENNEDY. I do so now.

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

Mr. DOMENICI. It seems we have time on our side. Senator NICKLES has 2 minutes under the half-hour allowance.

The PRESIDING OFFICER. Is the Senator going to make a point of order?

Mr. DOMENICI. I make the point of order that the Kennedy amendment violates the Budget Act.

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, pursuant to section 904 of the Budget Act, I move to waive the point of order and ask for the yeas and nays on the motion to waive.

The PRESIDING OFFICER. Is there a sufficient second?

There appears to be a sufficient second. The yeas and nays are ordered.

Mr. LAUTENBERG. I would ask, if the Senator from Oklahoma will excuse me just a moment, so that we have a little longer sequence planned, that is, after the Senator from Oklahoma, after the vote on the budget waiver, I assume that the chairman intends to go to the Senator from Texas?

Mr. DOMENICI. Yes.

Mr. LAUTENBERG. And thereafter we put in line the Reed amendment to be reexamined, and we will take a look at the timeframe. If we could plan the next two, that would probably consume the remainder of the time. What would the Senator from New Mexico expect would come up after that?

Mr. DOMENICI. Look, I would like to leave it at that. We have three or four Republican amendments that I have to discuss with them. So let's just leave it there and try to finish the vote, and we will try to sequence the Wellstone amendment in.

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

Mr. NICKLES. Mr. President, I urge my colleagues to vote against Senator KENNEDY's amendment which would eliminate—some people call it income testing, means testing, but I would rephrase it. It would eliminate subsidies for upper income individuals on part B premiums. Right now the Federal policy is the taxpayers pay $3 for every $1 for all persons on Medicare part B. It does not make any difference if the person has $1 million of income. We are asking taxpayers with incomes of $20,000 to be paying general taxes to subsidize their premium.

I do not think that is good policy. I might mention the Finance Committee, when we corrected this, we did it with bipartisan support. We have all known this issue. Some people say, well, let us substitute it. Let us do it in

the commission. We know this should be done. We know this is good policy.

I might also mention this was not done so we would have more money to spend someplace else. This was not done in order that we could have more tax cuts. The Finance Committee took 100 percent of the savings, of this amount of reducing subsidies for higher income individuals, 100 percent of that money and put it into part A solvency.

So all the savings that come from the increased premiums on more affluent people by reducing subsidies, all the savings that come from that will go toward extending solvency in part A. And as I mentioned in an earlier speech, part A, the hospital insurance trust fund, has serious problems. It is going to have a shortfall in the year 2005, without these changes, of about $100 billion per year, and it grows from there. So we need to do more to save part A, to make sure the hospital bills will be able to be paid.

The Finance Committee took this step. They took it for, I think, all the right reasons, for good policy, to eliminate subsidies for upper-income people. I urge my colleagues to support this bipartisan recommendation that came out of the Finance Committee and to vote no on the Kennedy amendment.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. I believe I have 2 or 3 minutes.

The PRESIDING OFFICER. Under the unanimous-consent agreement, the Senator from New Mexico has 3 minutes.

Mr. DOMENICI. Mr. President, I thought I would just suggest to the Senate and those listening how many senior citizens are covered by this means testing. And here is what I think it is. First of all, let me put it in dollars. The premiums collected over the next 5 years amount to $125 billion. The income-conditioned premiums, the means-tested premiums, amount to $4 billion. That is 3.1 percent of the premiums will be means tested.

What does that amount to in numbers? The best we can figure, out of 38 million Americans, it is 5 percent—5 percent will be financially affected by this amendment.

So if you are going into some neighborhood and talking to seniors about this, chances are pretty good that you are not talking to a senior that is affected by this because only 1 out of 20 will be affected by this and 19 will not be affected at all.

I think that is a pretty realistic approach to trying to change this basic part B law to be more realistic to those people who are working hard, paying taxes, are not even earning as much money as the retirees, perhaps raising two or three children, and unless their employer is paying insurance for them many do not have insurance. So I believe this is a good approach, and I am prepared to yield back the remainder of my time.

How much time do I have?

The PRESIDING OFFICER. The Senator from New Mexico has 1 minute 21 seconds.

Mr. DOMENICI. I yield my remaining minute to the Senator from Texas.

The PRESIDING OFFICER. The Senator from Texas.

Mr. GRAMM. Mr. President, above the Speaker's stand in the House of Representatives is a quote from Daniel Webster which talks about doing something worthy of being remembered. I believe that if we defeat the Kennedy amendment, given what we have already done by changing the age of eligibility for Medicare, that we will have adopted two changes which will dramatically change in Medicare. They will be the first things we have ever done that will permanently strengthen the Medicare trust fund, and I believe that we will have done something truly worthy of being remembered.

We do not do that very often around here. It is not very often that you see courageous votes cast. And I think we will have seen two major ones today.

I thought some note should have been made of that fact. I do not want to congratulate us in advance of casting this vote. But I think we are doing something very important here, something that 10 or 20 years from now every Member who votes against this amendment and votes for these two important reforms will be able to say to their children and grandchildren they did something worthy of being remembered.

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

Mr. DOMENICI. Parliamentary inquiry.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. On this vote, for the Senator to prevail, must he get 60 votes?

The PRESIDING OFFICER. That is correct.

Mr. DOMENICI. I thank the Chair.

Mr. KENNEDY. Yeas and nays.

The PRESIDING OFFICER. The yeas and nays have been ordered. The Senator from Massachusetts has 37 seconds.

Mr. KENNEDY. I yield back the remainder of the time.

The PRESIDING OFFICER. Time has been yielded back. The yeas and nays have been ordered.

Mr. DOMENICI addressed the Chair.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. I asked a parliamentary inquiry and I believe I got the wrong answer. How many votes are required for Senator KENNEDY to prevail on this? A simple majority on the first one; is that correct?

The PRESIDING OFFICER. The first vote is on the amendment. A simple majority is sufficient to pass this amendment.

Mr. ROTH addressed the Chair.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. I make a motion to table. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to table. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

The result was announced—yeas 70, nays 30, as follows:

[Rollcall Vote No. 113 Leg.]

YEAS—70

Allard	Feinstein	Levin
Ashcroft	Frist	Lieberman
Baucus	Glenn	Lott
Bennett	Gorton	Lugar
Bingaman	Graham	Mack
Bond	Gramm	McConnell
Breaux	Grams	Moynihan
Brownback	Grassley	Murkowski
Bryan	Gregg	Nickles
Bumpers	Hagel	Robb
Burns	Harkin	Roberts
Campbell	Hatch	Roth
Chafee	Helms	Santorum
Coats	Hollings	Sessions
Cochran	Hutchinson	Shelby
Collins	Hutchison	Smith (NH)
Conrad	Inhofe	Smith (OR)
Craig	Jeffords	Stevens
DeWine	Kempthorne	Thomas
Dodd	Kerrey	Thompson
Domenici	Kerry	Thurmond
Enzi	Kohl	Warner
Faircloth	Kyl	
Feingold	Landrieu	

NAYS—30

Abraham	Durbin	Murray
Akaka	Ford	Reed
Biden	Inouye	Reid
Boxer	Johnson	Rockefeller
Byrd	Kennedy	Sarbanes
Cleland	Lautenberg	Snowe
Coverdell	Leahy	Specter
D'Amato	McCain	Torricelli
Daschle	Mikulski	Wellstone
Dorgan	Moseley-Braun	Wyden

The motion to lay on the table the amendment (No. 441), Division I, was agreed to.

Mr. DOMENICI. Mr. President, I move to reconsider the vote by which the motion was agreed to.

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

The motion to lay on the table was agreed to.

MOTION TO WAIVE THE BUDGET ACT—AMENDMENT NO. 440, DIVISION II

The PRESIDING OFFICER (Mr. BROWNBACK). The question is now on the KENNEDY motion to waive section 310(d) of the Budget Act. There are 4 minutes for debate equally divided between the two sides.

Mr. KENNEDY. Mr. President, may we please have order?

The PRESIDING OFFICER. The Senate will come to order.

Mr. LOTT addressed the Chair.

The PRESIDING OFFICER. The majority leader is recognized.

ORDER OF PROCEDURE

Mr. LOTT. Mr. President, I think it will be helpful to all Members if we can engage in a colloquy now, and I hope the Democratic leader can join us so we can discuss how we will proceed from here.

Mr. FORD. Mr. President, we do need order, I say with all respect.

The PRESIDING OFFICER. With due respect to all Members, may we please have order in the body? Those having conversations, please take them off the floor.

The majority leader.

Mr. LOTT. Mr. President, my intent, of course, is to go now to the second vote on the Kennedy amendment, and then that would probably move us close to 7 o'clock. We would proceed to use the remainder of the time on other debate or amendments that will be offered. I presume that time will expire about 8 to 8:30. And then other amendments will be in order and will be debated tonight.

All amendments that are going to be offered need to be offered tonight, and then we will stack all the votes on all the amendments and final passage beginning at 9:30 in the morning.

We have discussed this with the Democratic leader. I do have a unanimous-consent request to implement that, but we will go ahead and have the vote now, and then we will make the UC request after that vote.

I wanted the Members to know my intent. If that is agreed to, then this next vote will be the final recorded vote tonight. We will begin to vote on all the amendments and final passage in the morning at 9:30.

I yield to the distinguished chairman of the committee, Senator DOMENICI. Mr. President, I ask the chairman, is that his understanding and does he have some feel as to what we are talking about here?

Mr. DOMENICI. I think the time runs out about 8:30.

Mr. LAUTENBERG. About 9, because the time for the vote does not come off, it just adds to it.

Mr. DOMENICI. So what we will do is Senator LAUTENBERG and I will stay here until that hour, let's use the example of 9 o'clock. There will only be one vote; it will be on the Kennedy point of order. We will spend the rest of the evening with Senators offering their amendments. It looks like there are about 20 of them. With a little debate tonight on each one, they then will be taken up seriatim tomorrow with 2 minutes to a side, but I think they have to be offered tonight. That is what the proposal will be.

Mr. LAUTENBERG. As a point of clarification for everybody, by what time do the amendments have to be sent to the desk?

Mr. DOMENICI. By the time we close up here tonight at 9 o'clock.

Mr. LAUTENBERG. When the time expires on the bill.

Mr. DOMENICI. Yes. That request will be made momentarily.

Mr. CHAFEE. Mr. President, can I ask, do we have a list of order of priority——

The PRESIDING OFFICER. Let's have order in the body.

Mr. LOTT. I will be glad to yield for a question from the Senator from Rhode Island.

Mr. CHAFEE. I ask the majority leader or manager of the bill, we have a list of priority. I am in line, and I don't want mine too far down the line.

Mr. DOMENICI. The Senator is pretty high up the line. He is about fourth or fifth.

Mr. LOTT. Maybe even higher, depending on who is here to offer their amendments at the time. Does the Democratic leader wish to add anything to what we have advised Senators?

Mr. DASCHLE. Mr. President, the arrangement just described by the majority leader is one that he and I have discussed, and I have subscribed to, as well. This would allow us to complete our work on this bill and provide the opportunity to those Senators who wish to have a debate on their amendments—the time to do so is tonight. We would then begin voting as early as 9:30 in the morning and have votes on all remaining amendments sometime tomorrow morning.

I think it is the appropriate way with which to resolve the remaining issues on this particular bill, and I encourage Senators to offer their amendments and complete our work on it by the end of the evening.

Mr. LOTT. Therefore, Mr. President, I ask unanimous consent that all remaining amendments in order to S. 947 must be offered prior to the close of business today, and any votes that will occur with respect to the amendments occur beginning at 9:30 a.m. on Wednesday in a stacked sequence.

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

Mr. BUMPERS. Reserving the right to object, and I shall not, will there be a time for each amendment, for the proponents and opponents?

Mr. LOTT. Mr. President, I ask unanimous consent to amend that request to provide for a minute to explain the amendment on both sides, 2 minutes equally divided.

Mr. BUMPERS. Two minutes equally divided. Will that same time be accorded to people who offer second-degree amendments?

Mr. LOTT. It would be, but they would have to be offered tonight, I remind the Senator.

Mr. BUMPERS. A second-degree amendment cannot be offered until the first-degree is brought up.

Mr. President, parliamentary inquiry. A second-degree amendment in this scenario cannot be offered until the first-degree amendment is offered, can it?

Mr. LOTT. That is correct, but once the first-degree amendment is offered, then the second-degree——

Mr. BUMPERS. The second-degree could be in order, and it is not necessary that the second-degree amendment be filed or any notice given prior to that time.

Mr. LOTT. It has to be filed tonight once the first-degree amendment is offered, but you would not have to give notice until the first-degree amendment is offered, if it is offered, or you would still have the option, of course, to offer it as a first-degree amendment if you want to.

Mr. BUMPERS. Parliamentary inquiry, Mr. President. Is that a correct statement, that the second-degree amendment would have to be offered tonight and you would not know precisely what amendment you would offer it to until tomorrow?

The PRESIDING OFFICER. The majority leader is correct. The first-degree and the second-degree would both have to be offered this evening.

Mr. BUMPERS. Is the Parliamentarian saying that if I have a second-degree amendment to any amendment that is going to be offered here tonight before we adjourn for the evening, that I will not be allowed to offer second-degree amendments tomorrow to any one of those amendments unless that second-degree amendment is filed also this evening?

The PRESIDING OFFICER. The second-degree amendment must be offered tonight and only tonight.

Mr. BUMPERS. Offered or filed?

The PRESIDING OFFICER. Offered.

Mr. BUMPERS. Has to be offered this evening?

The PRESIDING OFFICER. That is correct.

Mr. BUMPERS. I am not sure about the language here. How can you offer a second-degree amendment before a first-degree amendment is offered?

Mr. LOTT. If the Chair will allow me, the first-degree amendments would be offered tonight if Senators wish to offer them, and then the second-degree amendment would be in order to be offered tonight once the first-degree amendment is offered.

I do not understand why that is a problem. You have to stay here to offer your second-degree amendment or have some leadership person in your behalf offer that second-degree amendment, but there would be ample opportunity on both sides tonight to offer second-degree amendments if a Senator so desires.

Under the rules, all time will expire between 8:30 and 9 o'clock, and the only time remaining then will be to offer amendments and to have the votes in order on those amendments.

Mr. BUMPERS. I have to stay here then until 10 o'clock tonight to see whether a first-degree amendment to which I can offer a second-degree amendment would be filed this evening, is that correct?

Mr. LOTT. That is correct.

Mr. BUMPERS. Could I get a parliamentary ruling on that.

The PRESIDING OFFICER. If the Senator wants to offer a second-degree amendment, the Senator would have to stay this evening to offer a second-degree amendment.

Mr. DOMENICI. Will the Senator yield?

Mr. BUMPERS. I yield.

Mr. DOMENICI. What the leadership has proposed is that between now and 9 o'clock any amendment that is going to be offered to this bill be offered, and

then it says anybody that has a second-degree amendment to any amendment that is offered tonight must also offer the second-degree tonight, leaving the work tomorrow to be just votes on the amendments that were offered tonight, and any second-degree amendments, if any, will also be voted tomorrow under the 2 minutes equally divided rule.

Mr. LOTT. I might say, Mr. President, we have a list——

Mr. BUMPERS. I object to the unanimous-consent agreement.

The PRESIDING OFFICER. The objection is heard.

Mr. LOTT. Mr. President, since there is an objection, then we would go ahead with the amendment, and we will have an opportunity to discuss further with the Senator his concerns, and we will renew our request after this vote.

Mr. CHAFEE. I would like to ask the majority leader a question, if I might. I have a question.

I have an amendment which I will be presenting this evening, but it may well be tomorrow that there might be modifications that the leadership might want to make to it which would be acceptable to me, but that cannot take place unless that is all filed tonight?

Mr. DOMENICI. It can be done by unanimous-consent request tomorrow.

Mr. CHAFEE. It can be done by unanimous consent tomorrow, I see.

DIVISION II—AMENDMENT NO. 440

The PRESIDING OFFICER. The question is on the Kennedy motion to waive section 310(d) of the Budget Act. There are 4 minutes equally divided between the sides on this motion.

Mr. KENNEDY. Mr. President, under the current bill approximately 2 million Medicare recipients will, starting in January of next year, pay more for their Medicare premiums. They did not know that yesterday. They did not know that this morning. They did not know that at noon today, and they did not know it until just a few moments ago when the Senate made its decision to retain this provision.

This particular amendment asks the Senate to postpone the effective date of this amendment for 2 years to permit the commission to review the effect of the means-testing proposal and to allow the retirees affected by this increase to make changes in their family budgets to accommodate the significantly higher premiums that will otherwise go into effect in just 6 months. Unless Congress takes other action during this time, the provision would take effect in January 2000.

This time would give us an opportunity to fully discuss and debate this landmark decision.

That is the practical effect of waiving the point of order. This is a matter of great importance to the Medicare system and the 2 million beneficiaries who will be affected by the proposal, and we ought to be able grant a reasonable period of time for its assessment and for seniors to prepare to pay more.

Mr. ROTH. Mr. President, I think that the last vote overwhelmingly decided this issue. Income-related premiums are fair.

I just point out that by delaying it 2 years, we would lose something like $1.3 billion in a program that is already in difficulty. These funds are necessary and they are needed.

Mr. President, if a means test is fair in 2 years, then it is fair today. I see no reason for the delay. Let me remind my colleagues that the premium increase is very modest, given the part B benefits.

I urge my colleagues not to waive the point of order.

Mr. DODD. Mr. President, briefly, I supported the amendment which would means test this program, but I think a 24-month delay on this, while there is some loss of revenue here, is a wise move to make. We are moving very rapidly here on some major changes. I believe the means testing is the right way to go.

Mr. ROTH. Point of order. Is time limited?

Mr. DODD. I ask unanimous consent to speak for 1 minute, if I may, 1 minute on means testing Medicare.

The PRESIDING OFFICER. The Senator from Massachusetts has 30 seconds remaining on his time.

Mr. KENNEDY. I am happy to yield.

Mr. DODD. Briefly, it seems to me, a 24-month delay on this—I supported means testing, but I think we ought to know the full implication of what we are doing, and while there is a loss of revenue here by not implementing, it is for 2 years. It seems to me that proceeding with a degree of caution to make sure all the people that we want to benefit will be benefited and those to be excluded will be excluded properly, is not a lot to ask.

I urge the proposal of the Senator from Massachusetts be adopted. It seems to me we ought not to be fighting over 24 months. We have agreed to means test. We waited a long time to get to this. Now we should do it intelligently.

The PRESIDING OFFICER. The Senator from New Mexico has 1 minute remaining.

Mr. DOMENICI. Mr. President, I want to use my 1 minute to inform the Senators that I did not tell the Senate, when our distinguished majority leader was seeking unanimous-consent requests, I do not intend to offer any process amendments here tonight or tomorrow. They are just as much relevant to the finance tax bill as they are to this one, and I choose not to put them on here.

People may have had second-degree amendments to my process. There will not be any process amendments on this, at least from this Senator. Others might want to do them, but they are not second-degreeing mine.

I yield back the balance of my time.

The PRESIDING OFFICER. The question is on the Kennedy motion to waive section 310(d) of the Budget Act, for the consideration of division II of amendment No. 440.

The yeas and nays have been ordered.

This is a 10-minute vote.

The clerk will call the roll.

The assistant legislative clerk called the roll.

The result was announced—yeas 37, nays 63, as follows:

[Rollcall Vote No. 114 Leg.]

YEAS—37

Abraham	Dorgan	Moseley-Braun
Akaka	Durbin	Murray
Biden	Ford	Reed
Bingaman	Harkin	Reid
Boxer	Inouye	Rockefeller
Bumpers	Johnson	Sarbanes
Byrd	Kennedy	Snowe
Cleland	Kerry	Specter
Collins	Lautenberg	Torricelli
Coverdell	Leahy	Wellstone
D'Amato	Levin	Wyden
Daschle	McCain	
Dodd	Mikulski	

NAYS—63

Allard	Frist	Lieberman
Ashcroft	Glenn	Lott
Baucus	Gorton	Lugar
Bennett	Graham	Mack
Bond	Gramm	McConnell
Breaux	Grams	Moynihan
Brownback	Grassley	Murkowski
Bryan	Gregg	Nickles
Burns	Hagel	Robb
Campbell	Hatch	Roberts
Chafee	Helms	Roth
Coats	Hollings	Santorum
Cochran	Hutchinson	Sessions
Conrad	Hutchison	Shelby
Craig	Inhofe	Smith (NH)
DeWine	Jeffords	Smith (OR)
Domenici	Kempthorne	Stevens
Enzi	Kerrey	Thomas
Faircloth	Kohl	Thompson
Feingold	Kyl	Thurmond
Feinstein	Landrieu	Warner

The PRESIDING OFFICER. Three-fifths of the Senators duly chosen and sworn not having voted in the affirmative, the motion is rejected.

The point of order is sustained and the amendment falls.

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

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

The motion to lay on the table was agreed to.

UNANIMOUS-CONSENT AGREEMENT

Mr. LOTT. Mr. President, we have again conferred with the Democratic leadership, and I believe we have this unanimous-consent agreement approved.

I ask unanimous consent that all remaining amendments in order to S. 947 must be offered prior to the close of business today and any votes ordered with respect to those amendments occur beginning at 9:30 a.m. on Wednesday, in a stacked sequence, with 2 minutes equally divided between each vote.

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

Mr. LOTT. I ask unanimous consent that when the Senate reads S. 947 for the third time, the Senate proceed to vote on passage of the balanced budget reconciliation bill, all without intervening action or debate, and when the Senate receives the House companion bill, the Senate proceed to its immediate consideration and all after the enacting clause be stricken and the

text of S. 947, as amended, be inserted, the bill be immediately considered as having been read for a third time and passed and the motion to reconsider be laid upon the table, all without further action or debate.

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

Mr. LOTT. Mr. President, we can announce that that would be the last recorded vote tonight. We will begin our stacked votes in the morning at 9:30. We are ready to go with the remaining debate and amendments that will be offered.

I yield the floor.

Mr. GRAMM. I yield to the Senator from Illinois for a unanimous-consent request, without losing my right to the floor.

Ms. MOSELEY-BRAUN. I thank my friend, the Senator from Texas.

CHANGE OF VOTE

Ms. MOSELEY-BRAUN. Mr. President, on rollcall vote No. 111, I voted aye. It was my intention to vote no. Therefore, I ask unanimous consent that I be permitted to change that vote. It in no way changes the outcome of the vote.

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

AMENDMENT NO. 444

(Purpose: To provide waiver authority for penalties relating to failure to satisfy minimum participation rate)

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

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Texas [Mr. GRAMM] proposes an amendment numbered 444.

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

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

The amendment is as follows:

On page 947, between lines 2 and 3, insert the following:

(n) FAILURE TO SATISFY MINIMUM PARTICIPATION RATES.—Section 409(a)(3) (42 U.S.C. 609(a)(3)) is amended—

(1) in subparagraph (A), by striking ''not more than''; and

(2) in subparagraph (C), by inserting before the period the following: ''or if the noncompliance is due to extraordinary circumstances such as a natural disaster or regional recession. The Secretary shall provide a written report to Congress to justify any waiver or penalty reduction due to such extraordinary circumstances''.

Mr. GRAMM. Mr. President, the amendment that I sent to the desk is really a technical correction. When we were drafting the welfare bill in the Senate, we had a 5-percent penalty for failure to meet the work requirement. It went up from 5 percent the first year to 10 percent the second and 15 the third, up to 100 percent. In conference, we decided to reduce the penalty for noncompliance in consecutive years from an additional 5 percent to an additional 2 percent. So the penalty would be 7 percent in the second year and 9 percent in the third, with a cap of 21 percent. Inadvertently—and everyone agrees it was a technical mistake—the staff added three words, ''not more than,'' which gave the Secretary discretion over the size of the penalties.

Senator GRAHAM of Florida raised the question in committee as to whether or not we should give the Secretary the power to waive or reduce the size of the penalty where there was a natural disaster or where there was a regional economic crisis.

So my amendment goes back and puts the actual language that we had agreed to in conference on the welfare bill. But it also addresses the concerns that Senator GRAHAM of Florida raised. It gives the Secretary the power to waive the penalties for not meeting the work requirement in two additional cases which were not included in the original bill. One is a natural disaster, and the other is in the case of where you have a regional economic problem.

I think this deals with the concern that was raised.

I ask my colleagues to support the amendment.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I understand that Senator GRAMM has completed the introduction of his, and the vote will occur tomorrow with 1 minute on each side.

I think we agreed that Senator REED could go next. He has 10 minutes on a full substitute.

The PRESIDING OFFICER. The Senator from Rhode Island.

AMENDMENT NO. 445

(Purpose: To provide for a complete substitute of division 1 of title V)

Mr. REED. Thank you, Mr. President. I have an amendment at the desk.

The PRESIDING OFFICER. Will the Senator withhold for a moment?

If there is no objection, the pending amendment will be set aside, and the Senator from Rhode Island is recognized.

Mr. REED. I thank you, Mr. President,

Mr. President, my amendment this evening gives my colleagues of the Senate a clear choice to stabilize the solvency of the Medicare trust fund without including some of the provisions which we already talked about this afternoon, and others which undermine the concept of a universal Medicare system. Medicare provides excellent health care for all of our seniors—it is a system that has operated for 30 years, a system that works, a system that is supported by the vast majority of Americans.

Specifically, what my amendment will do is provide for the revenue savings and the cost savings that are incorporated in the underlying bill, but remove from that bill those provisions that harm the structural integrity of the Medicare program.

My amendment would retain the Medicare eligibility age of 65. It would strike the home health copay. It would add the current law that protects Medicare recipients with respect to balanced-billing protection for those recipients and beneficiaries who may choose to opt for private fee-for-service Medicare health coverage. It would also eliminate the means-tested provisions for Medicare. And, finally, it would eliminate the medical savings account as a Medicare option.

All of these provisions which I have mentioned are not necessary to preserve the solvency of the Medicare fund. We can achieve solvency by agreeing to the savings and reimbursement changes which are in the underlying bill. And we can provide for a solvent Medicare system in the future without endangering the Medicare program itself.

I would like to comment on the specifics in my substitute.

First, as I mentioned before, my amendment would strike the rollback of the Medicare eligibility age to 67. I realize that this has been debated today. But this is such a critical point that it bears restating.

Reducing the Medicare eligibility age is exactly the wrong way to proceed with respect to health care reform—not just Medicare reform, but health care reform in this country. Our goal should be to encourage more participation in health care, to extend health care benefits to more Americans and not to reduce health care coverage.

Indeed, it is a cruel irony tonight that one of the beneficial aspects of the underlying legislation is the extension of health care to more children and, yet, we are contracting the health care coverage of seniors.

I believe also that this provision will send shockwaves throughout our entire health care system as companies are forced to realize the additional liability under current accounting rules. Many employers provide health care to their employees until Medicare eligibility age. If that age is rolled back, employers incur more costs. If they incur more costs and have to show it on the balance sheet, they are going to have to make very difficult choices not only about the coverage for retirees, but also if they are going to continue to provide coverage for their current workers.

This is something that should not be done lightly and, indeed, represents, a retreat from our commitment to provide more and more Americans with access to good quality health care.

Let me also suggest with respect to the home health copay that this is a provision which does not support those people who particularly need this type of support. Forty-three percent of the individuals who would have to pay this copay have incomes under $10,000 a year. Two-thirds of persons using these benefits are women, one-third of whom live alone.

Just yesterday we heard from a woman—an 82-year-old woman —who desperately relies upon home health

care services. She—and many others like her—would be in no condition to pay the increased costs. This provision should also be stricken.

With respect to medical savings accounts, this is the provision which I think will go toward the unraveling of the Medicare system as we know it. Under the MSA concept, a senior would be required to use Medicare money to buy a catastrophic health policy, and any savings left over from Medicare's payment could be put in the medical savings account.

This provision will attract wealthy seniors who, frankly, can pay for some of these costs. It would also attract those people who are healthy. Essentially, they would be making a judgment whether they are healthy enough to run the risk of avoiding significant illness, and, if so, this is a good option. If they are not so healthy, then their best rational choice would be to go for fee-for-service, traditional Medicare. The consequence would be that we would see wealthy, healthy seniors leave the Medicare system and, with them, the proportion of money that is contributed in their behalf. The remaining seniors would be sicker, older, and more likely to use services. This would put increased pressure on the Medicare program.

Those who see this as a way of making the system more solvent and more secure are missing the point. MSAs would lead to a situation in which the system is harmed, more costs are piled upon Medicare, Medicare becomes more difficult to fund and, indeed, to support.

Also, my substitute would eliminate the means testing provision. Philosophically, I think Medicare works because it is seen as a health care program and not a welfare program. To the extent that we make this part B premium differential between wealthy individuals and nonwealthy individuals, this program will take on quickly the shades of a welfare program. It will undercut the tremendous support in all ranges of American life for the Medicare system.

This part B premium adjustment is done in the context of a voluntary system, a system in which seniors might perceive—particularly wealthy seniors—that it is no longer a good deal to be part of part B. These seniors could voluntarily leave or buy other types of insurance—in fact the industry, I think, right now is probably planning to sell.

Once again, we will see the unraveling of the Medicare system as more people leave and as their contributions are taken with them from the Medicare system.

All of these together will lead to a situation in which we hear the first crack in the system. And as time goes on, those cracks will widen to deep fissures, and the solid support that we have today will ultimately erode.

A final point is with respect to a provision in the underlying bill, the lack of balanced billing protections in the private fee-for-service option. Current Medicare law balance billing limits protect seniors now and would be undercut because of the options in the underlying bill that allow beneficiaries to choose medical policies in which physicians could charge beyond the Medicare limits. This balanced billing protection exists for fee-for-service, traditional Medicare recipients. It should be in place for all beneficiaries of Medicare regardless of the program they choose. My amendment would add balance billing limits to the Medicare Choice provisions of the bill currently without them.

In a sense, what this amendment does in the nature of a substitute is say that we can provide solvency for Medicare. We can go ahead and provide the opportunities to make careful, comprehensive review of the system. We can make changes. But we don't have to do it today. We don't have to have to do it hastily. We don't have to do it in an ad hoc fashion which misses the systematic impact of all of these changes we have talked about today. Rather, we can—as I think the agreement reached with respect to the budget agreement several months ago indicates—we can stabilize the system, reduce the increasing costs associated with Medicare by roughly $115 billion and not defer, but study carefully and comprehensively and thoroughly the impact of some of these proposed changes.

This amendment stabilizes the system. It eliminates precipitous changes in Medicare that will undermine the program—changes in this bill that may leave us in a situation where Medicare is no longer a universal program in which all of our seniors can participate. Medicare should continue to be a program in which all of our seniors can and will participate, and a program in which all of our seniors will be guaranteed high quality health care that they can afford.

Mr. LAUTENBERG. Mr. President, I want to commend the Senator from Rhode Island for bringing this up. He stood against overwhelming odds as he introduced this substitute, because it did go over some ground that we had already covered. But, to Senator REED's credit, he is determined to make certain that the system is as fair and as effective as it can be.

I compliment him for sticking to this. I know the prospects may be grim. But hope springs eternal. And that is the attitude that I think Senator REED always has. I hope that the best will come as everybody reflects overnight on what is in his amendment.

Mr. REED. I thank the Senator.

Mr. DOMENICI. Parliamentary inquiry, Mr. President. Does Senator REED have any time remaining?

The PRESIDING OFFICER. The Senator from Rhode Island has 15 minutes remaining.

Mr. DOMENICI. I thought he agreed to 10 minutes.

Mr. REED. Indeed, I did.

Mr. DOMENICI. The Senator agreed to 10 minutes, and we agreed to 10 minutes in opposition, which we will not use.

The PRESIDING OFFICER. That was not the understanding of the Parliamentarian. Let me check that.

Mr. DOMENICI. It was informal. I did not state it.

The PRESIDING OFFICER. We don't have a consent agreement to that effect. But if there was a formal agreement, the Parliamentarian and the Presiding Officer is certainly willing to accept it.

Mr. REED. Mr. President, I did not hear the amount of time remaining based on 10 minutes.

The PRESIDING OFFICER. The Senator has spoken for 10 minutes.

Mr. REED. I thank the President.

The PRESIDING OFFICER. And he yields back.

Mr. DOMENICI. Mr. President, this is the amendment, 600 pages long. We do not know what is in it. We do not know if it meets the budget reconciliation instruction. We do not know what the Congressional Budget Office says it does to reduce deficits. It is obviously subject to a point of order, which I will make in a moment.

But I just want to remind Senators so we will know tomorrow that this bill also forces us to vote again on at least three amendments that passed by rather large votes here today.

It retains the medical care eligibility at 65. We have already passed an amendment that over the next 30 years implements an age increase to 67.

It strikes the home health copay, which passed by rather substantial margin.

It eliminates the means testing of Medicare, which we just finished debating about 35 to 40 minutes ago and which passed with a rather significant vote.

It eliminates medical savings accounts as a Medicare option. Now, we have not voted on that yet.

But those are some of the things that I know are in it.

I yield back any remaining time that I have.

I make a point of order that the amendment violates the Budget Act, 310(b).

Mr. REED addressed the Chair.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. REED. Mr. President, pursuant to Section 904, I move to waive any point of order against my amendment, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. DOMENICI. Mr. President, I think everything from this point on is rather informal, so maybe we can work together on it. If we go to our side, we will have Senator CHAFEE, and then we will return to Senator WELLSTONE, if that is satisfactory to him. He has been

waiting a long, long time. How much time would you like, Senator CHAFEE?

Mr. CHAFEE. Let me try 10 minutes.

Mr. DOMENICI. Ten minutes. OK. And, Senator WELLSTONE, you need how much? And I need some of your time.

Mr. WELLSTONE. Ten minutes will be fine.

Mr. DOMENICI. And I can use part of that time.

Mr. WELLSTONE. Ten minutes equally divided.

Mr. CHAFEE. How much time does he have—equally divided?

Mr. DOMENICI. Yes. That's all right, you go now, and we will go next.

Senator LAUTENBERG, can we go ahead and set up times so all Senators will know what to expect?

Mr. LAUTENBERG. I think that is a good idea.

Mr. DOMENICI. Whatever I am stating here, I am asking these will be the times.

The PRESIDING OFFICER. Without objection, the Senator from Rhode Island will be recognized for 10 minutes, followed by the Senator from Minnesota, to be recognized for 10 minutes, with 5 minutes of that time to be given to the Senator from New Mexico.

Mr. DOMEINICI. Is there somebody who wants to oppose Senator CHAFEE's amendment?

Mr. CHAFEE. No.

Mr. LAUTENBERG. Senator CHAFEE shook his head no.

Mr. DOMENICI. Senator D'AMATO?

Mr. D'AMATO. Ten minutes.

Mr. DOMENICI. Between the two of you.

Mr. HARKIN. Ten minutes each.

Mr. D'AMATO. I will take 5 minutes and the Senator 10 minutes.

Mr. HARKIN. Ten minutes. I need about 10 minutes.

Mr. DOMENICI. Ten minutes between you?

Mr. HARKIN. I would like to have 10 minutes.

Mr. DOMENICI. Senator D'AMATO.

Mr. D'AMATO. Just 5.

Mr. DOMENICI. I don't know whether we are going to oppose it, but I would like to keep 5 minutes. I think I am opposed to it.

Senator HUTCHISON.

Mrs. HUTCHISON. I would like 5 minutes on an amendment.

Mr. DOMENICI. Might I suggest that Senator HUTCHISON's amendment is going to be acceptable. Perhaps we can give you the 5 right now. We ask unanimous consent she have 5 minutes, but we may just let her go out of order to get hers taken, if that would not be objectionable.

Mr. LAUTENBERG. Senator DURBIN wants 10 minutes.

Mr. DOMENICI. Ten minutes.

Mr. DURBIN. I will try to make it short.

Mr. DOMENICI. Is that it? Senator BURNS.

Mr. BURNS. Mr. President, I have an amendment to offer, but I am not going to require any time. I can do mine in the morning, and after you look at it, it may be acceptable.

Mr. DOMENICI. You do it in the morning, but we will offer it for you.

Mr. BURNS. I want to do it tonight.

Mr. DOMENICI. We will offer it for you, and you will be able to debate it in the morning.

Mr. BURNS. That is exactly right.

Mr. DOMENICI. Any other Senators want any other time?

The PRESIDING OFFICER. If there is no objection, we will add to the previous request 15 minutes for the amendment of the Senator from Iowa, to be divided 10 minutes to the Senator from Iowa and 5 minutes to the Senator from New York; 5 minutes to the Senator from Texas for her amendment; and 10 minutes to the Senator from Illinois on his amendment.

Is there objection? Without objection, it is so ordered.

Mr. DOMENICI. Now, Mr. President, I wonder if Senator CHAFEE would be so good as to let Senator HUTCHISON, whose amendment is going to be accepted—is your amendment acceptable also?

Mr. CHAFEE. I would be delighted if my amendment would be acceptable.

Mr. DOMENICI. OK. We are going to let you go right now, and to the extent that violates the agreement, we ask unanimous consent.

The PRESIDING OFFICER. Without objection, the Senator from Texas is recognized.

Mrs. HUTCHISON. I thank the Chair, and I thank the distinguished chairman.

AMENDMENT NO. 446

(Purpose: To require States to verify that prisoners are not receiving food stamp benefits)

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

The PRESIDING OFFICER. The clerk will report the amendment.

The bill clerk read as follows:

The Senator from Texas [Mrs. HUTCHISON], for herself and Mr. SANTORUM, proposes an amendment numbered 446.

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

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

The amendment is as follows:

At the end of title I, add the following:

SEC. 10___. DENIAL OF FOOD STAMPS FOR PRISONERS.

(a) STATE PLANS.—

(1) IN GENERAL.—Section 11(e) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)) is amended by striking paragraph (20) and inserting the following:

''(20) that the State agency shall establish a system and take action on a periodic basis—

''(A) to verify and otherwise ensure that an individual does not receive coupons in more than 1 jurisdiction within the State; and

''(B) to verify and otherwise ensure that an individual who is placed under detention in a Federal, State, or local penal, correctional, or other detention facility for more than 30 days shall not be eligible to participate in the food stamp program as a member of any household, except that—

''(i) the Secretary may determine that extraordinary circumstances make it impracticable for the State agency to obtain information necessary to discontinue inclusion of the individual; and

''(ii) a State agency that obtains information collected under section 1611(e)(1)(I)(i)(I) of the Social Security Act (42 U.S.C. 1382(e)(1)(I)(i)(I)) through an agreement under section 1611(e)(1)(I)(ii)(II) of that Act (42 U.S.C. 1382(e)(1)(I)(ii)(II)), or under another program determined by the Secretary to be comparable to the program carried out under that section, shall be considered in compliance with this subparagraph.''.

(2) LIMITS ON DISCLOSURE AND USE OF INFORMATION.—Section 11(e)(8)(E) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(8)(E)) is amended by striking ''paragraph (16)'' and inserting ''paragraph (16) or (20)(B)''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall take effect on the date that is 1 year after the date of enactment of this Act.

(B) EXTENSION.—The Secretary of Agriculture may grant a State an extension of time to comply with the amendments made by this subsection, not to exceed beyond the date that is 2 years after the date of enactment of this Act, if the chief executive officer of the State submits a request for the extension to the Secretary—

(i) stating the reasons why the State is not able to comply with the amendments made by this subsection by the date that is 1 year after the date of enactment of this Act;

(ii) providing evidence that the State is making a good faith effort to comply with the amendments made by this subsection as soon as practicable; and

(iii) detailing a plan to bring the State into compliance with the amendments made by this subsection as soon as practicable and not later than the date of the requested extension.

(b) INFORMATION SHARING.—Section 11 of the Food Stamp Act of 1977 (7 U.S.C. 2020) is amended by adding at the end the following:

''(q) DENIAL OF FOOD STAMPS FOR PRISONERS.—The Secretary shall assist States, to the maximum extent practicable, in implementing a system to conduct computer matches or other systems to prevent prisoners described in section 11(e)(20)(B) from receiving food stamp benefits.''.

SEC. 10___. NUTRITION EDUCATION.

Section 11(f) of the Food Stamp Act of 1977 (7 U.S.C. 2020(f)) is amended—

(1) by striking ''(f) To encourage'' and inserting the following:

''(f) NUTRITION EDUCATION.—

''(1) IN GENERAL.—To encourage''; and

(2) by adding at the end the following:

''(2) GRANTS.—

''(A) IN GENERAL.—The Secretary shall make available not more than $600,000 for each of fiscal years 1998 through 2001 to pay the Federal share of grants made to eligible private nonprofit organizations and State agencies to carry out subparagraph (B).

''(B) ELIGIBILITY.—A private nonprofit organization or State agency shall be eligible to receive a grant under subparagraph (A) if the organization or agency agrees—

''(i) to use the funds to direct a collaborative effort to coordinate and integrate nutrition education into health, nutrition, social service, and food distribution programs for food stamp participants and other low-income households; and

''(ii) to design the collaborative effort to reach large numbers of food stamp participants and other low-income households

through a network of organizations, including schools, child care centers, farmers' markets, health clinics, and outpatient education services.

''(C) PREFERENCE.—In deciding between 2 or more private nonprofit organizations or State agencies that are eligible to receive a grant under subparagraph (B), the Secretary shall give a preference to an organization or agency that conducted a collaborative effort described in subparagraph (B) and received funding for the collaborative effort from the Secretary before the date of enactment of this paragraph.

''(D) FEDERAL SHARE.—

''(i) IN GENERAL.—Subject to subparagraph (E), the Federal share of a grant under this paragraph shall be 50 percent.

''(ii) NO IN-KIND CONTRIBUTIONS.—The non-Federal share of a grant under this paragraph shall be in cash.

''(iii) PRIVATE FUNDS.—The non-Federal share of a grant under this paragraph may include amounts from private nongovernmental sources.

''(E) LIMIT ON INDIVIDUAL GRANT.—A grant under subparagraph (A) may not exceed $200,000 for a fiscal year.''.

The PRESIDING OFFICER. The Senator from Texas.

Mrs. HUTCHISON. Mr. President, I understand this has been cleared by both sides. This is an amendment that I offer. It is an amendment that passed on a record vote of 409 to zero in the House. It basically closes a loophole in the Food Stamp Program.

The GAO did a study and determined that the Federal Government is losing nearly $4 million a year to provide food stamps for prisoners who obviously do not need food stamps. Prisoners do not qualify for food stamps because, of course, they are being fed in prison. But nevertheless, there is food stamp abuse going on where someone in a household claims a prisoner to add to the food stamp benefits.

Mr. President, I am very pleased that this amendment is going to be accepted because I think it is very important that the States do a basic check of their prison rolls with their food stamp rolls to make sure that the food stamps are being used for the purpose for which they were intended.

Food stamps are an entitlement, as they should be. They are given to anyone who is in need. But I think it is not fair to double dip, and we can save $4 million. In fact, that $4 million will go into some of the other very important programs that will be covered by this reconciliation bill.

So I am very pleased that we are closing this loophole, and I am very pleased that we are also adding another part that provides nutrition education for the low-income households through a network of social service organizations. This is something that Senator RICK SANTORUM has been a leader in doing, and he is a cosponsor of this amendment. I think we can do a lot of good.

So I thank the managers of the bill for accepting this amendment. I urge adoption of the amendment and ask that we have a voice vote.

The PRESIDING OFFICER. Is there further debate?

Mr. HARKIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. HARKIN. I just wonder if I could ask—I was just informed of this amendment as ranking member on authorization. I just want to make sure I understand it fully. I would ask the Senator from Texas to yield for a question.

Mrs. HUTCHISON. Yes, I would be happy to yield for a question.

Mr. HARKIN. As I understand, what the Senator is saying is that right now under the food stamp rolls, if there is a person in the household who is incarcerated, that you just want to ensure that the changes are made to reflect that there is one less person in that household for purposes of food stamp eligibility and food stamp allotment?

Mrs. HUTCHISON. I think what the Senator is asking is, is this going to affect the rest of the family? The answer is no. It is just that the prisoner would be taken out of the equation.

Mr. HARKIN. That is a good amendment.

Mr. DOMENICI. That had been accepted. We had failed to tell you we had already agreed.

Mr. HARKIN. I appreciate that. It is a good amendment.

Mrs. HUTCHISON. I thank the Senator from Iowa for accepting the amendment. I ask unanimous consent that it be adopted.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

The amendment (No. 446) was agreed to.

Mrs. HUTCHISON. Mr. President, I will send another amendment to the desk and ask for its immediate consideration. Then I want it to be set aside for future consideration.

The PRESIDING OFFICER. The clerk will report.

Mr. DOMENICI. Is this being submitted pursuant to the unanimous consent that it would be taken care of tomorrow?

Mrs. HUTCHISON. This is an amendment that we are placing—it is on the ''DSH'' issue, and we are going to do a place-holder amendment, but it was suggested I go ahead and put it in.

Mr. DOMENICI. It was on the list. Could you send it to the desk?

Mrs. HUTCHISON. I just want to formally submit the amendment.

AMENDMENT NO. 447

(Purpose: To modify the reductions for disproportionate share hospital payments)

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

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Texas [Mrs. HUTCHISON] proposes an amendment numbered 447.

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

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

The amendment is as follows:

Beginning on page 770, strike line 18 and all that follows through page 774, line 15, and insert the following:

''(2) DETERMINATION OF STATE DSH ALLOTMENTS FOR FISCAL YEARS 1998 THROUGH 2002.—

''(A) NON HIGH DSH STATES.—

''(i) IN GENERAL.—Except as provided in subparagraph (B) and paragraph (4), the DSH allotment for a State for each of fiscal years 1999 through 2002 is equal to the applicable percentage of the State 1995 DSH spending amount.

''(ii) APPLICABLE PERCENTAGE.—For purposes of clause (i), the applicable percentage with respect to a State described in that clause is—

''(A) for fiscal year 1998, 98 percent;

''(A) for fiscal year 1999, 95 percent;

''(B) for fiscal year 2000, 93 percent;

''(C) for fiscal year 2001, 90 percent; and

''(D) for fiscal year 2002, 85 percent.

''(B) HIGH DSH STATES.—

''(i) IN GENERAL.—In the case of any State that is a high DSH State, the DSH allotment for that State for each of fiscal years 1999 through 2002 is equal to the applicable reduction percentage of the high DSH State modified 1995 spending amount for that fiscal year.

''(ii) HIGH DSH STATE MODIFIED 1995 SPENDING AMOUNT.—

''(I) IN GENERAL.—For purposes of clause (i), the high DSH State modified 1995 spending amount means, with respect to a State and a fiscal year, the sum of—

''(aa) the Federal share of payment adjustments made to hospitals in the State under subsection (c) that are attributable to the 1995 DSH allotment for inpatient hospital services provided (based on reporting data specified by the State on HCFA Form 64 as inpatient DSH); and

''(bb) the applicable mental health percentage for such fiscal year of the Federal share of payment adjustments made to hospitals in the State under subsection (c) that are attributable to the 1995 DSH allotment for services provided by institutions for mental diseases and other mental health facilities (based on reporting data specified by the State on HCFA Form 64 as mental health DSH).

''(II) APPLICABLE MENTAL HEALTH PERCENTAGE.—For purposes of subclause (I)(bb), the applicable mental health percentage for such fiscal year is—

''(aa) for fiscal year 1999, 50 percent;

''(bb) for fiscal year 2000, 20 percent; and

''(cc) for fiscal years 2001 and 2002, 0 percent.

''(iii) APPLICABLE REDUCTION PERCENTAGE.—For purposes of clause (i), the applicable reduction percentage described in that clause is—

''(A) for fiscal year 1998, 98 percent;

''(A) for fiscal year 1999, 93 percent;

''(A) for fiscal year 2000, 90 percent;

''(A) for fiscal year 2001, 85 percent; and

''(B) for fiscal year 2002, 80 percent.

Mrs. HUTCHISON. Mr. President, I ask unanimous consent the amendment be set aside.

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

Mrs. HUTCHISON. I thank the Chair.

The PRESIDING OFFICER. Under the previous order, the Senator from Rhode Island is recognized.

AMENDMENT NO. 448

(Purpose: To clarify the standard benefits package and the cost-sharing requirements for the children's health initiative)

Mr. CHAFEE. Mr. President, on behalf of Senator ROCKEFELLER, Senator JEFFORDS, and myself, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Rhode Island [Mr. CHAFEE], for himself, Mr. ROCKEFELLER and Mr. JEFFORDS, proposes an amendment numbered 448.

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

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

Mr. CHAFEE. Mr. President, I am offering an amendment with Senator ROCKEFELLER and Senator JEFFORDS to ensure that the children's health insurance block grant, which is what we provided for from the Finance Committee, provides adequate health coverage for children and that it is affordable for most low-income families.

Let me say I am very pleased in this package we have $24 billion, $24 billion set aside to provide health insurance coverage for some of the 10 million children in our Nation who are currently uninsured. I thank the chairman of the committee for helping us in many respects in connection with how this health care money is dispensed.

There are two areas which remain of concern to me, namely what benefits are we going to provide to these children and how much are we going to require their parents to pay toward health insurance; in other words, deductibles and copayments. Under the Finance Committee bill, it provides that the benefits should be actuarially equivalent to the benefits provided under the Federal Employees Health Benefits Plan. This, of course, is not a single plan. It is a menu of plans that Federal employees may choose from. These plans are designed to meet the needs of adult Federal workers and retirees, not children. Stating that the benefits must be actuarial equivalent, which means the same dollar value, does not spell out what benefits the children will get. Children could be denied critical benefits, such as vision and hearing care.

Some may say the States will offer the benefits that children need, but that is not what the record shows. A survey by the National Governors' Association of the 28 non-Medicaid—in other words programs that are not pursuant to Medicaid— State health programs for children found that they did not cover vision care in 16 of these plans; 16 out of 28 did not cover glasses for these poor children, and 10 didn't cover hearing defects.

The amendment I am offering today would require that the benefits be at least the same as those under the standard Blue Cross/Blue Shield benefit package, including hearing and vision services.

We are talking about very low-income children here. These are children who live in families of three where the gross income is under $18,000. We are talking about children at 133 percent of the Federal poverty level. They do not have extra money to provide for eyeglasses or hearing aids. What we do is provide that the package be the same as the Blue Cross/Blue Shield package as far as benefits go. This is a standard package and it includes eyeglasses and hearing aids.

In addition, we provide deductibles and copayments be eliminated for those who are—not eliminated, but be nominal for those from these very low-income families. So, that is the essence of it. It is a very good amendment. I wish it would be accepted. And I yield now—how much time do I have left?

The PRESIDING OFFICER. The Senator has 6 minutes and 40 seconds remaining.

Mr. CHAFEE. I yield 4 minutes to my colleague from West Virginia.

Mr. ROCKEFELLER. Mr. President, I thank my distinguished colleague from the State of Rhode Island. My comments on the amendment, this Senator's comments, would echo those of the Senator from Rhode Island.

In the present bill before us, there is a requirement that benefits provided be actuarially equivalent to the benefits provided under the Federal Employees Health Benefits Program or FEHBP, it sounds good. But, in fact, since there are so many plans out there, you do not know what kind of benefits that is going to get you. Actuarial equivalence simply guarantees a dollar amount that the insurance for each child has to add up to. It does not specify an actual level or set of benefits, which is the true meaning of decent and necessary health insurance. In fact, the child could very well not get inpatient services or not get outpatient services or not receive prescription drugs. Our amendment ties benefits that would need to be provided to a child to a specific health plan that is available under FEHBP. Sixty percent of Federal workers select the BC/BS standard PPO option. Our amendment says that benefits provided to children must be at least up to that level, plus vision and hearing. We want our children to get hospital care, we want them to get primary care, we want them to get preventive care. Basic protections that a majority of Federal workers choose for their own families.

The cost sharing requirements in our amendment would also set a standard that would allow nominal cost sharing for families with incomes under 133 percent of poverty. For children in families with incomes above 133 percent of poverty, the Secretary must certify that the cost sharing requirements are reasonable.

Mr. President, GAO did a study that found that several States fell short in terms of providing adequate benefits. Alabama only provides outpatient care. Pennsylvania, which has been a national model, provided only limited inpatient care. According to a NGA survey of 30 statewide voluntary programs, only 8 States provide dental care, only 11 States provide hospital care, only 14 provide vision care, and less than half cover physical therapy services.

With the fresh infusion of Federal dollars that the Senate Finance Committee is choosing to commit and spend on health insurance for children, there needs to be an assurance that the benefits provided are adequate and geared to meet the health needs of children. Under the proposal before us, the Federal Government will be picking up more than half of the costs of children's health insurance.

A GAO report found that Alabama and Pennsylvania and Florida and Minnesota still have a long way to go in addressing the needs of uninsured children in their States. For example, in the case of Alabama they have covered less than 6,000 kids and they have 182,000 uninsured, in New York they have covered 104,000 but there is almost 600,000 they have not covered. Yes, they are trying, but they need the resources we bring to them. The amendment I am offering with Senator CHAFEE will ensure that children get the benefits they need to grow up healthy.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. Mr. President, there are some saying, ''Oh, you are giving them a Cadillac package.'' It is just not so. I ask unanimous consent to have printed in the RECORD a comparison between what Medicaid provides, which some could say is a Cadillac package, and what we have in here, which we provide, which is just what the Blue Cross provides. You can see as you look down the list that Blue Cross does not cover shoes and corrective devices, transportation to medical services, family counseling, hearing care or vision care. So we go with the Blue Cross package with the exception of adding vision care and hearing assistance.

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

COMPARISON OF BENEFITS OFFERED UNDER MEDICAID AND BLUE CROSS

Benefit	Blue Cross	Medicaid
Inpatient hospital care	Yes	Yes.
Surgical benefits	Yes	Yes.
Mental health	Limited	Unlimited.
Substance abuse	Limited	Unlimited.
Home care	No	Yes.
Speech therapy	Limited	Unlimited.
Transplants	Limited	Unlimited.
Shoes and corrective devices	No	Yes.
Transportation to medical services	No	Yes.
Family counseling	No	Yes.
Nursing home care	No	Yes.
Non-prescription drugs	No	Yes.
Inpatient private nursing duty	No	Yes
Dental	Limited	Unlimited.
Hearing care	No	Yes.
Vision care/eyeglasses	No	Yes.
Well-baby care	Yes	No.

Mr. CHAFEE. We are talking about children at 133 percent of poverty or less. So I do not think this is going overboard. I very much hope this could be accepted.

Mr. President, it is a good amendment and all it does is provide that we know what the benefits are going to be for these children and we include with the standard package known throughout the country through the FHEPA

that we provide for the vision care and hearing assistance.

Mr. President, I am delighted to support this package and would be delighted to have any other assistance, cosponsors.

Mr. ROCKEFELLER. Will the Senator yield?

Mr. CHAFEE. Yes.

Mr. ROCKEFELLER. Could I just point out one thing? I want to compliment the chairman of the Senate Finance Committee and his staff because they were, in fact, as I understand it seriously considering accepting a version of our amendment. It was not ultimately accepted apparently because some of my colleagues on the other side of the aisle did not want to have hearing and vision services included in the benefits package. I deeply regret that. This really is a good amendment, does deserve support, and reflects thinking on both sides.

Mr. DOMENICI. That's not true.

Mr. CHAFEE. Mr. President, I cannot vouch for what my distinguished colleague from West Virginia was saying in that last statement, about who was willing to accept it. I am not sure of all that.

All I know is I worked with the distinguished chairman of the committee and his staff. We were making some progress but I can't account for what resulted in it not being finally accepted. That is beyond my knowledge.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. I would say we did seek to work with the distinguished Senator from Rhode Island. No agreement was reached. Undoubtedly there is opposition to this proposal so we will have to deal with that in the morning.

Mr. CHAFEE. I appreciate that. Again, I join with the comments the distinguished Senator from West Virginia said about the chairman of the committee. He worked hard with us on how this originally started, and we are grateful to him coming as far as he did. We would be even more grateful if he came a little further.

I thank the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. LAUTENBERG. Mr. President, we have taken a quick look. I would say from our standpoint we think this is a pretty good amendment. I say to the Senator from Rhode Island and the Senator from West Virginia, we think it is a pretty good amendment. Apparently there is some question yet to be resolved.

Mr. DOMENICI. Mr. President, that means this amendment goes on the list for tomorrow with 1 minute on a side, is that correct?

The PRESIDING OFFICER. That is correct.

Mr. DOMENICI. If it is subject to a point of order, that point of order is reserved for tomorrow?

The PRESIDING OFFICER. The Senator is correct.

Mr. CHAFEE. Mr. President, the Senator from New York, Senator D'AMATO, asked to be added as a cosponsor.

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

The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, are we ready for another amendment?

AMENDMENT NO. 449

(Purpose: To provide for full mental health parity with respect to health plans purchased through the use of amounts provided under a block grant to States)

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

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Minnesota [Mr. WELLSTONE], for himself and Mr. DOMENICI, Mr. REID, and Mr. CONRAD, proposes amendment numbered 449.

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

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

The amendment is as follows:

On page 862, between lines 14 and 15, insert the following:

"SEC. 2107A.—MENTAL HEALTH PARITY.

''(a) PROHIBITION.—in the case of a health plan that enrolls children through the use of assistance provided under a grant program conducted under this title, such plan, if the plan provides both medical and surgical benefits and mental health benefits, shall not impose treatment limitations or financial requirements on the coverage of mental health benefits if similar limitations or requirements are not imposed on medial and surgical benefits.

''(b) RULE OF CONSTRUCTION.—Nothing in this section shall be construed—

''(1) as prohibiting a health plan from requiring preadmission screening prior to the authorization of services covered under the plan or from applying other limitations that restrict coverage for mental health services to those services that are medically necessary; and

''(2) as requiring a health plan to provide any mental health benefits.

''(c) SEPARATE APPLICATION TO EACH OPTION OFFERED.—In the case of a health plan that offers a child described in subsection (a)(2) or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.

''(d) DEFINITIONS.—In this section:

''(1) MEDICAL OR SURGICAL BENEFITS.—The term 'medical or surgical benefits, means benefits with respect to medical or surgical services, ad defined under the terms of the plan, but does not include mental health benefits.

''(2) MENTAL HEALTH BENEFITS.—The term 'mental health benefits' meant benefits with respect to mental services, as defined under the terms of the plan, but does not include benefits with respect to the treatment of substance abuse and chemical dependency.

Mr. WELLSTONE. Mr. President, this past fall for me as a Senator, one of the proudest moments was when the Senate passed the Domenici—and I was pleased to join him—Wellstone Mental Health Parity Act. This became part of the VA-HUD appropriations bill and became, really, eventually the law of the land. This was a first and important step in ending the discrimination when it comes to health care coverage for people struggling with mental illness, to say we take another step toward punching through some of the prejudice and some of the ignorance about mental illness.

Mr. President, I thank, and I say to my colleague from New Mexico this is really what it is all about—we have in the gallery, family gallery, people representing the National Alliance for the Mentally Ill, the American Psychiatric Association, and the National Mental Health Association. They have been here all day. This has been several days we worked on this. I believe, thanks to the strong support of Senator DOMENICI, that we have now an amendment that will be approved. I thank him for his fine work.

I thank the people who have been here today, thank you for your help, and I would like to thank also Margaret Halperin who works with me in the mental health area.

This amendment just says that now what we have done is we have focused on children's health care, we have some $16 billion of additional money. I thank the distinguished Senator from Delaware for all of his fine work on this. What this amendment says is—it does not mandate anything. What it says is when it comes to providing health care coverage, now that it goes to States, as there is additional funding to provide health care coverage for children if there is going to be mental health coverage in any package that we do not have any discriminatory treatment toward those children that are struggling with mental illness.

This is terribly important. What we are doing again is we are just kind of breaking through more prejudice. It is another step toward ending discrimination and it is so important, I say to colleagues. This is passed now at night. Tomorrow I hope we will focus on it, if not on the floor of the Senate I know there will be many people in the country who will want to focus on it, groups and organizations here that will want to focus on this.

What this means for families and for children, I cannot even begin to explain. But let me simply say all too often it has been devastating. There has been no coverage. All too often it is children who could be doing well in school but are not able to, it is children who could live full lives but are not able to. What we do with this amendment is we take another step toward breaking through the prejudice, toward breaking through the discrimination and, we say, now that we have funds going to States and now we are going to be focusing on the health care of children, please, colleagues, please remember that when we talk about the health of children we are also talking about the mental health of children.

That is what this amendment says. That is what this amendment is all about. I am so pleased that this amendment is going to be accepted. We will work very hard to keep this in conference committee and this, again, is

an amendment with, I think, strong bipartisan support. And more than anybody here in the Senate I thank Senator DOMENICI for all of his help.

I yield the floor to my colleague from New Mexico.

The PRESIDING OFFICER. The Senator from New Mexico.

Mr. DOMENICI. Mr. President, I obviously would be remiss if I did not thank Senator WELLSTONE for his diligence in this regard. I think the time is now upon us, with the overwhelming passage of an amendment last year which I sponsored along with my friend Senator WELLSTONE, which essentially said for the private sector, if you are going to cover people that have mental illness, you have to create some parity for the mentally ill; that is, you cannot say they have less coverage per year or less coverage for the life of the policy. That set a very big wave of movement in the country to try to establish nondiscrimination in these kinds of efforts. I think business is beginning to work its way through it.

Today, we offer an amendment very similar. It says the coverage that is going to be afforded to children under this bill, if mental illness is covered, it shall be covered with the same kind of coverage that you provide for the physical illnesses.

There is a escape clause of a sort that has to do with making sure we are not impeding the formation of HMOs and managed care.

Nonetheless, I believe the time is right to try this one on in the country. We are moving step by step, leading to a point where mental and physical ailments will be treated the same in terms of coverage. We need not make long speeches tonight. We made those to the Senate heretofore and we received very warm response.

On this one we do not have that much time. I yield whatever remaining time I have. I understand the chairman and ranking member of Finance have no objection to the amendment.

THE PRESIDING OFFICER. If there be no further debate, the question is on agreeing to the amendment.

The amendment (No. 449) was agreed to.

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

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

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. Under the previous order, the Senator from Illinois is recognized for up to 10 minutes.

Mr. DURBIN. Mr. President, I have an amendment——

PRIVILEGE OF THE FLOOR

Mr. ROTH. Mr. President, I ask the distinguished Senator to withhold. Mr. President, I ask unanimous consent that Rick Werner, a detailee to the Finance Committee from the Department of Health and Human Services be granted the privilege of the floor for the duration of the debate on S. 947, the Balanced Budget Act of 1997.

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

AMENDMENT NO. 450

(Purpose: To provide food stamp benefits to child immigrants)

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

The PRESIDING OFFICER. The clerk will report.

The bill clerk read as follows:

The Senator from Illinois [Mr. DURBIN] for himself, Mr. WELLSTONE, and Mrs. BOXER proposes an amendment numbered 450.

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

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

The amendment is as follows:

At the end of title I, add the following:

SEC. 10 . FOOD STAMP BENEFITS FOR CHILD IMMIGRANTS.

(a) IN GENERAL.—Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)) is amended by adding at the end the following:

''(E) CHILD IMMIGRANTS.—In the case of the program specified in paragraph (3)(B), paragraph (1) shall not apply to a qualified alien who is under 18 years of age.''.

(b) ALLOCATION OF ADMINISTRATIVE COSTS.—Section 408(a) of the Social Security Act (42 U.S.C. 608(a)) is amended by adding at the end the following:

''(12) DESIGNATION OF GRANTS UNDER THIS PART AS PRIMARY PROGRAM IN ALLOCATING ADMINISTRATIVE COSTS.—

''(A) IN GENERAL.—Notwithstanding any other provision of law, a State shall designate the program funded under this part as the primary program for the purpose of allocating costs incurred in serving families eligible or applying for benefits under the State program funded under this part and any other Federal means-tested benefits.

''(B) ALLOCATION OF COSTS.—

''(i) IN GENERAL.—The Secretary shall require that costs described in subparagraph (A) be allocated in the same manner as the costs were allocated by State agencies that designated part A of title IV as the primary program for the purpose of allocating administrative costs before August 22, 1996.

''(ii) FLEXIBLE ALLOCATION.—The Secretary may allocate costs under clause (i) differently, if a State can show good cause for or evidence of increased costs, to the extent that the administrative costs allocated to the primary program are not reduced by more than 33 percent.

''(13) FAILURE TO ALLOCATE ADMINISTRATIVE COSTS TO GRANTS PROVIDED UNDER THIS PART.—If the Secretary determines that, with respect to a preceding fiscal year, a State has not allocated administrative costs in accordance with paragraph (12), the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the succeeding fiscal year by an amount equal to—

''(A) the amount the Secretary determines should have been allocated to the program funded under this part in such preceding fiscal year; minus

''(B) the amount that the State allocated to the program funded under this part in such preceding fiscal year.''.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. DURBIN. Mr. President, I know the hour is late but the subject is very important and in a few moments I would like my colleagues to consider what this amendment would do. During the course of passing the welfare reform bill, we made many changes in many programs in an effort to move people from welfare to work. There were several aspects of that bill—even though I supported the bill in its entirety—there were several aspects of that bill which were troubling, not the least of which was the reduction in nutritional assistance for children in the United States. The purpose of this amendment is to correct what I consider to be a very serious error and a serious problem in this legislation, because with this amendment we will restore food stamps for the children of legal immigrants.

Keep in mind that I have said legal immigrants. These are children legally in the United States who are in poverty and have been denied the protection and sustenance of the Food Stamp Program. It is a significant problem nationwide. Over 4,000 immigrant children in Illinois have lost their food stamps because of this welfare reform bill; over 283,000 nationwide. According to the Food Research Action Council survey of families living below 185 percent of poverty, hungry children suffer from two to four times as many individual health problems such as frequent colds and headaches, fatigue, unwanted weight loss, inability to concentrate and so on.

These children—hungry children—are often absent from school. They can have a variety of medical problems arising from nutritional deficiencies, not the least of which is anemia. Hungry children are less likely to interact with other people, explore and learn from their surroundings, and it has a negative impact on the ability of children to learn. We should be focusing on healthy children in America, not hungry children in America.

This amendment seeks to correct that problem by giving to these children the basic protection of food stamps.

Just a month or so ago, I visited the Cook County Juvenile Detention Center, a facility which, unfortunately, is doing quite a large business in juvenile crime. I spoke to the psychologist at that center and asked him what traits these kids who committed crime had in common. I would like to focus on one which he said was very common, a learning disability, a neurological deficit.

I said, ''Where does that come from?''

He said it can come from improper prenatal nutrition, improper infant nutrition. These kids get a bad start, and with that bad start, they don't learn as well, they become frustrated, they fall behind, they become truant, they drop out, they become statistics, crime and welfare statistics which haunt us in this Chamber as we consider all of the ramifications of a child's failed life.

Many times we overlook the basics. I am happy that my colleagues tonight have addressed children's health. I think that is something that should be a given in America, that we provide basic health care protection to all children. But can we then argue that children should go hungry at the same time? The children that would be protected by this bill would now be qualifying for food stamps. In my State of Illinois, many of the soup kitchens and other food providers have experienced a dramatic increase in demand for services by children since enactment of the welfare reform bill.

The Reverend Gerald Wise of the First Presbyterian Church in Chicago recently came to tell me that the pantry at the First Presbyterian in the extremely distressed Woodlawn neighborhood and the Pine Avenue United Presbyterian Church in the Austin neighborhood are stretched beyond capacity.

Fifty-two percent of the cities participating in the U.S. Conference of Mayors' 1995 survey reported emergency food assistance facilities were unable to provide necessary resources, and that is before the welfare reform bill.

This amendment, which I have been joined in offering by Senator WELLSTONE and Senator BOXER, restores food stamp benefits to legal immigrant families with children 18 years and under. According to the CBO, it would cost the Treasury $750 million over 5 years.

We have established an offset in this bill from the administrative moneys being given to the Governors so that they can administer the new welfare reform bill, food stamps and other programs. Our amendment tries to ensure that Federal dollars are being used efficiently to make sure that direct benefits are given to needy children.

I am going to stop at this point, as I know some of my colleagues are waiting to offer an amendment and others have been here a long time. I hope tomorrow when this amendment comes to the floor that my colleagues on both sides of the aisle will join in a bipartisan spirit to help the children of legal immigrants. These children are likely to become naturalized citizens in America. We want them to be healthy, productive citizens, good students making this a better nation in which to live. If we are pennywise and pound foolish and cut these children short when it comes to one of the basic necessities of life, food itself, we may end up paying the price for decades and generations to come.

Let us do the right thing, the compassionate thing, yes, the American thing. Let us make sure that hungry children are provided for.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Is there further debate on the amendment?

Mr. DOMENICI. Mr. President, I have nothing other than we will take our minute tomorrow. Again, if this amendment is subject to a point of order, we have not waived the point of order tonight.

The PRESIDING OFFICER. The Senator is correct.

Mr. D'AMATO addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

AMENDMENT NO. 451

(Purpose: To improve health care quality and reduce health care costs by establishing a national fund for health research that would significantly expand the Nation's investment in medical research)

Mr. D'AMATO. Mr. President, on behalf of Senator HARKIN, Senator SPECTER, Senator MACK, Senator ROCKEFELLER, Senator DASCHLE, Senator BOXER, Senator KERRY, Senator DURBIN, and myself, I offer this amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The bill clerk read as follows:

The Senator from New York [Mr. D'AMATO], for himself, Mr. HARKIN, Mr. SPECTER, Mr. MACK, Mr. ROCKEFELLER, Mr. DASCHLE, Mrs. BOXER, Mr. KERRY, and Mr. DURBIN, proposes an amendment numbered 451.

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

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

The amendment is as follows:

On page 1027, between lines 7 and 8, insert the following:

Subtitle N—National Fund for Health Research

SEC. 5995. SHORT TITLE.

This subtitle may be cited as the ''National Fund for Health Research Act''.

SEC. 5996. FINDINGS.

Congress makes the following findings:

(1) Nearly 4 of 5 peer reviewed research projects deemed worthy of funding by the National Institutes of Health are not funded.

(2) Less than 3 percent of the nearly one trillion dollars our Nation spends on health care is devoted to health research, while the defense industry spends 15 percent of its budget on research and development.

(3) Public opinion surveys have shown that Americans want more Federal resources put into health research and are willing to pay for it.

(4) Ample evidence exists to demonstrate that health research has improved the quality of health care in the United States. Advances such as the development of vaccines, the cure of many childhood cancers, drugs that effectively treat a host of diseases and disorders, a process to protect our Nation's blood supply from the HIV virus, progress against cardiovascular disease including heart attack and stroke, and new strategies for the early detection and treatment of diseases such as colon, breast, and prostate cancer clearly demonstrates the benefits of health research.

(5) Health research which holds the promise of prevention of intentional and unintentional injury and cure and prevention of disease and disability, is critical to holding down health care costs in the long term.

(6) Expanded medical research is also critical to holding down the long-term costs of the medicare program under title XVIII of the Social Security Act. For example, recent research has demonstrated that delaying the onset of debilitating and costly conditions like Alzheimer's disease could reduce general health care and medicare costs by billions of dollars annually.

(7) The state of our Nation's research facilities at the National Institutes of Health and at universities is deteriorating significantly. Renovation and repair of these facilities are badly needed to maintain and improve the quality of research.

(8) Because discretionary spending is likely to decline in real terms over the next 5 years, the Nation's investment in health research through the National Institutes of Health is likely to decline in real terms unless corrective legislative action is taken.

(9) A health research fund is needed to maintain our Nation's commitment to health research and to increase the percentage of approved projects which receive funding at the National Institutes of Health.

SEC. 5997. ESTABLISHMENT OF FUND.

(a) ESTABLISHMENT.—There is established in the Treasury of the United States a fund, to be known as the ''National Fund for Health Research'' (hereafter in this section referred to as the ''Fund''), consisting of such amounts as are transferred to the Fund under subsection (b) other amounts subsequently enacted into law and any interest earned on investment of amounts in the Fund.

(b) TRANSFERS TO FUND.—

(1) IN GENERAL.—The Secretary of Health and Human Services shall transfer to the Fund amounts equivalent to amounts described in paragraph (2).

(2) AMOUNTS.—

(A) IN GENERAL.—Amounts described in this paragraph for each of the fiscal years 1998 through 2002 shall be equal to the amount of Federal savings derived for each such fiscal year under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) and the medicaid program under title XIX of such Act (42 U.S.C. 1396 et seq.) that exceeds the amount of Federal savings estimated by the Congressional Budget Office as of the date of enactment, to be achieved in each such program for each such fiscal year for purposes of the Balanced Budget Act of 1997.

(B) DETERMINATION BY SECRETARY.—Not later than 6 months after the end of each of the fiscal years described in subparagraph (A), the Secretary of Health and Human Services shall—

(i) make a determination as to the amount to be transferred to the Fund for the fiscal year involved under this subsection; and

(ii) subject to subparagraphs (E) and subsection (d), transfer such amount to the Fund.

(C) SEPARATE ESTIMATES.—In making a determination under subparagraph (B)(i), the Secretary of Health and Human Services shall maintain a separate estimate for each of the programs described in subparagraph (A).

(D) LIMITATION.—Any savings to which subparagraph (A) applies shall not be counted for purposes of making a transfer under this paragraph if such savings, under current procedures implemented by the Health Care Financing Administration, are specifically dedicated to reducing the incidence of waste, fraud, and abuse in the programs described in subparagraph (A).

(E) CAP ON TRANSFER.—Amounts transferred to the Fund under this subsection for any year in the 5-fiscal year period beginning on October 1, 1997, shall not in combination with the appropriated sum exceed an amount equal to the amount appropriated for the National Institutes of Health for fiscal year 1997 multiplied by 2.

(c) OBLIGATIONS FROM FUND.—

(1) IN GENERAL.—Subject to the provisions of paragraph (4), with respect to the amounts

made available in the Fund in a fiscal year, the Secretary of Health and Human Services shall distribute—

(A) 2 percent of such amounts during any fiscal year to the Office of the Director of the National Institutes of Health to be allocated at the Director's discretion for the following activities:

(i) for carrying out the responsibilities of the Office of the Director, including the Office of Research on Women's Health and the Office of Research on Minority Health, the Office of Alternative Medicine, the Office of Rare Disease Research, the Office of Behavioral and Social Sciences Research (for use for efforts to reduce tobacco use), the Office of Dietary Supplements, and the Office for Disease Prevention; and

(ii) for construction and acquisition of equipment for or facilities of or used by the National Institutes of Health;

(B) 2 percent of such amounts for transfer to the National Center for Research Resources to carry out section 1502 of the National Institutes of Health Revitalization Act of 1993 concerning Biomedical and Behavioral Research Facilities;

(C) 1 percent of such amounts during any fiscal year for carrying out section 301 and part D of title IV of the Public Health Service Act with respect to health information communications; and

(D) the remainder of such amounts during any fiscal year to member institutes and centers, including the Office of AIDS Research, of the National Institutes of Health in the same proportion to the total amount received under this section, as the amount of annual appropriations under appropriations Acts for each member institute and Centers for the fiscal year bears to the total amount of appropriations under appropriations Acts for all member institutes and Centers of the National Institutes of Health for the fiscal year.

(2) PLANS OF ALLOCATION.—The amounts transferred under paragraph (1)(D) shall be allocated by the Director of the National Institutes of Health or the various directors of the institutes and centers, as the case may be, pursuant to allocation plans developed by the various advisory councils to such directors, after consultation with such directors.

(3) GRANTS AND CONTRACTS FULLY FUNDED IN FIRST YEAR.—With respect to any grant or contract funded by amounts distributed under paragraph (1), the full amount of the total obligation of such grant or contract shall be funded in the first year of such grant or contract, and shall remain available until expended.

(4) TRIGGER AND RELEASE OF MONIES.—

(A) TRIGGER AND RELEASE.—No expenditure shall be made under paragraph (1) during any fiscal year in which the annual amount appropriated for the National Institutes of Health is less than the amount so appropriated for the prior fiscal year.

(d) REQUIRED APPROPRIATION.—No transfer may be made for a fiscal year under subsection (b) unless an appropriations Act providing for such a transfer has been enacted with respect to such fiscal year.

(e) BUDGET TREATMENT OF AMOUNTS IN FUND.—The amounts in the Fund shall be excluded from, and shall not be taken into account, for purposes of any budget enforcement procedure under the Congressional Budget Act of 1974 or the Balanced Budget and Emergency Deficit Control Act of 1985.

Mr. D'AMATO. Mr. President, I guess it was about 5, 6 years ago, my friend and colleague from Iowa, Senator HARKIN, came to me and said, ''You know, we haven't been able to get sufficient funding for breast cancer research because there are those who object to our attempt to take it from defense and transfer it over to NIH.'' I think we had just been rebuffed 50 some odd to 42 or 43.

Then he said, ''How about us keeping that money in the defense budget. After all, a significant portion of the military will be women. This is a matter of national health in our defense of our families.'' And we came forth with that proposal, and we were able to get a huge vote.

Since that point in time, forget about votes, we have produced, in addition to what was being funded by NIH, something in excess of $600 million for breast cancer research, and it has made a difference.

My colleague, once again, has come forth and said this time, ''Alfonse, why don't we look to meet the needs that this body itself has acknowledged in their overwhelming vote on January 21, 1997,'' when Senator MACK and my friend from Iowa, Senator HARKIN, myself and others, who offered an amendment which was designed to say, let us double, we call it the biomedical commitment research resolution, and it is so easy for us to vote for it because we voted to say yes, we want to double the amount of money going into NIH for biomedical research because the demands are incredible, absolutely incredible. So we voted 100 to 0.

Now comes the problem. How do we fund it? Notwithstanding that the chairman of the subcommittee, Senator SPECTER, is making every effort to find the funds, where does he get them? Where does he get them? What program does he cut? Does he cut food stamps further? We just heard an eloquent presentation as it relates to the needs of children. What senior citizen program does he cut it from? We have already seen the battles when we look for funds. Do we give more money to breast cancer research at the expense of diabetes? What about emerging infectious diseases? Incredible, frightening if you read what is going on.

Let me tell you, the investment of moneys into biomedical research will pay great dividends, it will save lives, it will result in savings many, many, many times more than what we invest, and it is so necessary. I think about 80 to 90 percent of the worthy applications by some of the great medical research centers of this country are being turned down, not because they are deficient, but because we simply don't have the money.

I have to tell you something, there is nothing better that we can be investing money in than in terms of medical research for the prevention of illnesses, for finding out the cures, for doing the genetic research, for doing all of that work that so many of us talk about. We go home and say, ''Yes, I am going to vote to increase it.'' Here is what we do.

Let us take the cumulated savings annually from Medicare and Medicaid that this bill provides. Let me tell you, the chairman of the Finance Committee, Senator ROTH, deserves the appreciation and accolades of everyone, Democrat and Republicans, because he has crafted a bill that is designed to control costs and to produce savings. Let CBO, the Congressional Budget Office, look at the end of each fiscal year how much in the way of savings have been accumulated and provide these moneys be set aside to be used exactly for that which we voted 100 to 0, biomedical research in NIH.

Let us not fight to take money from one program that is so desperately needed, whether it be for senior citizens, whether it be for food stamps, and then say we are going to make winners of some at the expense of others and not nearly meet the needs.

If we looked at the last 4 years, we will see we increased the total appropriations in these accounts by about $400 million a year. That is not going to meet our commitment when we are talking about increasing it by $2.5 billion annually.

Mr. President, again, this does not impact, it does not need a revenue offset. If the revenues are not generated, the savings, no expenditure. If they are, I suggest we couldn't find a better and finer place to put those moneys. If someone wants to then come in and make an amendment to take part of those moneys and put them someplace else, they can come to the floor and we can argue it out. But I believe the establishment of that trust fund keeps the promise we made, that we attempt to look for ways to find the moneys that we all came out here on the floor and voted for.

I commend my colleague. It has been a great privilege and pleasure for me to work with him in this endeavor.

Mr. HARKIN addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. HARKIN. Mr. President, I thank my friend from New York for his kind words, but also, more important, let me thank him for his stalwart, unwavering support through the years for medical research.

I have been involved in this battle for a long time, and I have never found anyone who has fought harder to make sure we had adequate funding for all of the biomedical research we need done in this country than Senator D'AMATO from New York. I thank him for that unwavering support down through the years and for his support on this amendment also.

Mr. President, this amendment does have strong bipartisan support. Senator SPECTER and Senator MACK are cosponsors, as well as a number on our side—Senator ROCKEFELLER, Senator DASCHLE, Senator BOXER, Senator DURBIN, Senator KERRY. So it has strong bipartisan support.

I want to pick up on what the Senator from New York said. We voted not long ago, the entire Senate, every one of us voted to double funding for NIH by 2002. We are all in favor of that. But

it is very hard finding the money. I worked very hard with Senator SPECTER when I was chairman and he was ranking member. Now he is chairman and I am ranking member. We have worked very hard to get adequate funding for NIH every year. It is getting more and more difficult, and with this balanced budget which I am supporting strongly, which I have continued to support in the past and will continue to support, it is going to be even harder.

If we wanted to double NIH funding by 2002 out of our discretionary account, if we zeroed out all the other accounts we have—maternal-child health care, the Centers for Disease Control, mental health block grants and a host of others—if we zeroed all those out and shifted it just to NIH, we would still be $2 billion short of doubling it. We are not going to zero out mental health block grants and the Centers for Disease Control and everything else. So we have to look for someplace else to find this money.

Without our action, the investment in NIH research is only going to decline in real terms. The only way that we can get it is by going outside of the regular discretionary spending process. I guess what this amendment is, more than anything, is there was a book of ''Thinking Outside the Box.'' We get put in these boxes and sometimes we have to think outside of the box.

What this amendment does, again, to repeat, to reemphasize what Senator D'AMATO said, this research trust fund would work in the following way. Every year, CBO and the Secretary of Health and Human Services would look back to determine whether the annual Medicare and Medicaid savings actually achieved as a result of the changes made by the Balanced Budget Act exceeded the savings called for in the budget resolution. In other words, are there more savings than what was called for to balance the budget? If that is so, if there are excess savings, then that excess savings would be deposited each year into a health research fund to be distributed to NIH for the purposes of medical research. It is a very simple, a very elegant amendment, so offset is needed.

As we consider long-term changes to the Medicare Program—and we will be—the creation of a medical research trust fund is only common sense. I know a point of order will be made against the amendment that it is not germane. I accept the fact that this amendment is not germane to the bill before us. But I submit to you, it is every bit germane to the issue of saving Medicare and how we are going to deal with Medicare.

A number of recent studies have shown that investments in medical research can lower Medicare costs through the development of more cost-effective treatments and by delaying the onset of illnesses. Duke University recently did a study that said the financial crisis in Medicare can be resolved without raising taxes or cutting benefits by improving the health of older Americans through biomedical research. It is the key investment, it is the key to reducing health costs in the long run. If we can find cures for things like breast cancer, lung cancer, Alzheimer's, the savings would be enormous.

Unfortunately, while health care spending devours nearly a trillion dollars annually, our medical research budget is dying of starvation. The United States devotes less than 2 percent of its total health care budget to health research.

Look at it this way, the Defense Department spends 15 percent of its budget on research, and yet, in health care, we spend less than 2 percent. So we have smart bombs and smart missiles and everything that defends our country, and we are all happy about that, but look what they have done with research.

If we want a smart bomb and a smart missile to knock out lung cancer or breast cancer or Alzheimer's, or to help us with mental illness, this is where we have to put the money.

Take Alzheimer's alone: Funding for Alzheimer's research is about $300 million a year. Yet, it is estimated that the 4 million people in America who suffer from Alzheimer's is costing us about $100 billion a year. That is about $25,000 per person who has Alzheimer's on average. If we could just delay the onset of Alzheimer's for 5 years, that would go a long way toward solving our Medicare problems.

Gene therapy, treatments for cystic fibrosis, Parkinson's—this is a time of great promise. Almost every day new stories are coming out about one advance or another. We are not suffering from a shortfall of ideas. We are suffering from a shortfall of revenues.

Also, in the last several years the number of young people going into research is declining. The number of people under the age of 36 even applying for NIH grants dropped by 54 percent in the last 10 years. Why? Because when they submit their proposal, it gets peer reviewed. They say it is a good grant, and there is no money. And so young people who would want to pursue research look for other careers.

Well, again, health research saves money. It saves lives. And the time is right. This fund will allow us to pursue the innovative cures, treatments and therapies that will help us solve the Medicare Program.

Again, I want to thank my colleague from New York, Senator D'AMATO, and Senator MACK, Senator SPECTER, with whom I work on the Appropriations Committee, and all the others who have worked so hard.

This is a very simple and elegant amendment. I hope that Senators will take that step, sort of outside the box, to think newly, to think anew, to think about how we start getting more money into NIH, through a process that will still help us balance the budget as we all voted to do.

So, Mr. President, again, I urge my colleagues to support this amendment and urge its adoption.

The PRESIDING OFFICER. Is there further debate on the amendment?

Mr. DOMENICI. Is there anything further on your side?

Mr. HARKIN. I have two amendments I would like to just lay down.

Mr. DOMENICI. Well, let me just make a couple comments, because we will not be able to say much tomorrow.

It is with regret that I oppose this amendment, and actually I will raise a point of order because I believe it is subject to a point of order. I will do that tomorrow.

But, you know, it is kind of interesting. I do not know what money we are going to be using. You see, what the amendment says is, you take the estimates of what we are supposed to save in this reconciliation bill from Medicare and Medicaid, and then you, whatever those estimates were, you take a look and see if the new estimates say we save more.

Well, this is an estimate of an estimate. And I do not really know where the money comes from. I mean, do you wait until the end of 5 years and then get the reality check, or do you do this based on estimates?

Now, that is just purely technical and budgetese. But, frankly, as much as I would like to put more into NIH, I believe it is not right to take savings that accrue on the entitlement side of the ledger that are estimates and attribute that in advance to any function in Government, which is what we are doing here. If we are clairvoyant enough and wise enough in the future, and understand the future well enough to say if we are saving money in Medicare and Medicaid, all that savings ought to go to just this one program, how do we know there are not some health programs that need some of that money? How do we know they should not be used for tax cuts? That is what they are permitted to be used for now.

And last but not least, I just do not think we need another trust fund. We have plenty of trust funds. We ought not create another one, to use the sense-of-the-Senate vote by which every Senator expressed an opinion and said, as I read it, we sure hope that within 5 years we could double NIH. If you asked 100 people that voted for that, if they thought we were going to be able to achieve that, I believe 100 percent of them would have said probably not. So to turn around and use that to take a slice of savings that might be applied either to the deficit, to tax cuts, to other entitlement programs, and say we just think now we ought to cut that off and we ought to put them in the NIH, I do not believe is good budgeting. I do not believe it is a very good way to advance fund anything.

So I will use my minute tomorrow. I will not have as much time as tonight to indicate what great respect I have

for these two Senators. Everybody knows that. Senator D'AMATO from New York is one of my best friends in the world. But I do not believe this is the right approach, and I have to resist it.

Mr. President, I make a point of order that the amendment violates the Budget Act.

Mr. D'AMATO. Mr. President, I move to waive.

The PRESIDING OFFICER (Mr. ENZI). What point of order does the Senator make?

Mr. D'AMATO. I move to waive the point of order on the budget.

Mr. DOMENICI. I thought the Parliamentarian knew so well what part of the Budget Act this violates that I would not have to pick it out for him. But if you give me a minute here, we will.

It is not germane.

The PRESIDING OFFICER. The motion to waive has been made.

Mr. D'AMATO. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. D'AMATO addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. D'AMATO. First of all, let me say there is no one that I have greater respect for and no one who I admire more than my colleague and friend from New Mexico, Senator DOMENICI. And I would ask, if the Senator might be willing, between now and the time the amendment comes up, to look at the question of the trust fund. As far as I am concerned, and I think I speak for my colleague, if that were one of the important issues, I think we could put that aside and have those moneys allocated directly into NIH.

I would also indicate that I think in the draftsmanship of this we provided that it would be only the year after on the look-back that the Congressional Budget Office would ascertain whether or not the mark we have set, which would be set in law, by the way—this will no longer be an estimate, be set in law—that if it has been achieved and there has been an excess in the way of savings, that those dollars then would go into this account at NIH for biomedical research.

Understand, it is exactly my friend's point that no one really knows where to get the money and that here is an opportunity to say that if we do achieve these savings, yes, that we are making a judgment now; that if we do, we are making a judgment to see that these dollars will be allocated for these areas, whether it is Alzheimer's research, diabetes, cancer, research on the brain.

I mean, the fact is, we desperately, desperately need these moneys. And here is an opportunity to identify with specificity and, yes, to come forward and say, yes, if we have an extra $500 million or $1 billion, that it will go into that account. And we will be making that commitment that we talked about a reality.

So I ask my colleague and friend to just look at it in terms of if there needs to be some additional language to tighten this up and to deal with some of the parliamentary objections. And if there is a real question whether or not you want to set up a trust fund for this, that possibly we could deal with that in the manner that would facilitate the spirit of that resolution that was passed saying we must do more. Because I believe that the spirit was there and the recognition that we have to do more in biomedical research.

I yield the floor.

Mr. HARKIN addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from Iowa.

Mr. HARKIN. I just want to again thank my colleague from New York.

And I want to say to the Senator from New Mexico, again, I know his strong feelings on medical research. We fought side by side in the past when I was privileged to chair the Appropriations Subcommittee in working with the Senator to increase funds for medical research. I know his strong feelings, and I appreciate that.

Again, I just hope we can sort of think outside the box, as I said earlier, of looking at this and get this money into research. We have to do it, get more money into medical research. I mean, they are starving out there. And the young people who want to go into research—right now, less than 25 percent of the peer-reviewed grants at NIH are being funded.

I always talk about medical research as sort of like you have doors that are closed. You want to look behind the closed doors. Well, if you only are looking behind one out of every four doors, the odds are four to one that you are not going to find the answer. If you look at two out of four, or three out of four, your odds are a lot better that you are going to find the answer. That is what we are attempting to do with this amendment.

So, again, I hope that we can have a resolution of this and get on with getting the increased funding for NIH.

Mr. President, I want to ask the Senator from New Mexico, before I leave, I have two amendments that I would just like to lay down. Should I do those now, send those up?

Mr. DOMENICI. If you have not given them to the ranking member and want to do them separately, he can. He is submitting all of your Democratic Senators' amendments en bloc. He will do those for you, too.

Mr. HARKIN. I will give them to Senator LAUTENBERG. I thank you.

I yield the floor.

Mr. DOMENICI. Mr. President, I do not want to leave with any the impression that I am stubborn or unwilling to consider things when I am asked to. I will. But every time I consider, I think of more reasons why we should not do it.

Mr. HARKIN. Don't think about it.

Mr. DOMENICI. So I better not be thinking for a while. The $3.9 billion that we transferred into the trust fund for Medicare from part B savings, what if we are over by $3.9 billion? Do we take the $3.9 billion out of the trust fund and make it less weak and put that money in here?

Second, I was just thinking, where have we done this before? You might all look at this. We did this because Senator BYRD at one time wanted to set up a trust fund so we could use a lot of appropriated money on crimefighting, because we had found kind of a bird's nest of money when some Senator decided that we were going to cut payroll for the Government.

And so Senator BYRD said, well, if we are going to do that, let us put that trust fund in crime prevention. But, you know, over time all it has done has been—it is a business, it is an accounting thing. You give that committee, to start with, that entrusted money, but that does not mean that the appropriations give as much money to the committee they would have if you did not put that in, and you end up getting no more money for crimefighting. You cannot solve that riddle with additions from an entitlement program.

So I will think about it. I will be glad to do that.

MEDICARE PAYMENT REVIEW COMMISSION

Mr. FRIST. Mr. President, I rise to engage in a colloquy with my colleague from Delaware, Senator ROTH. As chairman of the Finance Committee, I commend him for guiding this budget process through the committee with overwhelming bipartisan support and bringing these issues before the full Senate in a timely manner.

The legislation before us, establishes a new Medicare Payment Review Commission to replace the Physician Payment Review Commission [PPRC] and the Prospective Payment Assessment Commission [ProPAC]. The Medicare Payment Review Commission is required to submit an annual report to Congress containing an examination of issues affecting the Medicare Program. The commission will review, and make recommendations to Congress concerning payment policies under both the Medicare Choice program and Medicare fee-for-service.

I have heard criticism that the Health Care Financing Administration [HCFA] does not keep up with the latest medical supply products, even if they prove to be cost-effective. HCFA has stated its intent to become a more prudent purchaser. Indeed, that goal requires analysis of both the cost and quality of various products and requires constant review of medical developments.

I understand that the new Medicare Payment Review Commission will have broad authority and should include the ability to review and make recommendations on procurement reimbursement and reform issues, including

the effect, impact and cost implications of competitive bidding, flexible purchasing and inherent reasonableness on the provision of a full range of effective medical products and services to Medicare beneficiaries.

Mr. President, I simply ask my colleague if that is correct?

Mr. ROTH. In response to Senator FRIST'S question, it is the committee's intent that the Medicare Payment Review Commission shall have broad authority to study and make recommendations to Congress on a variety of issues relating to the Medicare Choice program and the Medicare fee-for-service program. The committee recognizes that the previous two advisory committees did not have explicit authority to study issues relating to reimbursement of durable medical equipment and medical supplies. However, it is the committee's intent that the Medicare Payment Review Commission will have broad authority in these and other areas regarding the review of all Medicare reimbursement issues.

DSH PAYMENTS

Mr. FRIST. I would like to take a moment to clarify the intended meaning of the changes in State allotments for disproportionate share hospital [DSH] payments as they impact States that have received waivers to adopt managed care programs statewide, using DSH funds to help finance expanded care to the uninsured. Two such States are Tennessee, which initiated the TennCare program in January 1994, and Hawaii, which has operated the QUEST program since mid-1994.

In these cases, the States combine their DSH allotment and their regular Medicaid dollars to fund capitation payments to managed care providers who are responsible for service not only to existing Medicaid-eligible recipients but to a substantial portion if not most of the children and adults who would not otherwise qualify for Medicaid but who do not have coverage under other insurance programs. Direct DSH payments to hospitals have been essentially eliminated, because the hospitals and other providers receive payments to cover care to the uninsured through the waiver program, either from managed care providers or, in the case of some hospitals, from the State under supplementary pools.

The committee's legislation provides that DSH payments relating to services to persons eligible under the State's Medicaid plan must be made directly to hospitals after October 1, 1997, even where the individuals entitled to the service are enrolled in managed care plans, and cannot be used to determine prepaid capitation payments under the State plan that relate to those services. That provision does not by its terms apply to States operating under waivers where the DSH funds are used to fund a broader range of services to the uninsured. I would like your confirmation of this understanding, for it would be inconsistent with the TennCare and QUEST programs to apply the new provision to them.

I also seek your concurrence that the adjustments to State DSH allocations are not intended to impact on the funds available to these waiver States to operate their programs. Both Tennessee and Hawaii no longer use their DSH allotments for DSH payments. As a result, CBO's estimates showed no impact on those States of the committee's provision adjusting DSH allotments and payments. That is entirely appropriate, for these States are subject to limitations on their Medicaid funding by reason of the budget terms of their waiver. Moreover, they no longer make DSH payments as we have come to know them, but instead have developed more efficient means of delivering health services and have extended them to a broader segment of the population.

Can the chairman confirm my understanding of these two DSH-related points?

Mr. ROTH. I am happy to confirm the Senator's understanding on both points. There is no intention to alter the manner of distribution of funds under demonstration waiver programs as long as those programs are in effect. Further, we do not intend any change in the budget and finance provisions of these demonstration waivers, where the DSH funds are used to expand coverage to the uninsured.

AMENDMENTS NOS. 452, 453, AND 454, EN BLOC

Mr. DOMENICI. I have three amendments that are going to be accepted. One is for Senators LIEBERMAN, CHAFEE, JEFFORDS, KERREY, BREAUX, WYDEN and KENNEDY, to require Medicaid managed care plans to provide certain comparative information to enrollees. One is for Senator FEINSTEIN to require managed care organizations to provide annual data to enrollees regarding nonhealth expenditures. And a third is a Craig-Bingaman amendment to study medical nutrition therapies by using the National Academy of Sciences to do that.

I send the three amendments to the desk and ask that they be agreed to en bloc.

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

The clerk will report the amendments.

The legislative clerk read as follows:

The Senator from New Mexico [Mr. DOMENICI] proposes amendments numbered 452, 453, and 454, en bloc.

The amendments (Nos. 452, 453, and 454) en bloc are as follows:

AMENDMENT NO. 452

(Purpose: To require medicaid managed care plans to provide certain comparative information to enrollees)

At the end of proposed section 1941(d) of the Social Security Act (as added by section 5701), add the following:

''(3) PROVISION OF COMPARATIVE INFORMATION.—

''(A) BY STATE.—A State that requires individuals to enroll with managed care entities under this part shall annually provide to all enrollees and potential enrollees a list identifying the managed care entities that are (or will be) available and information described in subparagraph (C) concerning such entities. Such information shall be presented in a comparative, chart-like form.

''(B) BY ENTITY.—Upon the enrollment, or renewal of enrollment, of an individual with a managed care entity under this part, the entity shall provide such individual with the information described in subparagraph (C) concerning such entity and other entities available in the area, presented in a comparative, chart-like form.

''(C) REQUIRED INFORMATION.—Information under this subparagraph, with respect to a managed care entity for a year, shall include the following:

''(i) BENEFITS.—The benefits covered by the entity, including—

''(I) covered items and services beyond those provided under a traditional fee-for-service program;

''(II) any beneficiary cost sharing; and

''(III) any maximum limitations on out-of-pocket expenses.

''(ii) PREMIUMS.—The net monthly premium, if any, under the entity.

''(iii) SERVICE AREA.—The service area of the entity.

''(iv) QUALITY AND PERFORMANCE.—To the extent available, quality and performance indicators for the benefits under the entity (and how they compare to such indicators under the traditional fee-for-service programs in the area involved), including—

''(I) disenrollment rates for enrollees electing to receive benefits through the entity for the previous 2 years (excluding disenrollment due to death or moving outside the service area of the entity);

''(II) information on enrollee satisfaction;

''(III) information on health process and outcomes;

''(IV) grievance procedures;

''(V) the extent to which an enrollee may select the health care provider of their choice, including health care providers within the network of the entity and out-of-network health care providers (if the entity covers out-of-network items and services); and

''(VI) an indication of enrollee exposure to balance billing and the restrictions on coverage of items and services provided to such enrollee by an out-of-network health care provider.

''(v) SUPPLEMENTAL BENEFITS OPTIONS.—Whether the entity offers optional supplemental benefits and the terms and conditions (including premiums) for such coverage.

''(vi) PHYSICIAN COMPENSATION.—An overall summary description as to the method of compensation of participating physicians.

AMENDMENT NO. 453

(Purpose: To require managed care organizations to provide annual data to enrollees regarding non-health expenditures)

At the end of proposed section 1852(e) of the Social Security Act (as added by section 5001) add the following:

''(6) ANNUAL REPORT ON NON-HEALTH EXPENDITURES.—Each Medicare Choice organization shall at the request of the enrollee annually provide to enrollees a statement disclosing the proportion of the premiums and other revenues received by the organization that are expended for non-health care items and services.

At the end of proposed section 1945 of the Social Security Act (as added by section 5701) add the following:

''(h) ANNUAL REPORT ON NON-HEALTH EXPENDITURES.—Each medicaid managed care organization shall annually provide to enrollees a statement disclosing the proportion

of the premiums and other revenues received by the organization that are expended for non-health care items and services.

AMENDMENT NO. 454

(Purpose: To provide for a study and report analyzing the short term and long term benefits and costs to the medicare system of coverage of medical nutrition therapy services by registered dietitians under Part B of title XVIII of the Social Security Act)

On page 412, between lines 3 and 4, insert the following:

SEC. 5105. STUDY ON MEDICAL NUTRITION THERAPY SERVICES.

(a) STUDY.—The Secretary of Health and Human Services shall request the National Academy of Sciences, in conjunction with the United States Preventive Services Task Force, to analyze the expansion or modification of the preventive benefits provided to medicare beneficiaries under title XVIII of the Social Security Act to include medical nutrition therapy services by a registered dietitian.

(b) REPORT.—

(1) INITIAL REPORT.—Not later than 2 years after the date of the enactment of this Act, the Secretary shall submit a report on the findings of the analysis conducted under subsection (a) to the Committee on Ways and Means and the Committee on Commerce of the House of Representatives and the Committee on Finance of the Senate.

(2) CONTENTS.—Such report shall include specific findings with respect to the expansion or modification of coverage of medical nutrition therapy services by a registered dietitian for medicare beneficiaries regarding—

(A) cost to the medicare system;

(B) savings to the medicare system;

(C) clinical outcomes; and

(D) short and long term benefits to the medicare system.

(3) FUNDING.—From funds appropriated to the Department of Health and Human Services for fiscal years 1998 and 1999, the Secretary shall provide for such funding as may be necessary for the conduct of the analysis by the National Academy of Sciences under this section.

Mr. CRAIG. The amendment directs the Secretary of Health and Human Services to request a study, through the National Academy of Sciences, on the short-term and long-term costs and benefits to the Medicare system of coverage of medical nutrition therapy services provided by registered dietitians. The Secretary is directed to provide funding for this study from the HHS appropriations for fiscal year 1998 and 1999. The report shall be submitted to the Finance and Ways and Means Committees no later than 2 years after the date of enactment.

Essentially the same language was included in the House version of the budget reconciliation bill. The House version included broader coverage, that is, covering dental care and bone mass measurement.

The PRESIDING OFFICER. Is there further debate on the amendments?

Without objection, the amendments are agreed to.

The amendments (Nos. 452, 453, and 454) en bloc were agreed to.

Mr. DOMENICI. I move to reconsider the vote.

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

The motion to lay on the table was agreed to.

AMENDMENT NO. 455

(Purpose: To conform the Energy Title to the Bipartisan Budget Agreement)

Mr. DOMENICI. Mr. President, I send this amendment on behalf of Senator MURKOWSKI to the desk in compliance with the unanimous consent request for consideration tomorrow.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from New Mexico [Mr. DOMENICI], for Mr. MURKOWSKI, proposes an amendment numbered 455.

On page 130, line 3, strike ''2002'' and insert ''2007''.

MEDICARE PROVISIONS

Mr. HATCH. Mr. President, late last week the Senate Finance Committee completed work on one of the most significant and important pieces of legislation considered in the U.S. Congress in recent memory. By a vote of 18 to 2, the Committee approved its portion of the Budget Reconciliation Act of 1997, S. 947, the bill we are debating today.

As a member of the Finance Committee, I can vouch for the hard work that went into the development of this historic legislation. It has not been an easy task by any stretch of the imagination.

The bill is not perfect. But it is a good start. And I hope it will get even better as it moves forward in the legislative process.

And, I want to take this opportunity to commend the chairman of the Finance Committee, Senator ROTH, and the ranking minority member, Senator MOYNIHAN, for their outstanding leadership in forging a consensus on what has been one of the most contentious issues presented to the committee since I have been a member.

The committee was presented with budget reconciliation instructions earlier approved by both the House and Senate and tasked to provide for significant changes in federal spending and program authorizations principally in the Medicare and Medicaid programs.

As my colleagues well know, these two entitlement programs are currently growing at unsustainable levels. Even the President's own handpicked members on the Medicare Board of Trustees reported as early as April 1995 that the ''Medicare program is clearly unsustainable in its present form'' and that Medicare Part A will be bankrupt in the year 2001 unless structural changes are implemented soon.

The legislation currently before the Senate attempts to address the numerous and oftentimes conflicting issues associated with reducing the rate of growth in Medicare expenditures while preserving the level of services available to current and future beneficiaries.

The one message that we must convey to our constituents is that we have preserved the needs of Medicare beneficiaries while addressing the fiscal imperative of bringing some discipline in Medicare spending. Both objectives are not mutually inconsistent.

Not only have we restrained Medicare growth over the next five years to a point that preserves fiscal integrity for now and the future, but we have provided beneficiaries with greater choices of health care plans. ''Medicare Choice'' will now make it possible for beneficiaries to have greater options in how they want their health care provided.

In fact, not only will this legislation provide more options for beneficiaries, it will offer them more information about those options.

Better Information about Coverage Options: One provision of the bill requires that beneficiaries be provided with information about the extent to which they may select the provider of their choice, a concern of many elderly. The need for this provision was pointed out to me by the Utah Psychological Association. The measure was included in the 1995 Balanced Budget Act, and I am pleased that it was carried over to the bill we are considering today.

Another information provision was suggested to me by Utah Governor Mike Leavitt, who correctly pointed out that states are making information on managed care available to beneficiaries of state-funded programs. Governor Leavitt suggested that the Federal government be required to coordinate the information it provides with state efforts; that amendment is included in the bill today at my request.

The traditional fee for service systems, which all beneficiaries have come to know, will still be there for those who wish to choose that system of health care delivery. But we are also going to provide more managed care options such as Health Maintenance Organizations and Preferred Provider Organizations as well as Medical Savings Accounts to beneficiaries who desire to participate in those plans.

No longer will America's seniors be limited to one or two choices in health care. They will now have greater choices which will lead to more competition, a greater diversity of services especially in rural areas, and increased savings to the federal government which is fundamental to the overall well-being of the Medicare program.

Home Health and Skilled Nursing Facilities: I am particularly pleased with the provisions pertaining to home health care and skilled nursing facilities or SNFs. In fact, the legislation reported by the Finance Committee incorporates many of the important provisions contained in legislation I introduced, S. 913, the Home Health Care Prospective Payment Act, and S. 914, the Skilled Nursing Facility Prospective Payment Act.

I have long supported efforts to enhance the quality and delivery of care provided by home health care agencies

and skilled nursing facilities. These organizations perform extremely valuable services to our nation's elderly and disabled citizens. And, as our population increases in age, the role of these services in our society will become an even more critical component in the provision of health care.

It was also apparent from our hearings that the costs associated with home health care and SNFs have been rising at a disproportionately higher level compared to other components of the Medicare program. Indeed, part of this increase can be attributable to the fact that most people prefer to be treated in the familiar surroundings of their home.

Accordingly to the General Accounting Office, ''After relatively modest growth during the 1980's, Medicare's expenditures for SNFs and home health care have grown rapidly in the 1990's. SNF payments increased from $2.8 billion in 1989 to $11.3 billion in 1996, while home health care costs grew from $2.4 billion to $17.7 billion over the same period.'' Over that period, annual growth averaged 22 percent for SNFs and 33 percent for home health care, the fastest growing components in the Medicare program.

Unquestionably, the rate of growth in home health care led to considerable discussion over the need for a new, minimal copayment for home health visits as a measure to reduce over utilization. The committee approved a capped $5.00 copayment per visit which will be billable on a monthly basis and limited at an amount equal to the annual hospital deductible under Part A.

I am mindful that we do not want to impose additional costs particularly on the poor. But there was near universal agreement that some method was needed to curtail the seemingly unchecked utilization of these services.

This is an issue we will have to monitor closely as the program is implemented recognizing the administrative difficulties in collecting these co-payments as well as the impact on beneficiaries.

Home Health and Skilled Nursing Facilities Prospective Payment System: Perhaps the most significant reform that is included in both pieces of my legislation and which is now included in the Finance bill are the provisions for a prospective payment system for both home health and skilled nursing facilities. This provision will help create the proper and needed financial incentives for providers to behave in a more cost effective manner while protecting the quality and continuity of care for beneficiaries.

We have learned a great deal about Medicare reimbursement since we passed the Prospective Payment System for hospitals in 1983. We know the value of a proper transition so providers can manage their agencies toward a permanent system. We also know that we can model a payment system that encourages providers to manage costs and utilization better. We also realize that moving to a new reimbursement system is a massive undertaking.

I believe the Finance bill moves in the right direction to ensure cost-effective care for millions of beneficiaries today, and well into the next century.

Rural Health Care: The issue of health care in our rural communities was also an item which received considerable attention. As we begin to provide Medicare beneficiaries with greater choice in the delivery of their health care, it is apparent the financial incentives to providers to development of these systems in rural communities simply do not exist.

Accordingly, it was necessary to change the manner and level of reimbursement for managed care organizations that wish to provide services in nonurban areas.

In 1983, Medicare began making payments to qualified ''risk-contract'' HMOs or similar entities that enrolled Medicare beneficiaries. The intent was to give Medicare beneficiaries the opportunity to enroll in HMOs as a more cost effective alternative to fee for service health care.

In effect, Medicare makes a single monthly capitated payment for each of the organization's Medicare enrollees. This payment equals 95 percent of the estimated ''Adjusted Average Per Capita Cost [AAPCC] of providing Medicare services to a given beneficiary under a fee for service system.

The committee legislation proposes to raise the Medicare payment for each year through 2002 which will have the effect of providing the necessary financial incentives for managed care organizations to develop and sell products to beneficiaries in rural communities. This will be particularly beneficial to residents of my state which has a strong managed care presence in our urban areas but, as yet, little penetration in rural locations.

Debate on the AAPCC was extremely lively in Committee; it is a hard task for set payment levels at an amount that will provide incentives for managed care, but which will also encourage cost-efficiency with no diminution of services for the elderly and disabled.

I want to comment on two issues associated with the AAPCC that will be before the conference committee. The first is the transition from a locally based payment rate to a rate that is decoupled from fee-for-service reimbursement. The Medicare Equity and Choice Enhancement Act authored by Senator GRASSLEY establishes a five-year phase-in of a 50/50 blend of the input price-adjusted national average rate with an area-specific rate. I think this is a fair transition and one which I hope will be preserved in conference.

The second issue associated with the AAPCC is removing from the calculation payments for graduate medical education and disproportionate share hospitals. That change, reflected in the Finance bill, will allow a more equitable calculation of the AAPCC, one which will help ensure that teaching hospitals receive the reimbursement they need.

On the issue of reimbursement for managed care, I continue to remain disturbed about the bill's provision which, in essence, discounts by five percent payments for new beneficiaries. I fully appreciate the need to find a ''risk adjuster'' which will provide us with a better measure of the cost per beneficiary, but to me the 5 percent discount is arbitrary. It will penalize organizations that are doing exactly what we are urging them to do: enroll new beneficiaries in managed care. This is something at which I hope the conferees will take a closer look.

Qualified Medicare Beneficiaries: Another payment issue, that of qualified Medicare beneficiaries (or ''QMBs'') is of great concern to me.

Current law requires Medicaid to pay Medicare cost-sharing charges for individuals who are eligible for both Medicare and Medicaid assistance. These individuals are ''dual eligibles'' and QMBs who have incomes less than 100% of the federal poverty level (FPL) and meet other requirements.

Medicaid frequently has lower payment rates for services than would be paid under Medicare. Medicaid program guidelines permit states the flexibility to pay either (a) the full Medicare deductible and coinsurance or (b) cost sharing only to the extent that the Medicare provider has not received the full Medicaid rate.

Several federal courts, including the 2nd, 3rd, 4th and 11th Circuit Courts of Appeals, have interpreted current law as allowing providers to claim Medicare cost sharing for QMBs and dual eligibles in excess of Medicaid payment rates. Therefore, some state Medicaid programs are now reimbursing Medicare providers to the full allowable rates.

With the exception of one trial court decision in California, the courts have overruled the HCFA policy that does not require the full Medicare payment.

I strongly prefer the outcome of the appellate courts and oppose the particular provision of the Finance Committee version of the Reconciliation bill that acts to reverse the four Federal Courts of Appeals decisions and will allow lower reimbursement for QMBs and dual eligibles.

My position is consistent with the first of the principles adopted by the Chairman in the Medicaid mark: ''Enhance the ability of the Federal and State government to meet the health care needs of vulnerable populations.''

QMBs and dual eligibles are poor, and mostly elderly, individuals that are dependent on both Medicare and Medicaid in order to receive quality health care.

Dual eligibles and QMBs are the very elderly (greater than 85 years old) and the very sick. For example, about 40 percent of QMBs have a cognitive or mental impairment (including many with out difficult chronic conditions such as stroke and Alzheimer's).

Minority group Medicare beneficiaries are more likely to be dual eligibles. Compared with the general Medicare population, dual eligibles are more likely to be women, living alone.

The QMB/Dual Eligible population is financially dependent on Medicaid to provide the needed supplemental insurance coverage to Medicare.

The bill, as reported by the Finance Committee, allows states to act in a fashion that would deny providers the full Medicare level of benefits for these particularly needy QMB and dual eligible beneficiaries, and will unintentionally fray the safety net precisely where it needs to be strengthened.

For example, a recent study by the

Physician Payment Review Commission reported that 43 state Medicaid programs identified serious problems in maintaining adequate levels of physician participation chiefly due to already low payment rates.

In fact, the study found that, over a 15 year period, sate spending on physician services per Medicaid recipient failed to keep pace with Medicare by more than a threefold factor.

The better policy is to adhere to the precedent of the great majority of courts that have considered this issue and continue to compel these payments for these beneficiaries.

Frankly, it is difficult to see how the provision in the Finance bill to lower reimbursement for QMBs and dual eligibles will result in anything other than in undermining the willingness of providers to treat QMBs and dual eligibles.

The Second Circuit, one of the several courts that have ruled in favor of the framework I find preferable, reviewed the relevant laws and legislative history in concluding: ''* * * Congress sought to avoid a wealth-based, two tiered system of health care for the elderly and certain disabled and indeed wanted to integrate all of those who were Medicare-eligible into the existing health care system.''

As the 11th circuit said in the Smith Case, 36 F.3d 1074: ''we reject * * * attempts to wring ambiguity from a statute where there is none.''

The bill as reported by the Finance Committee is ambiguous, but is unambiguously a poor policy and will certainly affect the care received by those many physically frail QMBs and dual eligibles negatively.

I strongly prefer the House position on this particular issue because by not adopting the Senate Finance Committee policy it protects individuals whose health and income status place them in a precarious medical situation.

As the Washington Post editorialized, on June 16, 1997, on the problem of the dual eligibles: ''* * * suddenly Medicare, which was set up to be a uniform, universal system for all the elderly and disabled, becomes a two-tier system, with different levels of payment and therefore, in the long run, quite different levels of care for the better and the less well-off.''

We should not act to decrease access to quality health care for poor, sick and predominantly old individuals. We should retain and enlarge, not reverse, a policy on QMB and dual eligible reimbursement that many, including four Federal appellate courts, have concluded is consistent with the letter and spirit of both Medicaid and Medicare.

Chiropractic Care: Turning to another issue of great interest to me, that of chiropractic care for Medicare beneficiaries, I am hopeful that the conferees will be able to approve Representative CRANE's provision, which I had hoped to offer in Committee.

Chiropractic services are currently provided in the Medicare program; however, the coverage is extremely limited to treatment by means of manual manipulation of the spine. Moreover, current law requires chiropractors to obtain an x-ray before payment will be made even though Medicare will not pay chiropractors to take the x-ray.

I had initially planned to offer an amendment identical to the language in the House Ways and Means Committee that would remove the requirement for x-rays as a condition of coverage and payment of chiropractic services. I would note that this provision also had the support of the Administration and was included in their budget proposal as well.

Unfortunately, the Congressional Budget Office scored the provision as costing $600 million over a five-year period. And, although it was included in the Ways and Means bill as I previously mentioned, the Finance Committee spending parameters did not allow for its inclusion principally due to the cost estimate.

Accordingly, I offered an amendment proposing a two-year demonstration project to study the cost effectiveness of removing the x-ray requirement as well as allowing doctors of chiropractic to order and perform x-rays in both a fee for service and managed care setting. I am grateful that Chairman ROTH indicated he would conditionally accept my demonstration amendment on the basis that a final CBO would be de minimis. With that understanding, the committee unanimously approved my amendment.

I was astonished to learn yesterday that, in fact, the CBO scored my amendment at $900 million—a third more than the entire provision in the House! I have asked for a complete justification of this figure, but pending that review, the Committee had no choice but to drop my amendment.

I firmly believe that affording greater access to chiropractic services by beneficiaries will not only result in reduced Medicare expenditures but will also reduce the performance of needless surgery to correct back problems.

I hope that as this issue is addressed in the conference committee, that the Ways and Means language will prevail, and will, therefore, bring a more pragmatic approach to the delivery of health care to our seniors.

Durable Medical Equipment: On reimbursement for durable medical equipment (DME), I am happy to report that the committee agreed to include an amendment I proposed which would allow beneficiaries to buy more expensive equipment than that allowable under Medicare and pay the extra amount out-of-pocket. This is an amendment originally proposed by our former colleague, Senator Bob Dole, and I think it makes a good deal of sense. Since this provision was contained in the Balanced Budget Act of 1995, I am extremely optimistic it will become law this year.

Orthotics and Prosthetics: On the topic of reimbursement for orthotics and prosthetics (O&P), I am grateful that the bill includes an annual update of at least one percent over the coming five years. O&P providers design, fit, and fabricate braces and limbs for persons with physical disabilities. As such, this small industry is distinct from DME. O&P suppliers have much less control over the costs of their program than DME suppliers, given that it is hard to imagine ''induced demand'' for O&P equipment. Consequently, I hope that any provisions undertaken to restrict the growth of DME, which I recognize is a concern, will not be attributed to O&P as well.

Home Oxygen Services: One of the most contentious, and for me, most troubling, issues associated with this bill was how to set the appropriate reimbursement level for home oxygen services.

None of us want to see quality diminished for this vital service. That is clear.

But the Committee was presented with very compelling evidence that payment levels are too high.

For example, the General Accounting Office report comparing oxygen services in the Veterans Administration to those under Medicare concluded that the Health Care Financing Administration is paying almost 40 percent too much for home oxygen.

I will be the first to admit that I do not know what the exact number should be. Nor is there any statistical measure that can be reliably employed.

I will say that there was virtual unanimity that the current payment levels are too high. However, given the need to ensure continuing high-quality services for beneficiaries, I am much more comfortable with the House provision. Serious questions have been raised about the severity of the Finance recommendation and the effect that it could have on small, rural providers such as many who operate in my home state of Utah. If we are to err, I would rather err on the side of quality.

Fraud and abuse: I would also like to comment briefly regarding the new fraud and abuse provisions in the bill. The bill, as amended by Senator GRAHAM, contains new, significant and, in some respects, untested anti-fraud and abuse penalties including additional Medicare exclusions and civil monetary penalty authority.

I believe that we need effective fraud and abuse enforcement tools. I just want to be sure that these provisions do not have any unintended consequences or implications that would penalize innocent parties who are following the letter of the law.

Many of these provisions found in the Finance bill as amended are actually based on provisions contained in the Administration's fraud and abuse legislation introduced earlier this year, and on which no hearings were held in the Senate.

As a general rule, we in the Congress should not act without the full and open benefit of hearings so that all parties have an opportunity to comment,

and so that legislation can be modified as appropriate.

While I am not going to oppose these provisions, I do have reservations about some of them. And, I am encouraged to learn that the House intends to address some of these in conference.

The expanded authority with respect to the imposition of civil monetary penalties was particularly troublesome.

The two provisions at issue included (1) the addition of a new civil monetary penalty for cases in which a person contracts with an excluded provider for the provision of health care items or services, where that person knows or should know that the provider has been excluded from participation in a federal health care program; and, (2) the addition of a new civil monetary penalty for cases in which a person provides a service ordered or prescribed by an excluded provider, where that person knows or should know that the provider has been excluded from participation in a federal health care program.

While, certainly, no provider should contract with or furnish services ordered or prescribed by another provider whom they know to be excluded, the provisions also would subject providers to civil monetary penalties where they ''should know'' that another provider is excluded.

This ''should know'' standard has the potential to create anxiety among providers. What would rise to the level that a provider ''should know?'' In my view, these provisions target the wrong providers—they punish the provider who is serving the patient based on a legitimate and legal prescription, rather than the excluded provider who is at fault.

For example, retail pharmacies fill thousands of prescriptions per month based upon prescriptions from numerous prescribers. It is not hard to imagine a situation in which a pharmacy would be unwilling to fill an emergency prescription for a sick child late at night in a rural community. The pharmacist might not have enough information about the prescribing doctor to risk a $10,000 fine.

I think it is extremely important to clarify our expectations on this issue and others within the CMP section. Accordingly, I am pleased that Chairman ROTH agreed to the inclusion of report language that, in effect, clarifies that the committee ''does not intend these two new civil monetary penalties—for arranging or contracting with an excluded provider, or for providing items or services ordered or prescribed by an excluded provider—to impose an affirmative burden on providers to find out if another provider has been excluded from a federal health care program. Rather, only in instances where a provider acts in deliberate or reckless disregard of another provider's excluded status may the government seek to impose civil monetary penalties under these provisions.''

Community Health Centers: Before turning to the final issue I wish to discuss, I just wanted to take a moment to mention my appreciation that Chairman ROTH agreed to continue the current reimbursement system for Federally-Qualified Health Centers.

FQHCs are the best way I know to deliver high-quality, low-cost care to underserved areas. They are increasingly being squeezed in today's managed care environment, in large part because they are providers of last resort and have no insurers on which to shift costs if they are underpaid. Studies have indicated that Community Health Centers, for example, are only receiving about half of their costs from managed care entities. Faced with that situations, CHCs have little recourse, and can only hope that their appropriated funds make up the difference.

This is a situation that I intend to follow closely. No one likes to argue for cost-based reimbursement; that is not a particularly effective payment mechanism. But, to require CHCs and Rural Health Clinics (RHCs) to provide services at less than cost is also inefficient, and stifles the development of a cheaper alternative form of health care delivery which is proven to be high quality. There is no easy answer here, but let us not undercut these great little providers while we seek a solution.

Children's Health Initiative: Finally, I want to close by commenting on what may be the most important provision of this bill: the children's health insurance initiatives.

Let me just say that a lot of progress has been made on the issue of children's health in the 105th Congress.

I believe that, when the history of this Congress is written, two of the most important chapters will address the balanced budget agreement and the children's health initiative. It seems only fitting that this budget reconciliation bill that brings the budget into balance includes the key funding and program provisions on children's health insurance. Our kids will have a healthier future in both of these important respects.

Let us be clear why we take these major actions to include $24 billion in new spending over the next 5 years to pay for children's health insurance.

An estimated 10 million American children are without health insurance.

This amounts to about 25 percent of the nation's uninsured individuals.

In my state of Utah, about 10 percent of our children lack health insurance. This amounts to about 55,0000 uninsured children in my state.

Because the Medicaid program is targeted to provide health care to poorest of the poor, it is important to understand that many of the uninsured children in our nation come from working families with incomes just above the poverty level.

In fact, about 88 percent of these uninsured children come from families where at least one parent works.

What I have been trying to do over the last few months is to help these children from America's working families.

That's why I teamed up with Senator TED KENNEDY to introduce the Children's Health Insurance and Lower Deficit Act (CHILD). In essence, this twin legislation, S. 525 and S. 526, calls for an increase in the federal tax on tobacco products in order to finance a voluntary program of state block grants for children's health insurance and to provide for deficit reduction.

Because of our well-recognized divergent philosophies, Senator KENNEDY and I had hoped that, by drafting compromise legislation, we would be able to attract support for our legislation across the political spectrum.

By and large, we have been successful with working with advocacy groups like the Children's Defense Fund and the Child Welfare League to raise awareness of this issue. And, I believe we should give credit to these organizations—as well as to health care providers such as children's hospitals and American Academy of Pediatrics—for their tireless and long-standing efforts to highlight the health care needs of children in our country.

And, although I do not see eye to eye with Senator KENNEDY on all, or even most, matters, I must commend my friend from Massachusetts for all of his work and vision on this important issue. There is no more tenacious advocate in the United States Senate for a cause he feels strongly about than Senator KENNEDY.

The Senator from Massachusetts and I worked hard to arrive at a compromise that would be attractive for many. As an ardent anti-tax, anti-big government conservative, the critical tasks were to devise a program that did not centralize decisionmaking in Washington and that did not have the potential of growing out of control. It was also essential that it be paid for.

While I am generally loathe to increase taxes, the adverse health effects of tobacco and their concomitant costs to society, not to mention the costs to public programs, made raising the tobacco tax a ''two-fer.''

Tobacco is a killer. I don't know of any other product that, when used as directed, will kill you.

Tobacco accounts for an estimated 419,000 American deaths annually. In 1993, cigarettes killed more of our fellow citizens than AIDS, alcohol, car accidents, fire, cocaine, heroin, murders, and suicides combined.

About 50 million Americans smoke.

About 1 in 5 deaths are smoking related.

4 of 5 smokers begin by age 18. About half by age 14.

Each day 3000 young Americans begin to smoke.

Experts believe that tobacco costs society $100 billion annually, including $50 billion in direct health care costs.

Of this $50 billion, there are $10 billion in annual costs to Medicare; $5 billion in Medicaid; $4.75 billion to other federal programs; and, $17 billion in increased insurance premiums.

Not only does tobacco kill, it also results in a tremendous amount of unnecessary health care costs.

When all is said and done, use of tobacco products comprises the number one preventable public health threat.

A strong argument can be made that it is this unique public health threat posed by tobacco that forms the basis of the justification for raising the tobacco tax.

The American public overwhelmingly approves of the idea of financing children's health programs through an increased tobacco tax.

An April 26, Wall Street Journal/NBC poll asked the public its opinion of financing state block grants for children's health care through an increase in the tobacco tax.

72 percent of Americans agreed with this proposal.

And this support cuts across almost every demographic category. For example, more than 50 percent of smokers agree with the idea of increasing tobacco taxes to pay for children's health insurance.

So the case against tobacco and for a tobacco users tax increase is strong.

Overall, I am pleased with the children's health provisions of the reconciliation bill as reported by the Finance Committee.

Those involved in the efforts over the last few months to increase materially the funding for children's health insurance should take credit for the addition of $24 billion in new funding over the next five years.

Few could have thought that we could have come so far so fast in this effort.

I know that there are some that think we have, in fact, gone too far, too fast.

But I think that these critics who deny that we can utilize this average $4.8 billion in funding wisely and prudently are just wrong.

If all of the states, for example, exercised the Medicaid option of the block grant we know, applying the $860 per person average federal contribution for a Medicaid covered child, about 5.58 million children could be covered. This is barely half of our nation's uninsured children.

There are a number of ways to look at such a statistic. But in this case, I think the glass is clearly half full. If we take care of more than half of the uninsured children in our nation we will have achieved a major accomplishment.

It is also possible that if states chose to exercise the block grant option, we will be able to take care of more kids than possible under Medicaid.

At this point, no one can know with certainty how many states will use Medicaid and how many will use the block grants.

We do not know what eligibility criteria and financial requirements that states implementing the block grants will chose to adopt. All of these factors will affect how many children will be covered.

But before we get too caught up in focusing on the number of children covered, we must not lose sight that it is also important to see what benefits that covered children are going to receive.

The Finance Committee heard expert opinion from the Administrator of the Health Care Financing Administration, Dr. Bruce Vladeck, that it costs about $1000 per child for a quality children's health insurance plan.

So even with the increased flexibility of the block grants, do not be misled to believe that $4.8 billion per year is somehow too much money. Even when we add in the required state matching rate and co-insurance and co-payment requirements, it is hard to project that even two-thirds of the nation's uninsured children will be taken care of by this $4.8 billion a year.

Also, inflation in the health care sector will eat into the purchasing power of the average $4.8 billion per year allocation.

As I argued last week in the Finance Committee, I would have preferred to get the entire $20 bill in children's health insurance funding over the $16 billion already set aside in the budget resolution. I pointed out that, taken together, these funds could have taken care of the projected 7 million of the nation's uninsured that live in families with incomes under 240 percent of the federal poverty level. This would represent about 70 percent of the uninsured children in this country.

While I was not able to persuade the full Finance Committee to allocate the full Hatch-Kennedy legislation on top of the initial $16 billion set aside, I am pleased that the Committee did agree to the essence of the Hatch-Kennedy CHILD legislation by imposing an increased tobacco tax to finance children's health block grants to states.

Frankly, I think that one of the great watershed events of the return of Republican majorities in both chambers of the Congress is that the days of tax and spend are over in favor of a more fiscally responsible climate in which new taxes are seldom proposed and, if proposed, scrutinized with the highest degree of skepticism.

This is tough medicine but it is what we have to do to set our fiscal house back in order. We need to let working Americans keep more of their hard-earned money by looking for ways to tax and spend less of their income.

So, would I have preferred more money for children's health in the Finance Committee bill? Yes.

But, I would much more rather be in the position of having my colleagues on the Committee nearly unanimously support a tobacco tax that will generate, in part, an additional $8 billion over five years for children's health that I would like to be in an uphill, all but hopeless, battle to win a major floor amendment on a fast moving reconciliation bill.

To me, the $8 billion in hand was more certain than the $20 billion in the bush—so to speak. Moreover, I believe that the positive, bipartisan support for the Finance Committee provisions bodes well for both the success for the provisions and the program itself. The last thing I want is to make children the subject of an acrimonious debate over concepts and details.

This, of course, assumes that the Senate funding level and tobacco tax structure prevails in conference.

I have told my colleagues on the Finance Committee, some of whom—it is a matter of public record—are very much opposed to this source of tax revenue and this funding level, that if the Senate tobacco tax and children's health funding levels are changed in conference then I will pursue, in every way that I know how, more funding. My goal is to get this done, not just put out a press release about it.

Let me also say that it will be my firm position that any funds allocated toward children's health from the so-called ''global tobacco settlement'' should be considered as distinct from, and additive to, the funds earmarked for children's health in the Senate reconciliation bill.

One of the major reasons that I decided to compromise on the amount of funds that I would seek from the Finance Committee in the reconciliation process is because I was aware of the possibility that additional funding may be available from the global settlement.

But let's not kid ourselves here. The global settlement faces a tough road as it wends its way through the Administration, Congress, the Courts, and—perhaps most importantly—the court of American public opinion.

Suffice it to say that I will strenuously resist any effort to reduce in conference or subsequently any of the children's health funding already secured. But, I also believe that my colleagues in both the House and Senate will see the merit in the provisions adopted by the Finance Committee. The need is compelling; the compromise program is reasonable; and it is paid for by taxing a commodity that not a single person can defend as worthwhile.

While I did not get everything that I wanted in this legislation, it is seldom the case that any one legislator gets all that he or she wants. Since this is not a monarchy but a democracy, compromise and consensus building is what distinguishes our form of government.

Given the original philosophical lines of scrimmage, I think the children's health provisions represent a good compromise. The bottom line is that we can all take pride in this provision.

The advocates for children and public health should take credit for successfully raising the concern about the problem of uninsured American children to the level of concern that a major funding commitment—$24 billion over 5 years—was included in an otherwise very frugal budget balancing bill. That's a big achievement that will benefit literally millions of American children into the next century.

The governors should take credit for the fact that the final package approved by the Finance Committee gives the states a great deal of flexibility in devising programs and eligibility criteria that will work best in their respective states. I am confident that the governors will use their creativity to establish programs that deliver high quality health care to the children of working families.

Let me hasten to add that I recognize there are some provisions in the bill of which the children's advocates and the governors do not approve. I understand those concerns. We all want to provide the best possible health care to our kids. But we also want the money to go as far as possible. It is a balance, and we have endeavored to set the scales right.

But politics is the art of the possible. Only because of the debate that we have engaged in over these last few months—a debate comprised of many perspectives and many heated moments—it will now be possible to help millions of American children to reach adulthood in good health.

I see this as both good public health and evidence that Congress is capable of working constructively to address the nation's business.

CONCLUSION

In closing, Mr. President, I count myself among those who have worked hard for a balanced budget. As much as each of us wished otherwise, balancing the budget is not some idle task. Indeed, it is the most difficult of endeavors. We are faced with hard choices, choices that have serious consequences for citizens everyday.

Again, if I were the only senator writing this bill, I would have written some provisions differently. I would have more tax relief, for example. I would have spread spending reductions more evenly over the five-year period.

And, if I can't have everything I want, President Clinton cannot have everything he wants.

But, on balance, I think that this bill lives up to its goals. Senators on both sides of the aisle, but especially the Senator from New Mexico, deserve to be commended for developing this legislation.

When we pass this bill, Congress will have passed another balanced budget bill. We will have preserved Medicare for the foreseeable future, and we have made a considerable downpayment on our children's health. And that is the most important legacy we can leave to our country's future.

I urge President Clinton to give this bill his unequivocal support.

MEDICARE COVERAGE OF ORAL ANTI-CANCER DRUGS

Mr. SANTORUM. Mr. President, the budget reconciliation bill before us presents a historic opportunity to balance the budget, provide long overdue tax relief for families and ensure that important programs such as Medicare will be here for the next generation of Americans. I intend to support this legislation, but first, I would like to make a few comments about the Medicare provisions.

We all know that Medicare is in serious trouble. For 2½ years, we have been hearing that Medicare is going bankrupt. Today, we have an opportunity to do something to put Medicare back on the path to solvency. This bill calls for reasonable structural reforms of the Medicare program. It extends Medicare's solvency and promotes more choices for seniors—much like Members of Congress enjoy under the Federal Employee Health Benefits plan. If we truly care about Medicare—if we really mean it when we say that Medicare must be here for our children and grandchildren, then it's not enough to just talk about saving the program. We need to take action. And yes, we need to ask the baby boomers and today's young people—who I might add are already paying for a program which will not benefit them if we continue the status quo—to accept some structural changes that are absolutely necessary to protect and preserve this program. I commend those who have had the courage to come to the floor and explain these reforms in spite of what the special interest groups say. On behalf of the next generation, I thank my colleagues who are constructively working to solve Medicare's problems before it is too late.

Mr. President, reforming Medicare is not just about saving money. It is also about improving seniors' choices in health plans and treatment options. One way to achieve these goals is by allowing Medicare reimbursements for orally administered anti-cancer drugs which cannot be produced in intravenous form (I.V.). Unfortunately, this change was not included in the bill before us. After considering that orally administered anti-cancer drugs would simultaneously enhance the quality of life for cancer patients and save a significant amount of money, I hope the conferees will include this proposal in the final reconciliation bill.

Medicare's current policy with respect to coverage of anti-cancer drugs is outdated. Medicare pays for injectable and intravenous anti-cancer drugs. Several years ago, Medicare law was amended to also allow coverage for oral anti-cancer drugs, but only if they are available in intravenous form. This policy recognized that if a drug comes in both an oral and an I.V. form, it makes sense to provide coverage for the cheaper oral version instead of requiring patients to take the much more expensive and often more toxic I.V. version. Since then, researchers have developed oral anti-cancer drugs that are just as effective, easier to administer, and have fewer side effects, but are not—and cannot be—produced in I.V. form. Because they have no intravenous formulation, Medicare does not cover them.

Efficacy, safety, and quality of life should be the primary factors when a patient and physician select the appropriate cancer treatment. Unfortunately, current Medicare policy forces many patients to make reimbursement the overriding factor. As a result, the patient is subjected to procedures which are more invasive, more expensive, and often less appropriate simply because Medicare will pay for it. At the same time, Medicare absorbs tens of thousands more in extra costs. For example, the cost of intravenous treatment for recurrent ovarian cancer ranges from $20,000 to $42,000 per patient per treatment course. At the same time, the oral therapeutic alternative—which does not come in I.V. form—costs just $3,300. If Medicare covered the oral alternative, the program could save between $17,000 and $39,000 per ovarian cancer patient, and the patient could enjoy a potentially better outcome and quality of life. Wealthy seniors can pay for the oral drug out-of-pocket if that is their preference, but most seniors do not have that luxury.

Once again, I want to emphasize that when we talk about Medicare reform, we are not just talking about saving money. We also want to create incentives for individuals to seek the most appropriate care. Changing Medicare law to allow coverage of oral anti-cancer drugs meets both tests. I urge my colleagues to incorporate this change in conference. The Health Care Financing Administration supports it. Cancer patients deserve it. Medicare would save money because of it. There is no reason not to do it.

Thank you, Mr. President.

Mr. GRAHAM. Mr. President, although none of us received all of what we wanted in this budget deal, I rise today not to point out its deficiencies. Rather, I want to highlight the key strength of this agreement—It makes Medicare and Medicaid smarter.

It is smart to root out fraud and abuse; it is smart to permit competition; and it is smart to promote preventive health care.

Cracking down on those who abuse the system is smart. Paying less for more goods and services is smart. And preventing diseases is smart.

My colleagues and I are here today not to eliminate Medicare and Medicaid. Nor are we here to preserve the status quo. We are here to make these programs smarter—More efficient, more equitable, and more solvent.

We were faced with the politically unenviable task for paring Medicare by $115 billion and Medicaid by $23 billion to accomplish the overarching goal of this legislation—a balanced budget by the year 2002.

Both health care providers and senior citizens will share in the burden of meeting this goal.

Mr. President, before we ask providers and senior citizens to sacrifice, we should feel confident that this budget makes inroads into cutting fraud and abuse out of the program.

Just yesterday, my esteemed colleague, Senator HARKIN, discussed

some of our mutual concerns in this area. Senator HARKIN and I have long been champions of anti-fraud measures and pro-competitive measures, sometimes to the consternation of health care suppliers and providers.

Senator HARKIN was right yesterday when he spoke strongly about Medicare's need to begin negotiating for the best deal on supplies and equipment, like other Federal agencies have done. It makes no sense that Medicare—the largest single purchaser of health care services in the country—has to follow a price list set out in seven pages of statute rather than relying on competition.

Our efforts in this area have been bipartisan. Just last week in the Senate Finance Committee, I, along with Senator NICKLES, sponsored an amendment to give the Health Care Financing Administration the authority to institute competitive bidding for part B services. My colleagues on the Committee stood with me as we unanimously adopted this proposal. It is my sincere hope that my House colleagues will follow suit.

Implementation of competitive bidding is one way in which Congress can show that we have finally gotten serious about preserving the integrity of Medicare.

Another way is to begin a serious crackdown on fraud in not only Medicare, but Medicaid. Congress simply cannot be taken seriously when it asks for sacrifice if we are not willing to push as hard as we can to prevent people from ripping off the system.

Let me give you some brief examples of the rampant problems we face in this area:

In 1993, in my home town of Miami Lakes, FL, the Office of the Inspector General reviewed 100 claims for Medicare reimbursement by a home health agency. About out-fourth of these claims did not meet Medicare guidelines in that they either were unnecessary, not reasonable, or not provided at all. The home health agency made $8.5 million in claims, $1.2 million did not meet the reimbursement guidelines.

Two years ago, I spend a day working in the U.S. Attorney's Office in South Florida. There I learned that it is easier to get a provider number under Medicare than it is to get a Visa card. It is easier to get a blank check signed by Uncle Sam than it is to get a household credit card.

Mr. President, we cannot repair the Medicare Program without first cracking down on fraud and abuse. Those who play by the rules should not have to suffer at the hands of cheats and swindlers, and this Congress should put an end to the conditions in which cheats and swindlers thrive.

I would like to thank Chairman ROTH for including many of the Medicare anti-fraud proposals contained in bipartisan legislation I introduced with Senator MACK and Senator BAUCUS last month, including mandating that providers post a $50,000 surety bond to participate in the Medicare program.

While a $50,000 bond is relatively inexpensive to post for scrupulous contractors, at a cost of about $500, the requirement has achieved tremendous results in my State. Since implementation of the requirement, the ''fly-by-night'' providers have scattered like so many roaches when the lights are turned on.

Durable Medical Equipment Suppliers have dropped by 62 percent, from 4,146 to 1,565; home health agencies have decreased by 41 percent, from 738 to 441; providers of transportation services have disenrolled from the State's Medicaid program in droves—from 1,759 to 742, a drop of 58 percent. Fewer providers bilking the State's Medicaid Program is projected to save over $192 million over the next 2 years in Florida.

Mr. President, we have expanded the surety bond requirement not only to Medicare in this bill—but the Finance Committee also adopted my amendment to expand this requirement to Medicaid.

This is just one of the many anti-fraud provisions included in this budget. I want to reiterate my thanks to Chairman ROTH for his willingness to take a tough stance to ensure that Medicare and the State Medicaid Programs are run efficiently, without the graft we have seen overrun the programs in recent years.

Finally, Mr. President, we must do as much as we possibly can to ensure that our seniors receive preventive care—''health care'' not ''sick care.''

In the long run, we stand to save billions of dollars by providing early, regular, and preventive medical care, as opposed to acute, reactive, emergency care. It is both fiscally and physically prudent to prevent sickness before the fact and not after.

We can start by covering colon cancer screenings under Medicare. We can save millions of dollars—and millions of lives—by detecting and treating this cancer in its early stages. Colon cancer is the second most frequent cancer killer in America, causing 55,000 deaths each year. But while it is estimated that screening and early detection and intervention could eliminate up to 90 percent of these deaths, Medicare does not currently pay for these preventive measures.

Colon cancer screenings cost only $125–$300 apiece, and patients diagnosed through early detection have a 90 percent chance of survival. But if a patient isn't diagnosed until symptoms develop, the chance of survival drops to a mere 8 percent. Care for treatment in such cases can cost up to $100,000. The cost of not covering colon cancer screenings—in lives and in dollars—is unacceptable.

It is also imperative that we eliminate co-payments for mammography. According to a 1995 study in the New England Journal of Medicine, women in the Medicare Program who have to pay some of the cost of mammography are far less likely to actually undergo the procedure. Only 14 percent of those women who had to make some kind of cash payment actually had a mammogram. In contrast, among women who had some kind of insurance to supplement their Medicare benefits, 43 percent had mammograms. Lack of supplemental coverage should not be a barrier to necessary and ultimately cost-saving medical treatment. Mammography should not be a luxury. It is a necessity.

Mr. President, another necessary preventive measure is Bone Mass Measurement, the procedure which detects Osteoporosis.

Osteoporosis is a debilitating bone disease which afflicts 28 million Americans and causes 50,000 deaths each year. Eighty percent of its victims are women.

Osteoporosis fracture patients cost Medicare $13.8 billion a year. This cost is projected to reach $60 billion by the year 2020 and $240 billion by the year 2040 if medical research has not discovered an effective treatment. We can curb these skyrocketing costs by providing Medicare coverage of bone mass measurement.

Because we now have access to drugs which can slow the rate of bone loss, early detection is our best weapon in the fight against Osteoporosis. It is only through early detection that we can thwart the progress of the disease and initiate preventive efforts to stop further loss of bone mass.

In order to ensure that we detect bone loss early, we need to ensure that older women have coverage for bone mass tests. Unfortunately, coverage of bone mass measurement is inconsistent from state to state. Qualifications for testing, and the frequency of testing, differ from carrier to carrier and region to region. The current system is confusing and inequitable. Medicare Bone Mass Measurement Coverage should be covered uniformly in all states.

Diabetes, with its tremendous financial and human toll, also deserves greater protection under Medicare. By providing for Medicare coverage of blood glucose monitoring strips and outpatient self-management training services, we can expect to see significant reductions in complications and expensive treatments.

Coverage of test strips and self-management training services will allow people with diabetes to care for their own individual needs. In so doing, they can better prevent complications such as blindness, kidney failure and heart disease.

Mr. President, this budget agreement is smart. It cracks down on fraud and abuse. It makes medical goods and services cheaper. And it promotes preventive health, saving millions of lives and billions of dollars.

These are necessary and long overdue measures, and I thank my colleagues who have supported them.

MEDICARE SUBVENTION

Mr. KEMPTHORNE. Mr. President, today I join my colleagues in support

of Medicare subvention. I want to thank Chairman ROTH and the Finance Committee for including this important demonstration project in the bill now before the Senate. After 4 years, I believe that it is high time the Congress enact Medicare subvention. This project is part of the solution toward providing military retirees the quality health care they deserve. For these reasons, I strongly urge my colleagues to support Medicare subvention.

Mr. President, the Medicare portion of the reconciliation bill now before us on the floor includes two demonstration projects for Medicare subvention. The first will reimburse the Department of Veterans Affairs with funding from the Medicare Program for health care services provided to targeted Medicare-eligible veterans. The second demonstration project, Mr. President, will offer military retirees over the age of 65 the option to use familiar medical treatment facilities, with Medicare reimbursing the Department of Defense.

Mr. President, in my opinion, these two solutions will address the frustrations many of our veterans endure after serving their country so honorably. Subvention gives America's veterans an option to choose the best possible medical care available. I urge my colleagues to support the Medicare subvention demonstration project with the hopes that this year we will pass this cost-saving, commonsense solution to some of the health care needs of our Nation's veterans.

Ms. MOSELEY-BRAUN. Mr. President, the legislation pending before the Senate is designed to provide sufficient savings to implement the balanced budget blueprint we passed last month. While the balanced budget plan set the broad framework for balancing the budget by 2002, it was up to the various committees to implement this plan. This bill combines recommendations from eight Senate panels, including changes in Medicare, Medicaid, and spectrum auctions. I commend the committees for their work thus far because many of the provisions in the Balanced Budget Act of 1997 are long overdue steps in the right direction. It is clear that unless we get our deficit under control, we will be leaving our children—and our children's children—a legacy of debt that will make it impossible for them to achieve the American Dream.

The best news about this plan is that it will help balance the Federal budget. More work however, needs to be done to meet our obligations to future generations of Americans, to invest in people, and to protect their retirement security. Every generation of Americans has addressed and resolved challenges unique to their time. That is what makes our country great. Now is the time to take steps toward ensuring that our generation will honestly address its needs so that future generations will have at least the same opportunity. Our generation should leave no less than we inherited.

This is not a perfect bill before us today. My colleagues and I on the Finance Committee held several marathon sessions last week in order to craft a large part of this legislation. I think we reached agreement on a package of provisions about which everyone has some objections but also, all the members of the Finance Committee were able to support in the end. This unanimous support for the bill is a complete change from the Balanced Budget Act of 1995 and a testament to the leadership of Senators ROTH and MOYNIHAN. I want to congratulate my colleagues for working together in a bipartisan fashion aimed at not only improving the Medicare and Medicaid programs but also the Nation as a whole.

I am however, particularly concerned about several provisions included in the bill. The first is the impact of increasing the Medicare eligibility age to 67. This provision will have a negative effect on millions of Americans. Many businesses and employees plan their retirement and health coverage around eligibility for Medicare. Increasing the age to qualify will exacerbate the existing problem of being uninsured among people age 55 to 65. Given our goal during this Congress of increasing health coverage for vulnerable populations—through the kids health care and allowing the disabled to buy into Medicaid—this provision moves in the wrong direction.

Similarly, the proposed fourfold increase in the Medicare deductible for some beneficiaries is particularly problematic. I voted against this provision in the Finance Committee because I do not think the issue was sufficiently considered nor were we given the kind of impact analysis that is essential before making a decision of such magnitude. Such a significant increase in the deductible is essentially a tax on the sickest seniors. Those people who have to use the doctor more are the only ones who will incur the increased costs. Any deterred utilization of services will likely be the result of a senior deciding between needed health services or other expenses that must come from their fixed income.

Furthermore, we have to be careful before preceding down this road. Means testing stands to erode support for the Medicare Program. We all have witnessed the backlash against so called welfare programs over the past 2 years. We must not allow Medicare to become regarded as transfer program solely for the poor. Americans pay into Medicare and expect to have the insurance when they retire. We already make wealthier Americans pay more in Medicare payroll taxes. It does not seem appropriate to be so hasty in increasing their cost-sharing obligations for the program as well.

I also think that the Finance Committee went too far in its zeal to increase managed care enrollment in rural areas. This by no means suggest that I do not support enhanced managed care in rural areas—the majority of my State is rural. However, essentially freezing payment rates in high cost area, which coincidentally also have the overwhelming majority of existing managed care enrollment, in order to increase payment rates in rural areas may have the reverse effect. The committee bill contains so many incentives for rural areas that we may erode existing managed care enrollment and extra benefits that many health plans offer like prescription drugs and eye glasses. I hope that a more appropriate balance between encouraging managed care in underserved areas and maintaining existing enrollment can be achieve in the conference with the House.

On the other hand, there are a number of good aspects of this legislation. Increased choice for Medicare beneficiaries through the development of Provider Sponsored Organizations and the removal of teen parents from the limit on vocational education under the welfare program are just two example of very meaningful policy changes included in this bill. Removing teen parents from the vocational education limit will facilitate states' promotion of education for 240,000 additional individuals as a means of moving permanently from welfare to work.

The legislation would also cover diabetes self management training, colorectal cancer screenings, and mammography screens without copayment obligations. This investment in mammograms without a copayment obligations will benefit over 2 million women. Mr. President, S. 947 protects the vitally important Early Periodic Screening Diagnostic and Treatment [EPSDT] benefits for children under Medicaid. Despite requests from Governors to diminish the benefit package for children, this bill does not allow it to occur. Similarly, the legislation protects disproportionate share funding for those hospitals that treat large volumes of indigent patients and are overly burdened by uncompensated care.

I am certain that members on both sides of the aisle believe that this bill can be improved and there are a number of proposed amendments to do so; a number of which I plan to support. I hope that this body can get through this process in the same bipartisan fashion displayed in the Finance Committee. Chairman ROTH said it best both in the Committee and on the Senate floor, that no one got everything but everyone got something that they wanted in this bill. That I believe, is the true mark of legislation through consensus.

As I said at the outset, this bill takes several steps in the right direction—the direction of a balanced budget. However, Congress must not only look at the 5 and 10 year effect of the policies we enact or rest on the laurels this package. We need to look to the future and continue to reform programs in a fashion that maintain a balanced budget. The worse thing that we could do is

not act again for another 60 years. Long-range economic forecasts are notoriously unreliable, but our long-range demographic changes are a reality that cannot be ignored. The retiring baby-boom generation will place considerable strain on our public systems. This budget bill only extends Medicare solvency through 2007—not even to the point at which the baby-boomers begin to retire. The longer we wait to enact more substantive program changes, the greater the threat to the viability of the Medicare Program.

Our actions now will impact future generations—our grandchildren and great grandchildren. We have to remind ourselves to look beyond the next 5 to 10 years. I am not suggesting that we not celebrate being on the brink of a victory—balancing the budget for the first time in 60 years. I am simply stressing that Congress cannot retreat from its commitment to ensuring that future generations will have at least the same opportunity as we and our parents. Our generation should not leave no less than we inherited.

Mr. DOMENICI. Mr. President, I think what both sides are waiting for now is to prepare all of the amendments that we are going to offer en bloc in an appropriate unanimous consent request—both Senator LAUTENBERG and myself. So the time is going to be much to our advantage because we will not be here very long after we get started on that.

Mr. President, when we first started negotiating with the President of the United States, the Republican and Democratic leadership, the Budget Committee chairman and some others asked how are we going to get through these contentious issues? Some Republicans on our side said how will we be sure what we get done will be signed by the President? That had to do with the reconciliation bill that we are going to finish tomorrow about noon, it had to do with the tax bill, it had to do with the 13 appropriations bills.

My stock answer was it seems to me what we have learned over the past 4 years is that the best way to get that done is to have the proposals done in a bipartisan manner. That is, send to the President proposals that are both Republican and Democratic in terms of the party affiliation of those who support it.

From what I gather, at least in the U.S. Senate, the epitomy of that is Senator ROTH and his chairmanship, with his ranking member, Senator MOYNIHAN. For even today, on almost all of the amendments that the Finance Committee either offered or were challenged on, almost every member of the Democratic Party voted for—not all, but almost all—and you saw the results. Some of the issues that we were never able to do before in a reconciliation bill following a budget resolution were done today and they were done with overwhelming votes.

The general understanding in this place that contentious, difficult matters would never clear the point of order under the waiver because it requires 60 votes was dispelled today because of the bipartisan nature of the results desired. I believe that will hold true. I am hopeful when we go to conference that the same thing will happen, that the distinguished chairman of the Finance Committee, who has most of these matters even if he splits it up into subcommittees, that it will come out of there bipartisan and we will continue to work with the President.

We want to tell the White House that we know the bill which will be cleared tomorrow is deficient in at least two places and we will have to fix those in conference because we cannot fix them here today. We will tomorrow in an amendment to be offered by Senator MCCAIN, Senator LOTT, and myself, attempt to bring the revenues to be received from spectrum closer to the mandate in the reconciliation bill. We are hopeful everyone will support us on that. It will be short by a bit.

Unless other things mesh out when we go to conference, we will be short the balanced budget by a couple of billion dollars in the last year. We will work very hard on that in conference to try to fix it.

I look forward to the same thing happening. In fact, some said, how are we going to be sure we do not get Government closure on the appropriations bills when the President vetoes the bills and we close down Government, and my response to most, there is no magic to it. We will not be able to do it by some kind of statute. We tried that. Obviously, it didn't work. I said the best way to do it is to have bipartisan appropriations bills that have been worked on in an effort to meet the agreement which the President joined us on and where there was no joinder because it was not required, that the contents be at least bipartisanly supported.

Now, our chairman is trying to do that in appropriations. If that continues, I think two things result: We get it done; and second, the American people praise us for it because I believe that is exactly what they want us to do.

Frankly, that does not mean we have to give away our philosophy or our ideas. In many instances it will take a long time to get where we want to go. I assume the Democrats are saying the same thing on their side, wondering when they will take over again and be able to move it in their direction. None of it will occur in 1 year. It will take longer. We will get only part of what we want.

The tax cuts are not sufficient when you take into consideration the huge burden imposed on our people, but we also, some of us, recognize we are also spending a lot of money and as we diminish that spending and decrease it, maybe we can have even more tax cuts in years to come. I hope so.

So that is the way I understand what is going on. I feel good about it and, in particular, the support that was so bipartisan on many critical issues here today. If that can continue, I am almost positive we will end up in early October giving the American people one of the best legislative sessions with one of the most significant accomplishments in modern legislative history.

Staff is copying the lists so we can do the amendments en bloc, but one amendment that did not get into that is one by Senator ABRAHAM.

AMENDMENT NO. 456

(Purpose: To extend the moratorium regarding HealthSource Saginaw)

Mr. DOMENICI. Mr. President, I send the Abraham amendment to the desk and ask that it be read so it will qualify for tomorrow's stacking.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Mexico [Mr. DOMENICI] for Mr. ABRAHAM for himself and Mr. LEVIN, proposes an amendment numbered 456.

Mr. DOMENICI. I ask unanimous consent that the reading of the amendment be dispensed with.

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

The amendment is as follows:

SEC. . EXTENSION OF MORATORIUM.

Section 6408(a)(3) of the Omnibus Budget Reconciliation Act of 1989, as amended by section 13642 of the Omnibus Budget Reconciliation Act of 1993 is amended by striking ''December 31, 1995'' and inserting ''December 31, 2002.''.

UNINSURED CHILDREN

Mr. COATS. Mr. President, because we are waiting, already after a long day, but because we are waiting for some material to come back, if I could ask the chairman of the Budget Committee a question that I raised at lunch. I know that the Budget Committee deliberated at great length on the issue of providing insurance for uninsured children and that after that deliberation, on a bipartisan basis, it was determined that a $16 billion chunk of money for the 5-year budget plan be set aside to address that problem. Many of us applauded the work of the chairman and others in not only that but in putting the entire budget together.

Having said that, I am aware that we will be addressing the second phase of reconciliation and a decision on the part of the Finance Committee to add an additional $8 billion for that program in a block grant to the States. I am also aware of the fact there may be an amendment offered that may add to that an additional $8 billion, raising the total to double or more of what the Budget Committee decided.

I am wondering if either the chairman of the Budget Committee or the chairman of the Finance Committee can explain to me what changed? What was necessary? Why was it necessary? What new facts came to light that required the additional $8 billion, at least?

I know we will be debating this issue, and I do not mean to take up time this

evening to debate it. We will debate it under the tax bill. But in the interim, I wonder if we can discuss that a little bit so this Senator can better understand what it is we are attempting to do.

Mr. DOMENICI. Mr. President, let me try for a couple of minutes, and if Senator LAUTENBERG would like to chime in, and obviously the distinguished chairman of the Finance Committee is here.

I think it is fair to say, for starters, that the issue of uninsured children—that is, children without any health insurance—has been a longstanding issue. But in all honesty, it has only become an issue that has been looked at diligently in an effort to see how you might change the way we were doing things this year.

As a matter of fact, it is very interesting, if uninsured children as a class were a big insurable group, it is interesting to note that you could not buy health insurance for children. In other words, if some State had decided, ''Let's go ask Aetna or somebody else, do you have an insurance policy we can buy just to insure kids?'' it is within the last 6 months, I understand, that for an exclusive child health care insurance policy—it is a very short-lived instrument that exists. For starters, nobody knew exactly what it would cost.

There were two other things that came into the discussion, and that was there are at least two ways, maybe three, of getting insurance. One was to expand the Medicaid system, which will cover some of these uninsureds in any event, but to expand it further so that it would encompass more. That amount was estimated by those who do that kind of work. But there were not really any real estimates on if you did it the second way, which was to let the States either provide it or buy insurance for them—those numbers were not readily available.

So some will say that the $16 billion was too much. In fact, one of our Senators who has studied it diligently believes you could cover all the uninsureds for less than $16 billion. Others say when you are finished with the $16 billion, there will still be some that are not covered. I do not believe a magic formula was arrived at in the Finance Committee. I believe there are those who said not enough prevailed. They found a source of money in a compromise cigarette tax—$8 billion out of the total of $20 billion in revenues from that was used for that one function.

Now, frankly, I'm hopeful for myself, I'm very pleased we did not go the Medicaid route. Neither the House bill nor the Senate bill made it singularly a mandate that you cover the children under expanded Medicaid. In both bills—in the Senate bill they are allowed the option of taking a block grant to be administered by the States, and that is one of the amendments that was around here tonight—what kind of coverage would that be?

I am hopeful when we are finished and get this implemented that we will see to it that we are able to measure what we are doing with that money and how well we have covered people. It may very well be—although for Government money, I doubt it, because whenever you put it out there I assume it will get spent—but I am hopeful if it is more than necessary, we will not spend it, although I assume that might not happen. That is the best I have.

Mr. COATS. I thank the chairman. Of course, he put his finger on my concern, and that is that before we have identified the scope of the problem and the resources necessary to address the scope of the problem, we have set aside a chunk of money, a very significant chunk of money, $24 billion. I just wonder where that figure came from and what it is based upon, because as the Senator from New Mexico has just said and we all know, once the money is made available, those who are beneficiaries of the money, whether it is the States or whether we put it in Medicaid or wherever we put it, they will find a way to spend it.

I do not think anybody is arguing that we do not want to address the issue of uninsured children, but I think what we were arguing is we want to do it in a responsible way, a way that is responsible to the taxpayers so that we do not just arbitrarily come up with a number without knowing the scope of the problem and what dollar amount needs to be applied to that.

So my question really goes to the rationale that was used in arriving at the $16 billion initially by the Budget Committee. I assume they had significant debate and research into that in arriving at that figure, but what has changed from that point forward on the Finance Committee? What new information did they learn that was not available to the Budget Committee that caused the Finance Committee to raise that figure by $8 billion? Was it simply the availability of additional tax money through an identified tax and a decision to divide it up and throw $8 billion here and $4 billion there and whatever, or was there a specific rationale or new piece of information that came forward that said, ''No, we were short when we made our Budget Committee estimate. We now need to put in an additional $8 billion to cover the problem that we have identified''?

That goes to the nature of my question. That clearly is something that we need to debate in the tax bill. I do not want to hold up the proceedings here this evening.

Mr. ROCKEFELLER. Will the Senator yield?

Mr. COATS. I am happy to yield to the Senator from West Virginia.

Mr. ROCKEFELLER. Mr. President, I don't pretend to speak for the chairman of the Finance Committee, but I think it would be helpful to the Senator's concern by expressing this.

There are 10 million uninsured children in this country, and that was deemed to be unacceptable. The first approach was to try and insure 5 million children. That is what the $16 billion was for, to try to get the first 5 million uninsured children covered. This came from the Senator's side of the aisle in the Finance Committee. We thought that maybe we could go beyond that and approach beyond 5 million. But to be quite honest, I think as we have gone our way through this process, we have come to understand that we can't judge exactly what the States are going to do and we can't be entirely sure. So the CBO is now beginning to give us figures that suggest we won't be able to reach the 5 million children mark, perhaps even with both the $16 billion and the $8 billion program. But then again, we are not sure. But we know we have to try because having uninsured children is not acceptable in America. It is not a question of throwing money at a problem or suddenly a discovery of a new source of money. There was simply the desire that we ought to get health insurance to the 10 million children who do not have it. We worked within the Finance Committee to try to accomplish that.

Mr. COATS. I thank the Senator. As the Senator from West Virginia knows, we had debate on that during the proposal offered by Senator KENNEDY earlier, which was defeated. But there was significant disagreement on the floor. I don't know the answer, as to the number of uninsured children, cost policies to insure those children, or the best mechanism to use. Even the charts that the Senator from Utah had designating the number of uninsured children and the charts that the sponsor of the bill, Senator KENNEDY from Massachusetts, had at the same time they offered the bill; the two charts were off by several million, in terms of the number of uninsured children. So even the sponsors of the bill hadn't coordinated the numbers or checked with each other relative to how many uninsured children existed. We learned that three-point-some million of the children were covered under the existing Medicaid Program and several million of these children were temporarily uninsured, not full-time uninsured, because their parents were in and out of employment. And, normally, in employment you get a family policy that covers dependents.

So I was confused as to what the total number was, how many were insured, and what mechanisms we ought to put in place and, more important, how we ought to derive a number. Obviously, we all want to be responsible with the taxpayers' dollars and, at the same time, provide the important coverage. I wasn't able to get an answer where there is some unanimity regarding the number of children, who is covered, who needs to be covered, how long they need to be covered, what the cost of the policy is to cover them. And it seemed to me that we were pursuing a problem by addressing a solution designed in terms of the amount of

money available, not necessarily in terms of the specifics of the problem.

Mr. ROCKEFELLER. If the Senator will further yield, I simply say that I really don't think this was a money chase where, in trying to find a solution, they had to go find the problem. The problem was there. One of the most outstanding problems, which is vexatious, is there are 3 million children out there right now who are eligible for Medicaid, but their families do not know; they do not know that they are in fact eligible for Medicaid. So part of the problem was, how do you find, through various public and State agencies, those 3 million children across the country who are already eligible?

Mr. COATS. I ask the Senator, if we could not find them before under existing State-run programs, how are we going to find them now under State block grant programs?

Mr. ROCKEFELLER. I say to the Senator up front, the Senator is asking for kind of an exactitude in an area where exactitude is really very difficult, which is the whole area of the uninsured—how much it would cost? Where are they? How long will they be on Medicaid or insurance? When will they go off? Does the State know about it? Will the State, under a block grant money program, take children already on Medicaid and substitute that money, thus freeing the other money? I can't worry about that.

I have faith in the chairman of the Finance Committee. I think this was a bipartisan decision to do something about a problem that has been with us throughout our history, which is no longer deemed acceptable. The Senator is entirely correct when he says there are no simple answers. I want to assure the Senator—because I sat through, obviously, all the Finance Committee meetings, both public and private—there was never an attempt to sort of grab at money for the purpose of saying let's put that toward health insurance for children. It was a sense that we have a real problem here and we want to try to address it as responsibly and carefully as possible. That was followed by a bipartisan discussion and agreement.

Mr. COATS. I thank the Senator. I don't want to hold up the proceedings here this evening. I am happy to yield to the chairman.

Mr. ROTH. I will make one comment regarding the figures as to what it costs to cover children. What we did in committee is agree that there should be outreach, that we do want to ensure that all children that are not currently insured have the opportunity of having such insurance. But there is a lack of precision in the information, and that essentially creates the problem. I think all you have to do is listen to the discussion that we are having here this evening and it shows you that you don't have hard figures on this. But it was agreed upon, in a bipartisan way, that we wanted to develop a program that would assure all children health care with the enactment of this legislation.

Mr. COATS. I wonder if I can ask the chairman one last question?

Mr. ROTH. Yes.

Mr. COATS. If it is an undefined figure, or at least a loosely defined figure—going back to a question the chairman of the Budget Committee raised—is there a provision, or will there be a provision in the law that would give us the ability to monitor or audit the State response and return of excess funds if States meet their uninsured children's needs, but have money left over from the block grant; is there a basis upon which we can return that money and use it for, obviously, other important needs?

Mr. ROTH. Well, I think there is an accountability in the program. There was considerable discussion about wanting to make certain that these funds were spent by the States for the purpose of children's health insurance. So, yes, we did ensure that that had to be used for that purpose.

Mr. COATS. I thank the Senator. I will be happy to get those materials from the staff and continue to work with him on this question.

I yield the floor.

Mr. DOMENICI. Mr. President, I thank Senator COATS very much for the colloquy this evening. I think it was very helpful. I am sorry, from my standpoint, that I can't be more technical on the amendment. I believe there is a lot of objectivity that is lacking, and I am sure that is going to evolve with time. Your question seems to be very relevant and germane to a serious problem.

Mr. President, I believe on our side, and soon to be followed on the Democratic side, we are prepared to ask unanimous consent that a series of amendments be in order for tomorrow's stacked event that we have spoken of.

I have an amendment that has been agreed to on both sides. This amendment is made on behalf of Senator HARKIN and Senator MCCAIN.

AMENDMENT NO. 457

(Purpose: To reduce health care fraud, waste, and abuse)

Mr. DOMENICI. Mr. President, I send an amendment to the desk on behalf of Senators HARKIN and MCCAIN and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Mexico [Mr. DOMENICI], for Mr. HARKIN, for himself and Mr. MCCAIN, proposes an amendment numbered 457.

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

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

The amendment is as follows:

At the end of the bill, add the following:

SEC. . IMPROVING INFORMATION TO MEDICARE BENEFICIARIES.

(a) CLARIFICATION OF REQUIREMENT TO PROVIDE EXPLANATION OF MEDICARE BENEFITS.—Section 1804 of the Social Security Act (42 U.S.C. 1395b–2) is amended by adding at the end the following new subsection:

''(c)(1) The Secretary shall provide a statement which explains the benefits provided under this title with respect to each item or service for which payment may be made under this title which is furnished to an individual, without regard to whether or not a deductible or coinsurance may be imposed against the individual with respect to such item or service.

''(2) Each explanation of benefits provided under paragraph (1) shall include——

''(A) a statement which indicates that because errors do occur and because medicare fraud, waste and abuse is a significant problem, beneficiaries should carefully check the statement for accuracy and report any errors or questionable charges by calling the toll-free phone number described in (C).

(B) a statement of the beneficiary's rights to request an itemized bill (as provided in section 1128A(n)); and

''(C) a toll-free telephone number for reporting errors, questionable charges or other acts that would constitute medicare fraud, waste, or abuse, which may be the same number as described in subsection (b).''.

(b) REQUEST FOR ITEMIZED BILL FOR MEDICARE ITEMS AND SERVICES.——

(1) IN GENERAL.—Section 1128A of the Social Security Act (42 U.S.C. 1320a–7(a) is amended by adding at the end the following new subsection:

''(m) WRITTEN REQUEST FOR ITEMIZED BILL.——

''(1) IN GENERAL.—A beneficiary may submit a written request for an itemized bill for medical or other items or services provided to such beneficiary by any person (including an organization, agency, or other entity) that receives payment under title XVIII for providing such items or services to such beneficiary.

''(2) 30-DAY PERIOD TO RECEIVE BILL.——

''(A) IN GENERAL.—Not later than 30 days after the date on which a request under paragraph (1) has been received, a person described in such paragraph shall furnish an itemized bill describing each medical or other item or service provided to the beneficiary requesting the itemized bill.

''(B) PENALTY.—Whoever knowingly fails to furnish an itemized bill in accordance with subparagraph (A) shall be subject to a civil fine of not more than $100 for each such failure.

''(3) REVIEW OF ITEMIZED BILL.——

''(A) IN GENERAL.—Not later than 90 days after the receipt of an itemized bill furnished under paragraph (1), a beneficiary may submit a written request for a review of the itemized bill to the appropriate fiscal intermediary or carrier with a contract under section 1816 or 1842.

''(B) SPECIFIC ALLEGATIONS.—A request for a review of the itemized bill shall identify—

''(i) specific medical or other items or services that the beneficiary believes were not provided as claimed, or

''(ii) any other billing irregularity (including duplicate billing).

''(4) FINDINGS OF FISCAL INTERMEDIARY OR CARRIER.—Each fiscal intermediary or carrier with a contract under section 1816 or 1842 shall, with respect of each written request submitted to the fiscal intermediary or carrier under paragraph (3), determine whether the itemized bill identifies specific medical or other items or services that were not provided as claimed or any other billing irregularity (including duplicate billing) that has resulted in unnecessary payments under title XVIII.

''(5) RECOVERY OF AMOUNTS.—The Secretary shall require fiscal intermediaries and carriers to take all appropriate measures to recover amounts unnecessarily paid under title

XVIII with respect to a bill described in paragraph (4).''.

''(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to medical or other items or services provided on or after January 1, 1998.

SEC. PROHIBITING UNNECESSARY AND WASTEFUL MEDICARE PAYMENTS FOR CERTAIN ITEMS.

Section 1861(v) of the Social Security Act is amended by adding at the end the following new paragraph:

''(8) ITEMS UNRELATED TO PATIENT CARE—.Reasonable costs do not include costs for the following:

(i) entertainment;

(ii) gifts or donations;

(iii) costs for fines and penalties resulting from violations Federal, State or local laws; and,

(iv) education expenses for spouses or other dependents of providers of services, their employees or contractors.

SEC. ——. REDUCING EXCESSIVE BILLINGS AND UTILIZATION FOR CERTAIN ITEMS.

Section 1834(a)(15) of the Social Security Act (42 U.S.C. 1395m(a)(15)) is amended by striking ''Secretary may'' both places it appears and inserting ''Secretary shall''.

The PRESIDING OFFICER. Without objection, amendment No. 457 is agreed to.

The amendment (No. 457) was agreed to.

AMENDMENTS NOS. 458 THROUGH 474

Mr. DOMENICI. I ask unanimous consent that it be in order for me to offer a package of amendments on behalf of various Senators so that they would qualify under the consent agreement.

The amendments offered are as follows:

Two amendments on behalf of Senator HELMS; two amendments on behalf of Senator MCCAIN; two amendments on behalf of Senator JEFFORDS; one amendment by Senator BROWNBACK; one amendment by Senator ALLARD; one by Senator CHAFEE; one amendment by Senator GRASSLEY; one by Senator KYL; three by Senator SPECTER; one by Senator BURNS; one by Senator HUTCHISON; one by Senators MCCAIN and DOMENICI.

I send the amendments to the desk and ask unanimous consent that the amendments be considered read and be numbered accordingly.

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

The amendments are as follows:

AMENDMENT NO. 458

(Purpose: To provide that, for purposes of section 1886(d) of the Social Security Act, the large urban area of Charlotte-Gastonia-Rock Hill-North Carolina-South Carolina be deemed to include Stanly County, North Carolina)

At the appropriate place in division 1 of title V, insert the following:

SEC. —. INCLUSION OF STANLY COUNTY, N.C. IN A LARGE URBAN AREA UNDER MEDICARE PROGRAM.

(a) IN GENERAL.—For purposes of section 1886(d) of the Social Security Act (42 U.S.C. 1395ww(d)), the large urban area of Charlotte-Gastonia-Rock Hill-North Carolina-South Carolina may be deemed to include Stanly County, North Carolina.

(b) EFFECTIVE DATE.—This section shall apply with respect to discharges occurring on or after Oct. 1, 1997.

AMENDMENT NO. 459

(Purpose: To provide that, for purposes of section 1886(d) of the Social Security Act, the large urban area of Charlotte-Gastonia-Rock Hill-North Carolina-South Carolina be deemed to include Stanly County, North Carolina)

At the appropriate place in division 1 of title V, insert the following:

SEC. —. INCLUSION OF STANLY COUNTY, N.C. IN A LARGE URBAN AREA UNDER MEDICARE PROGRAM.

(a) IN GENERAL.—For purposes of section 1886(d) of the Social Security Act (42 U.S.C. 1395ww(d)), the large urban area of Charlotte-Gastonia-Rock Hill-North Carolina-South Carolina may be deemed to include Stanly County, North Carolina.

(b) EFFECTIVE DATE.—This section shall apply with respect to discharges occurring on or after Oct. 1, 1997.

——

AMENDMENT NO. 460

(Purpose: To provide for the continuation of certain Statewide medicaid waivers)

On page 844, between lines 7 and 8, insert the following:

SEC. 5768. CONTINUATION OF STATE-WIDE SECTION 1115 MEDICAID WAIVERS.

(a) IN GENERAL.—Section 1115 of the Social Security Act (42 U.S.C. 1315) is amended by adding at the end the following:

''(d)(1) The provisions of this subsection shall apply to the extension of statewide comprehensive research and demonstration projects (in this subsection referred to as 'waiver project') for which waivers of compliance with the requirements of title XIX are granted under subsection (a). With respect to a waiver project that, but for the enactment of this subsection, would expire, the State at its option may—

''(A) not later than 1 year before the waiver under subsection (a) would expire (acting through the chief executive officer of the State who is operating the project), submit to the Secretary a written request for an extension of such waiver project for up to 3 years; or

''(B) permanently continue the waiver project if the project meets the requirements of paragraph (2).

''(2) The requirements of this paragraph are that the waiver project—

''(A) has been successfully operated for 5 or more years; and

''(B) has been shown, through independent evaluations sponsored by the Health Care Financing Administration, to successfully contain costs and provide access to health care.

''(3)(A) In the case of waiver projects described in paragraph (1)(A), if the Secretary fails to respond to the request within 6 months after the date on which the request was submitted, the request is deemed to have been granted.

''(B) If the request is granted or deemed to have been granted, the deadline for submittal of a final report shall be 1 year after the date on which the waiver project would have expired but for the enactment of this subsection.

''(C) The Secretary shall release an evaluation of each such project not later than 1 year after the date of receipt of the final report.

''(D) Phase-down provisions which were applicable to waiver projects before an extension was provided under this subsection shall not apply.

''(4) The extension of a waiver project under this subsection shall be on the same terms and conditions (including applicable terms and conditions related to quality and access of services, budget neutrality as adjusted for inflation, data and reporting requirements and special population protections), except for any phase down provisions, and subject to the same set of waivers that applied to the project or were granted before the extension of the project under this subsection. The permanent continuation of a waiver project shall be on the same terms and conditions, including financing, and subject to the same set of waivers. No test of budget neutrality shall be applied in the case of projects described in paragraph (2) after that date on which the permanent extension was granted.

''(5) In the case of a waiver project described in paragraph (2), the Secretary, acting through the Health Care Financing Administration shall, deem any State's request to expand Medicaid coverage in whole or in part to individuals who have an income at or below the Federal poverty level as budget neutral if independent evaluations sponsored by the Health Care Financing Administration have shown that the State's Medicaid managed care program under such original waiver is more cost effective and efficient than the traditional fee-for-service Medicaid program that, in the absence of any managed care waivers under this section, would have been provided in the State.''.

''(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on the date of enactment of this Act.

Mr. MCCAIN. Mr. President, I rise to offer an amendment which would allow States to continue offering innovative cost effective health care through an 1115 Medicaid waiver on a permanent basis or on a continuous basis for 3 years. In addition, this measure would ensure that State's are given credit for the cost savings which they have incurred by operating an efficient managed care Medicaid program.

Several States have led the way in innovation for expanding coverage through cost containment. These States have not used accounting gamesmanship to ask the Federal Government to do the job; they have used their own resources to revise their programs to expand coverage while reducing both State and Federal costs.

Among these States is Arizona, Oregon, Rhode Island, Florida, and Tennessee. Any other State operating under an 1115 waiver may find herself in the same position.

In Arizona, 72 percent of her voters decided last fall that they should cover everyone under the poverty line, whether man, woman, or child. This initiative is the only hope for health care coverage for 50,000 men who live under the poverty line. Arizona can afford to do this because of the success of the Arizona statewide managed care program. AHCCCS [access] in containing cost and providing access to care. This has been proven. The satisfaction of Arizona's health care providers, members, and taxpayers further underscore the success of the program.

In spite of substantial savings documented by HCFA hired evaluators, documented savings since the program began in 1982, more than enough to offset the cost of expanding coverage, the Federal Government won't allow Arizona to reinvest the savings it achieved over a traditional fee-for-service program in expanded coverage. Nor will HCFA allow the State credit for their

program's savings over the next 5 years.

Other States have been allowed to use the savings managed care achieves over a traditional fee-for-service program in expanded coverage including the States of Tennessee, Hawaii, Rhode Island, Oregon among others.

The rationale for treating Arizona different from these other States boils down to timing. When Arizona's program began in 1982, HCFA did not use a test of budget neutrality for approving section 1115 research and demonstration waivers. The budget neutrality requirement that is now applied was put in place several years later. If Arizona had a test of budget neutrality in 1982 where the baseline was a traditional fee-for-service program, then the State would be allowed to use its managed care savings. Because the requirement did not exist, the State is penalized.

HCFA now indicates that the test of budget neutrality is the current, cost-saving, successful AHCCCS program, not the traditional fee-for-service program.

Arizona should not be penalized for a change in Federal guidelines which occurred after the program began. No one is questioning whether AHCCCS saved the Federal Government millions. Arizona, as Tennessee, Hawaii, Rhode Island, and any other State with such a proven track record, should be allowed to use the managed care savings it achieved over a traditional fee-for-service program to expand coverage as Arizona voters overwhelmingly requested.

AMENDMENT NO. 461

(Purpose: To provide for the treatment of certain Amerasian immigrants as refugees)

On page 874, between lines 7 and 8, insert the following:

SEC. 5817A. TREATMENT OF CERTAIN AMERASIAN IMMIGRANTS AS REFUGEES.

(a) AMENDMENTS TO EXCEPTIONS FOR REFUGEES/ASYLEES.—

(1) FOR PURPOSES OF SSI AND FOOD STAMPS.—Section 402(a)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)(A)) is amended—

(A) by striking ''; or'' at the end of clause (ii);

(B) by striking the period at the end of clause (iii) and inserting ''; or''; and

(C) by adding at the end the following:

''(iv) an alien who is admitted to the United States as an Amerasian immigrant pursuant to section 584 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1988 (as contained in section 101(e) of Public Law 100–202 and amended by the 9th proviso under MIGRATION AND REFUGEE ASSISTANCE in title II of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1989, Public Law 100–461, as amended).''.

(2) FOR PURPOSES OF TANF, SSBG, AND MEDICAID.—Section 402(b)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)(A)) is amended—

(A) by striking ''; or'' at the end of clause (ii);

(B) by striking the period at the end of clause (iii) and inserting ''; or''; and

(C) by adding at the end the following:

''(iv) an alien described in subsection (a)(2)(A)(iv) until 5 years after the date of such alien's entry into the United States.''.

(3) FOR PURPOSES OF EXCEPTION FROM 5-YEAR LIMITED ELIGIBILITY OF QUALIFIED ALIENS.—Section 403(b)(1) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613(b)(1)) is amended by adding at the end the following:

''(D) An alien described in section 402(a)(2)(A)(iv).''.

(4) FOR PURPOSES OF CERTAIN STATE PROGRAMS.—Section 412(b)(1) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1622(b)(1)) is amended by adding at the end the following new subparagraph:

''(D) An alien described in section 402(a)(2)(A)(iv).''.

(b) FUNDING.—

(1) LEVY OF FEE.—The Attorney General through the Immigration and Naturalization Service shall levy a $100 processing fee upon each alien that the Service determines—

(A) is unlawfully residing in the United States;

(B) has been arrested by a Federal law enforcement officer for the commission of a felony; and

(C) merits deportation after having been determined by a court of law to have committed a felony while residing illegally in the United States.

(2) COLLECTION AND USE.—In addition to any other penalty provided by law, a court shall impose the fee described in paragraph (1) upon an alien described in such paragraph upon the entry of a judgment of deportation by such court. Funds collected pursuant to this subsection shall be credited by the Secretary of the Treasury as offsetting increased Federal outlays resulting from the amendments made by section 5817A of the Balanced Budget Act of 1997.

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to the period beginning on or after October 1, 1997.

Mr. MCCAIN. Mr. President, I rise today to offer an amendment to S. 947, the Budget Reconciliation Act, that will redress what I assume to be an inadvertent omission in a section of this bill that discriminates against Amerasian children of U.S. military personnel who served in Vietnam.

My amendment will add a new provision to section 5817 to include Amerasian children to the category of legal aliens eligible for Medicaid. The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 excluded from eligibility these children of American soldiers because they are admitted as refugees under section 584 of the Foreign Operations, Export Financing, and Related Programs Act of 1988, rather than section 207 of the Immigration and Nationality Act, under which refugees are excepted from the Welfare Region legislation's ban on Medicaid, SSI, and other forms of assistance. This amendment corrects that oversight.

Because there is a cost associated with this amendment, I propose to offset it by mandating that the Attorney General of the United States, acting through the Immigration and Naturalization Service, impose a $150 processing fee on each illegal alien deported from the United States who committed a felony while in this country. According to CBO, this will generate the revenue necessary to offset the cost of my amendment over the 5-year period for which the welfare bill excludes aliens from Medicaid eligibility.

I hope that I can count on my colleagues' support for this worthwhile amendment.

AMENDMENT NO. 462

(Purpose: To require the Secretary of Health and Human Services to provide medicare beneficiaries with notice of the medicare cost-sharing assistance available under the medicaid program for specified low-income medicare beneficiaries)

On page 685, after line 25, add the following:

SEC. . REQUIREMENT TO PROVIDE INFORMATION REGARDING CERTAIN COST-SHARING ASSISTANCE.

(a) IN GENERAL.—Section 1804(a) (42 U.S.C. 1395b–2(a)) is amended—

(1) in paragraph (2), by striking ''and'' at the end;

(2) in paragraph (3), by striking the period and inserting '', and''; and

(3) by adding at the end, the following:

''(4) an explanation of the medicare cost sharing assistance described in section 1905(p)(3)(A)(ii) that is available for individuals described in section 1902(a)(10)(E)(iii) and information regarding how to request that the Secretary arrange to have an application for such assistance made available to an individual.''.

(b) EFFECTIVE DATE.—The information required to be provided under the amendment made by subsection (a) applies to notices distributed on and after October 1, 1997.

AMENDMENT NO. 463

(Purpose: To provide for the evaluation and quality assurance of the children's health insurance initiative)

On page 852, between lines 12 and 13, insert the following:

''(d) EVALUATION AND QUALITY ASSURANCE.—

''(1) IN GENERAL.—Not later than 1 year after the date on which the Secretary approves the program outline of a State, and annually thereafter, the State shall prepare and submit to the Secretary such information as the Secretary may require to enable the Secretary to evaluate the progress of the State with respect to the program outline. Such information shall address the manner in which the State in implementing the program outline has—

''(A) expanded health care coverage to low-income uninsured children;

''(B) provided quality health care to low-income children;

''(C) improved the health status of low-income children;

''(D) served the health care needs of special populations of low-income children; and

''(E) utilized available resources in a cost effective manner.

''(2) AVAILABILITY OF EVALUATIONS.—The Secretary shall make the results of the evaluations conducted under paragraph (1) available to Congress and the States.

''(3) REPORTS.—The Secretary shall annually prepare and submit to the appropriate committees of Congress, and make available to the States, a report containing the findings of the Secretary as a result of the evaluations conducted under paragraph (1) and the recommendations of the Secretary for achieving or exceeding the objectives of this title.

AMENDMENT NO. 464

(Purpose: To establish procedures to ensure a balanced Federal budget by fiscal year 2002)

At the end of the ___, add the following:

TITLE ___—BUDGET CONTROL

SEC. ___01. SHORT TITLE; PURPOSE.

(a) SHORT TITLE.—This title may be cited as the ''Bipartisan Budget Enforcement Act of 1997''.

(b) PURPOSE.—The purpose of this title is—

(1) to ensure a balanced Federal budget by fiscal year 2002;

(2) to ensure that the Bipartisan Budget Agreement is implemented; and

(3) to create a mechanism to monitor total costs of direct spending programs, and, in the event that actual or projected costs exceed targeted levels, to require the President and Congress to address adjustments in direct spending.

SEC. ___02. ESTABLISHMENT OF DIRECT SPENDING TARGETS.

(a) IN GENERAL.—The initial direct spending targets for each of fiscal years 1998 through 2002 shall equal total outlays for all direct spending except net interest as determined by the Director of the Office of Management and Budget (hereinafter referred to in this title as the ''Director'') under subsection (b).

(b) INITIAL REPORT BY DIRECTOR.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this title, the Director shall submit a report to Congress setting forth projected direct spending targets for each of fiscal years 1998 through 2002.

(2) PROJECTIONS AND ASSUMPTIONS.—The Director's projections shall be based on legislation enacted as of 5 days before the report is submitted under paragraph (1). The Director shall use the same economic and technical assumptions used in preparing the concurrent resolution on the budget for fiscal year 1998 (H.Con.Res. 84).

SEC. ___03. ANNUAL REVIEW OF DIRECT SPENDING AND RECEIPTS BY PRESIDENT.

As part of each budget submitted under section 1105(a) of title 31, United States Code, the President shall provide an annual review of direct spending and receipts, which shall include—

(1) information on total outlays for programs covered by the direct spending targets, including actual outlays for the prior fiscal year and projected outlays for the current fiscal year and the 5 succeeding fiscal years; and

(2) information on the major categories of Federal receipts, including a comparison between the levels of those receipts and the levels projected as of the date of enactment of this title.

SEC. ___04. SPECIAL DIRECT SPENDING MESSAGE BY PRESIDENT.

(a) TRIGGER.—If the information submitted by the President under section ___03 indicates—

(1) that actual outlays for direct spending in the prior fiscal year exceeded the applicable direct spending target; or

(2) that outlays for direct spending for the current or budget year are projected to exceed the applicable direct spending targets,

the President shall include in his budget a special direct spending message meeting the requirements of subsection (b).

(b) CONTENTS.—

(1) INCLUSIONS.—The special direct spending message shall include—

(A) an analysis of the variance in direct spending over the direct spending targets; and

(B) the President's recommendations for addressing the direct spending overages, if any, in the prior, current, or budget year.

(2) ADDITIONAL MATTERS.—The President's recommendations may consist of any of the following:

(A) Proposed legislative changes to recoup or eliminate the overage for the prior, current, and budget years in the current year, the budget year, and the 4 outyears.

(B) Proposed legislative changes to recoup or eliminate part of the overage for the prior, current, and budget year in the current year, the budget year, and the 4 outyears, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, only some of the overage should be recouped or eliminated by outlay reductions or revenue increases, or both.

(C) A proposal to make no legislative changes to recoup or eliminate any overage, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, no legislative changes are warranted.

(c) PROPOSED SPECIAL DIRECT SPENDING RESOLUTION.—If the President recommends reductions consistent with subsection (b)(2)(A) or (B), the special direct spending message shall include the text of a special direct spending resolution implementing the President's recommendations through reconciliation directives instructing the appropriate committees of the House of Representatives and Senate to determine and recommend changes in laws within their jurisdictions. If the President recommends no reductions pursuant to (b)(2)(C), the special direct spending message shall include the text of a special resolution concurring in the President's recommendation of no legislative action.

SEC. ___05. REQUIRED RESPONSE BY CONGRESS.

(a) IN GENERAL.—It shall not be in order in the House of Representatives or the Senate to consider a concurrent resolution on the budget unless that concurrent resolution fully addresses the entirety of any overage contained in the applicable report of the President under section ___04 through reconciliation directives.

(b) WAIVER AND SUSPENSION.—This section may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn. This section shall be subject to the provisions of section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985.

(c) APPEALS.—Appeals in the Senate from the decisions of the Chair relating to any provision of this section shall be limited to 1 hour, to be equally divided between, and controlled by, the appellant and the manager of the bill or joint resolution, as the case may be. An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this section.

SEC. ___06. RELATIONSHIP TO BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT.

Reductions in outlays or increases in receipts resulting from legislation reported pursuant to section ___05 shall not be taken into account for purposes of any budget enforcement procedures under the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. ___07. ESTIMATING MARGIN.

For any fiscal year for which the overage is less than one-half of 1 percent of the direct spending target for that year, the procedures set forth in sections ___04 and ___05 shall not apply.

SEC. ___08. EFFECTIVE DATE.

This title shall apply to direct spending targets for fiscal years 1998 through 2002 and shall expire at the end of fiscal year 2002.

AMENDMENT NO. 465

(Purpose: To expand medical savings accounts to families with uninsured children)

On page 865, between lines 2 and 3, insert the following:

SEC. . EXPANSION OF MEDICAL SAVINGS ACCOUNTS TO FAMILIES WITH UNINSURED CHILDREN

(a) IN GENERAL.—Section 220 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(k) FAMILIES WITH UNINSURED CHILDREN.—

''(1) IN GENERAL.—In the case of an individual who has a qualified dependent as of the first day of any month—

''(A) WAIVER OF EMPLOYER REQUIREMENT.—Clause (iii) of subsection (c)(1)(A) shall not apply.

''(B) WAIVER OF COMPENSATION LIMITATION.—Paragraph (4) of subsection (b) shall not apply.

''(C) COORDINATION WITH EXCLUSION FOR EMPLOYER CONTRIBUTIONS..—In lieu of the limitation of subsection (b)(5), the amount allowable for a taxable year as a deduction under subsection (a) to such individual shall be reduced (but not below zero) by the amount not includible in such individual's gross income for such taxable year solely by reason of section 106(b).

''(D) NUMERICAL LIMITATIONS.—Subsection (i) shall not apply to such individual if such individual is the account holder of a medical savings account by reason of this subsection, and subsection (j) shall be applied without regard to any such medical savings account.

''(2) QUALIFIED DEPENDENT.—For purposes of this subsection, the term 'qualified dependent' means a dependent (within the meaning of section 152) who—

''(A) has not attained the age of 19 as of the close of the calendar year in which the taxable year of the taxpayer begins, and with respect to whom the taxpayer is entitled to a deduction for the taxable year under section 151(c),

''(B) is covered by a high deductible health plan, and

''(C) prior to such coverage, was a previously uninsured individual (as defined by subsection (j)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years ending after the date of the enactment of this Act.

Mr. ALLARD. Mr. President, I would like to take this time to discuss an amendment that would give families with uninsured children the opportunity to obtain proper health coverage. Congress is constantly searching for ways to provide children with adequate health care, and I have proposed an amendment that would allow children the means to be covered. My amendment would give the working poor health expense accounts to use for their families.

It is reported that there are 10 million children who are uninsured in the United States. Many of these children are uninsured because their parents have incomes that are high enough to be ineligible for Medicaid or do not have private or employer-sponsored health insurance.

My amendment would allow families to deposit money in a medical savings account to use for health care services. I believe it is critical to provide lower income families with the option to establish medical savings accounts. MSA's allow consumers to pay for medical expenses through affordable tax-deductible plans that are most suited to their needs.

Americans want choice in health care. It is time for the Federal Government to listen to the American people

and make medical savings accounts an available option. Medical savings accounts are a viable free-market approach to ensuring greater access to affordable health care coverage for the uninsured. Through MSA's, individuals would be given the choice and opportunity to obtain affordable health services.

I believe our efforts need to be focused on providing uninsured children with accessible health care services. My amendment would give these families the opportunity of setting aside MSA funds, especially benefiting those who are self-employed, between jobs, or employed where health coverage is not available.

I am hopeful that in the 105th Congress, we will be able to expand the availability of medical savings accounts. Medical savings plans allow individuals the freedom to shop for competitive health care services, which in turn, can help keep the costs of health care down.

My amendment is one step to achieving the goal of decreasing the number of uninsured children by providing families with the option to receive much needed health care coverage. By making more MSA's available, we can make it easier for parents to finance their children's health care; after all, the health of our Nation's children is at stake.

AMENDMENT NO. 466

(Purpose: To extend the authority of the Nuclear Regulatory Commission to collect fees through 2002)

At the end of the bill, add the following:

TITLE IX—COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

SEC. 9001. NUCLEAR REGULATORY COMMISSION ANNUAL CHARGES.

Section 6101 of the Omnibus Budget Reconciliation Act of 1990 (42 U.S.C. 2214) is amended)—

(1) in subsection (a)(3), by striking ''September 30, 1998'' and inserting ''September 30, 2002''; and

(2) in subjection (c)—

(A) by striking paragraph (2) and inserting the following:

''(2) AGGREGATE AMOUNT OF CHARGES.—The aggregate amount of the annual charge collected from all licensees shall equal an amount that approximates 100 percent of the budget authority of the Commission for the fiscal year for which the charge is collected, less, with respect to the fiscal year, the sum of—

''(A) any amount appropriated to the Commission from the Nuclear Waste Fund;

''(B) the amount of fees collected under subsection (b); and

''(C) for fiscal year 1999 and each fiscal year thereafter, to the extent provided in paragraph (5), the costs of activities of the Commission with respect to which a determination is made under paragraph (5).''; and

(B) by adding at the end the following:

''(5) EXCLUDED BUDGET COSTS.—

''(A) IN GENERAL.—The rulemaking under paragraph (3) shall include a determination of the costs of activities of the Commission for which it would not be fair and equitable to assess annual charges on a Nuclear Regulatory Commission licensee or class of licensee.

''(B) CONSIDERATIONS.—In making the determination under subparagraph (A), the Commission shall consider—

''(i) the extent to which activities of the Commission provide benefits to persons that are not licensees of the Commission;

''(ii) the extent to which the Commission is unable to assess fees or charges on a licensee or class of licensee that benefits from the activities; and

''(iii) the extent to which the costs to the Nuclear Regulatory Commission of activities are commensurate with the benefits provided to the licensees from the activities.

''(C) MAXIMUM EXCLUDED COSTS.—The total amount of costs excluded by the Commission pursuant to the determination under subparagraph (A) shall not exceed $30,000,000 for any fiscal year.''.

AMENDMENT NO. 467

(Purpose: To preserve religious choice in long-term care)

On page 689, between lines 2 and 3, insert the following:

''(iii) RELIGIOUS CHOICE.—The State, in permitting an individual to choose a managed care entity under clause (i) shall permit the individual to have access to appropriate faith-based facilities. With respect to such access, the State shall permit an individual to select a facility that is not a part of the network of the managed care entity if such network does not provide access to appropriate faith-based facilities. A faith-based facility that provides care under this clause shall accept the terms and conditions offered by the managed care entity to other providers in the network.

AMENDMENT NO. 468

(Purpose: To allow medicare beneficiaries to enter into private contracts for services)

On page 685, after line 25, add the following:

SEC. . FACILITATING THE USE OF PRIVATE CONTRACTS UNDER THE MEDICARE PROGRAM.

(a) IN GENERAL.—Title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by inserting after section 1804 of such Act (42 U.S.C. 1395b–2) the following:

''CLARIFICATION OF PRIVATE CONTRACTS FOR HEALTH SERVICES

''SEC. 1805. (a) IN GENERAL.—Nothing in this title shall prohibit a physician or another health care professional who does not provide items or services under the program under this title from entering into a private contract with a medicare beneficiary for health services for which no claim for payment is to be submitted under this title.

''(b) LIMITATION ON ACTUAL CHARGE NOT APPLICABLE.—Section 1848(g) shall not apply with respect to a health service provided to a medicare beneficiary under a contract described in subsection (a).

''(c) DEFINITION OF MEDICARE BENEFICIARY.—In this section, the term 'medicare beneficiary' means an individual who is entitled to benefits under part A or enrolled under part B.

''(d) REPORT.—Not later than October 1, 2001, the Administrator of the Health Care Financing Administration shall submit a report to Congress on the effect on the program under this title of private contracts entered into under this section. Such report shall include—

''(1) analyses regarding—

''(A) the fiscal impact of such contracts on total Federal expenditures under this title and on out-of-pocket expenditures by medicare beneficiaries for health services under this title; and

''(B) the quality of the health services provided under such contracts; and

''(2) recommendations as to whether medicare beneficiaries should continue to be able to enter private contracts under this section and if so, what legislative changes, if any should be made to improve such contracts.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to contracts entered into on and after October 1, 1997.

AMENDMENT NO. 469

(Purpose: To extend premium protection for low-income medicare beneficiaries under the medicaid program)

Strike section 5544 and in its place insert the following:

SEC. 5544. EXTENSION OF SLMB PROTECTION.

(a) IN GENERAL.—Section 1902(a)(10)(E)(iii) (42 U.S.C. 1396a(a)(10)(E)(iii)) is amended by striking ''and 120 percent in 1995 and years thereafter'' and inserting '', 120 percent in 1995 through 1997, 125 percent in 1998, 130 percent in 1999, 135 percent in 2000, 140 percent in 2001, 145 percent in 2002, and 150 percent in 2003 and years thereafter''.

(b) 100 PERCENT FMAP.—Section 1905(b) (42 U.S.C. 1396d(b)) is amended by adding at the end the following: ''Notwithstanding the first sentence of this section, the Federal medical assistance percentage shall be 100 percent with respect to amounts expended as medical assistance for medical assistance described in section 1902(a)(10)(E)(iii) for individuals described in such section whose income exceeds 120 percent of the official poverty line referred to in such section.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply on and after October 1, 1997.

AMENDMENT NO. 470

(Purpose: To strike the limitations on DSH payments to institutions for mental diseases under the medicaid program)

Beginning on page 778, strike line 1 and all that follows through page 779, line 23.

AMENDMENT NO. 411

(Purpose: To strike the limitations on Indirect Graduate Medical Education payments to teaching hospitals)

Begining on page 585, strike line 21 and all that follows through page 586, line 25.

AMENDMENT NO. 472

(Purpose: To provide that information contained in the National Directory of New Hires be deleted after 6 months)

On page 999, between lines 15 and 16, insert the following:

(f) NATIONAL DIRECTORY OF NEW HIRES.—Section 453(i)(2) (42 U.S.C. 653(i)(2)) is amended by adding at the end the following: ''Information entered into such data base shall be deleted 6 months after the date of entry.''.

AMENDMENT NO. 473

(Purpose: To clarify the number of individuals that may be treated as engaged in work for purposes of the mandatory work requirement for TANF block grants)

Beginning on page 929, strike line 20 and all that follows through page 930, line 14 and insert the following:

(k) CLARIFICATION OF NUMBER OF INDIVIDUALS COUNTED AS PARTICIPATING IN WORK ACTIVITIES.—Section 407 (42 U.S.C. 607) is amended—

(1) in subsection (c)—

(A) in paragraph (1)(A), by striking ''(8)''; and

(B) in paragraph (2)(D)—

(i) in the heading, by striking ''PARTICIPATION IN VOCATIONAL EDUCATION ACTIVITIES''; and

(ii) by striking ''determined to be engaged in work in the State for a month by reason

of participation in vocational educational training or''; and

(2) by striking subsection (d)(8).

AMENDMENT NO. 474

(Purpose: To revise subtitle A of title III, relating to spectrum auctions, by deleting certain provisions subject to a point or order, and for other purposes)

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

AMENDMENTS NO. 475 THROUGH 498

Mr. LAUTENBERG. Mr. President, we have one amendment that is still being considered.

Otherwise, I ask unanimous consent that it be in order to send 25 amendments to the desk on behalf of my Democratic colleagues, that the amendments be considered as read and laid aside to be voted on in sequence.

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

The amendments are as follows:

AMENDMENT NO. 475

(Purpose: to ensure that certain legal immigrants who become disabled are eligible for disability benefits)

On page 8971, strike line 9–11.

SENATE AMENDMENT 476

(Purpose: To enhance taxpayer value in auctions conducted by the Federal Communications Commission)

SECTION . RESERVE.

In any auction conducted or supervised by the Federal Communications Commission (hereinafter the Commission) for any license, permit or right which has value, a reasonable reserve price shall be set by the Commission for each unit in the auction. the reserve price shall establish a minimum bid for the unit to be auctioned. If no bid is received above the reserve price for a unit, the unit shall be retained. The Commission shall reassess the reserve price for that unit and place the unit in the in the next scheduled or next appropriate auction.

AMENDMENT NO. 477

(Purpose: To provide food stamp benefits to child immigrants)

At the end of title I, add the following:

SEC. 10___. FOOD STAMP BENEFITS FOR CHILD IMMIGRANTS.

(a) IN GENERAL.—Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)) is amended by adding at the end the following:

''(E) CHILD IMMIGRANTS.—In the case of the program specified in paragraph (3)(B), paragraph (1) shall not apply to a qualified alien who is under 18 years of age.''.

(b) ALLOCATION OF ADMINISTRATIVE COSTS.—Section 408(a) of the Social Security Act (42 U.S.C. 608(a)) is amended by adding at the end the following:

''(12) DESIGNATION OF GRANTS UNDER THIS PART AS PRIMARY PROGRAM IN ALLOCATING ADMINISTRATIVE COSTS.—

''(A) IN GENERAL.—Notwithstanding any other provision of law, a State shall designate the program funded under this part as the primary program for the purpose of allocating costs incurred in serving families eligible or applying for benefits under the State program funded under this part and any other Federal means-tested benefits.

''(B) ALLOCATION OF COSTS.—

''(i) IN GENERAL.—The Secretary shall require that costs described in subparagraph (A) be allocated in the same manner as the costs were allocated by State agencies that designated part A of title IV as the primary program for the purpose of allocating administrative costs before August 22, 1996.

''(ii) FLEXIBLE ALLOCATION.—The Secretary may allocate costs under clause (i) differently, if a State can show good cause for or evidence of increased costs, to the extent that the administrative costs allocated to the primary program are not reduced by more than 33 percent.

''(13) FAILURE TO ALLOCATE ADMINISTRATIVE COSTS TO GRANTS PROVIDED UNDER THIS PART.—If the Secretary determines that, with respect to a preceding fiscal year, a State has not allocated administrative costs in accordance with paragraph (12), the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the succeeding fiscal year by an amount equal to—

''(A) the amount the Secretary determines should have been allocated to the program funded under this part in such preceding fiscal year; minus

''(B) the amount that the State allocated to the program funded under this part in such preceding fiscal year.''.

AMENDMENT NO. 478

(Purpose: To require balance billing protections for individuals enrolled in fee-for-service plans under the Medicare Choice program under part C of title XVIII of the Social Security Act)

On page 214, strike lines 21 through 24 and insert the following:

''(3) EXCEPTION FOR MSA PLANS AND UNRESTRICTED FEE-FOR-SERVICE PLANS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraphs (1) and (2) do not apply to an MSA plan or an unrestricted fee-for-service plan.

''(B) APPLICATION OF BALANCE BILLING FOR PHYSICIAN SERVICES.—Section 1848(g) shall apply to the provision of physician services (as defined in section 1848(j)(3)) to an individual enrolled in an unrestricted fee-for-service plan under this title in the same manner as such section applies to such services that are provided to an individual who is not enrolled in a Medicare Choice plan under this title.

AMENDMENT NO. 479

(Purpose: To provide for medicaid eligibility of disabled children who lose SSI benefits)

On page 874, between lines 7 and 8, insert the following:

SEC. 5817A. CONTINUATION OF MEDICAID ELIGIBILITY FOR DISABLED CHILDREN WHO LOSE SSI BENEFITS.

(a) IN GENERAL.—Section 1902(a)(10)(A)(i)(II) (42 U.S.C. 1396a(a)(10)(A)(i)(II)) is amended by inserting ''(or were being paid as of the date of enactment of section 211(a) of the Personal Responsibility and Work Opportunity Act of 1996 (Public Law 104–193; 110 Stat. 2188) and would continue to be paid but for the enactment of that section)'' after ''title XVI''.

(b) OFFSET.—Section 2103(b) of the Social Security Act (as added by section 5801) is amended—

(1) in paragraph (2), by striking ''and'' at the end;

(2) in paragraph (3), by striking the period and inserting ''; and''; and

(3) by adding at the end the following:

''(4) the amendment made by section 5817A(a) of the Balanced Budget Act of 1997 (relating to continued eligibility for certain disabled children).''.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) applies to medical assistance furnished on or after July 1, 1997.

AMENDMENT NO. 480

(Purpose: To clarify the family violence option under the temporary assistance to needy families program)

On page 960, between lines 3 and 4, insert the following:

SEC. _____. PROTECTING VICTIMS OF FAMILY VIOLENCE.

(a) FINDINGS.—Congress finds that—

(1) the intent of Congress in amending part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104–193; 110 Stat 2112) was to allow States to take into account the effects of the epidemic of domestic violence in establishing their welfare programs, by giving States the flexibility to grant individual, temporary waivers for good cause to victims of domestic violence who meet the criteria set forth in section 402(a)(7)(B) of the Social Security Act (42 U.S.C. 602(a)(7)(B));

(2) the allowance of waivers under such sections was not intended to be limited by other, separate, and independent provisions of part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.);

(3) under section 402(a)(7)(A)(iii) of such Act (42 U.S.C. 602(a)(7)(A)(iii)), requirements under the temporary assistance for needy families program under part A of title IV of such Act may, for good cause, be waived for so long as necessary; and

(4) good cause waivers granted pursuant to section 402(a)(7)(A)(iii) of such Act (42 U.S.C. 602(a)(7)(A)(iii)) are intended to be temporary and directed only at particular program requirements when needed on an individual case-by-case basis, and are intended to facilitate the ability of victims of domestic violence to move forward and meet program requirements when safe and feasible without interference by domestic violence.

(b) CLARIFICATION OF WAIVER PROVISIONS.—

(1) IN GENERAL.—Section 402(a)(7) (42 U.S.C. 602(a)(7)) is amended by adding at the end the following:

''(C) NO NUMERICAL LIMITS.—In implementing this paragraph, a State shall not be subject to any numerical limitation in the granting of good cause waivers under subparagraph (A)(iii).

''(D) WAIVERED INDIVIDUALS NOT INCLUDED FOR PURPOSES OF CERTAIN OTHER PROVISIONS OF THIS PART.—Any individual to whom a good cause waiver of compliance with this Act has been granted in accordance with subparagraph (A)(iii) shall not be included for purposes of determining a State's compliance with the participation rate requirements set forth in section 407, for purposes of applying the limitation described in section 408(a)(7)(C)(ii), or for purposes of determining whether to impose a penalty under paragraph (3), (5), or (9) of section 409(a).''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) takes effect as if it had been included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104–193; 110 Stat. 2112).

(c) FEDERAL PARENT LOCATOR SERVICE.—

(1) IN GENERAL.—Section 453 (42 U.S.C. 653), as amended by section 5938, is further amended—

(A) in subsection (b)(2)—

(i) in the matter preceding subparagraph (A), by inserting ''or that the health, safety, or liberty or a parent or child would by unreasonably put at risk by the disclosure of such information,'' before ''provided that'';

(ii) in subparagraph (A), by inserting '', that the health, safety, or liberty or a parent or child would by unreasonably put at risk by the disclosure of such information,'' before ''and that information''; and

(iii) in subparagraph (B)(i), by striking ''be harmful to the parent or the child'' and inserting ''place the health, safety, or liberty of a parent or child unreasonably at risk''; and

(B) in subsection (c)(2), by inserting '', or to serve as the initiating court in an action to seek and order,'' before ''against a non-custodial''.

(2) STATE PLAN.—Section 454(26) (42 U.S.C. 654), as amended by section 5956, is further amended—

(A) in subparagraph (C), by striking ''result in physical or emotional harm to the party or the child'' and inserting ''place the health, safety, or liberty of a parent or child unreasonably at risk'';

(B) in subparagraph (D), by striking ''of domestic violence or child abuse against a party or the child and that the disclosure of such information could be harmful to the party or the child'' and inserting ''that the health, safety, or liberty of a parent or child would be unreasonably put at risk by the disclosure of such information''; and

(C) in subparagraph (E), by striking ''of domestic violence'' and all that follows through the semicolon and inserting ''that the health, safety, or liberty of a parent or child would be unreasonably put at risk by the disclosure of such information pursuant to section 453(b)(2), the court shall determine whether disclosure to any other person or persons of information received from the Secretary could place the health, safety, or liberty or a parent or child unreasonably at risk (if the court determines that disclosure to any other person could be harmful, the court and its agents shall not make any such disclosure);''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect 1 day after the effective date described in section 5961(a).

AMENDMENT NO. 481

(Purpose: To amend the provision on transfer cases, and for other purposes)

On page 562, between line 20 and 21, insert the following:

''(XIV) for calendar year 1999 for hospitals in all areas, the market basket percentage increase minus 1.3 percentage points,''.

On page 562, line 21, strike ''(XIV) for calendar year 1999'' and insert ''(XV) for calendar year 2000.''.

On page 563, line 1, strike ''(XV)'' and insert ''(XVI)''.

On page 604, line 22, strike ''upon discharge from a subsection (d) hospital'' and insert ''immediately upon discharge from, and pursuant to the discharge planning process (as defined in section 1861(ee)) of, a subsection (d) hospital''.

Beginning on page 605, strike line 7 and all that follows through page 606, line 6, and insert the following:

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to discharges occurring on or after October 1, 1997.

AMENDMENT NO. 482

(Purpose: To allow vocational educational training to be counted as a work activity under the temporary assistance for needy families program for 24 months)

AMENDMENT NO. 482

On page 930, between lines 14 and 15, insert the following:

(l) VOCATIONAL EDUCATIONAL TRAINING.—Section 407(d)(8) (42 U.S.C. 607(d)(8)) is amended by striking ''12'' and inserting ''24''.

AMENDMENT NO. 483

(Purpose: To provide for the continuation of certain State-wide medicaid waivers)

On page 844, between lines 7 and 8, insert the following:

SEC. 5768. CONTINUATION OF STATE-WIDE SECTION 1115 MEDICAID WAIVERS.

(a) IN GENERAL.—Section 1115 of the Social Security Act (42 U.S.C. 1315) is amended by adding at the end the following:

''(d)(1) The provisions of this subsection shall apply to the extension of statewide comprehensive research and demonstration projects (in this subsection referred to as 'waiver project') for which waivers of compliance with the requirements of title XIX are granted under subsection (a). With respect to a waiver project that, but for the enactment of this subsection, would expire, the State at its option may—

''(A) not later than 1 year before the waiver under subsection (a) would expire (acting through the chief executive officer of the State who is operating the project), submit to the Secretary a written request for an extension of such waiver project for up to 3 years; or

''(B) permanently continue the waiver project if the project meets the requirements of paragraph (2).

''(2) The requirements of this paragraph are that the waiver project—

''(A) has been successfully operated for 5 or more years; and

''(B) has been shown, through independent evaluations sponsored by the Health Care Financing Administration, to successfully contain costs and provide access to health care.

''(3)(A) In the case of waiver projects described in paragraph (1)(A), if the Secretary fails to respond to the request within 6 months after the date on which the request was submitted, the request is deemed to have been granted.

''(B) If the request is granted or deemed to have been granted, the deadline for submittal of a final report shall be 1 year after the date on which the waiver project would have expired but for the enactment of this subsection.

''(C) The Secretary shall release an evaluation of each such project not later than 1 year after the date of receipt of the final report.

''(D) Phase-down provisions which were applicable to waiver projects before an extension was provided under this subsection shall not apply.

''(4) The extension of a waiver project under this subsection shall be on the same terms and conditions (including applicable terms and conditions related to quality and access of services, budget neutrality as adjusted for inflation, data and reporting requirements and special population protections), except for any phase down provisions, and subject to the same set of waivers that applied to the project or were granted before the extension of the project under this subsection. The permanent continuation of a waiver project shall be on the same terms and conditions, including financing, and subject to the same set of waivers. No test of budget neutrality shall be applied in the case of projects described in paragraph (2) after that date on which the permanent extension was granted.

''(5) In the case of a waiver project described in paragraph (2), the Secretary, acting through the Health Care Financing Administration, shall deem any State's request to expand medicaid coverage in whole or in part to individuals who have an income at or below the Federal poverty level as budget neutral if independent evaluations sponsored by the Health Care Financing Administration have shown that the State's medicaid managed care program under such original waiver is more cost effective and efficient than the traditional fee-for-service medicaid program that, in the absence of any managed care waivers under this section, would have been provided in the State.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on the date of enactment of this Act.

AMENDMENT NO. 484

(Purpose: To make community action agencies, community development corporations and other non-profit organizations eligible for welfare-to-work grants)

On page 885, line 15, insert after ''State'' the following: ''or a community action agency, community development corporation or other non-profit organizations with demonstrated effectiveness in moving welfare recipients into the workforce''.

AMENDMENT NO. 485

(Purpose: To provide that the hospital length of stay with respect to an individual shall be determined by the attending physician)

At the end of the proposed section 1852(d) of the Social Security Act (as added by section 5001), add the following:

''(4) DETERMINATION OF HOSPITAL LENGTH OF STAY.—

''(A) IN GENERAL.—A Medicare Choice organization shall cover the length of an inpatient hospital stay under this part as determined by the attending physician, in consultation with the patient, to be medically appropriate.

''(B) CONSTRUCTION.—Nothing in this paragraph shall be construed—

''(i) as requiring the provision of inpatient coverage if the attending physician, in consultation with the patient, determine that a shorter period of hospital stay is medically appropriate, or

''(ii) as affecting the application of deductibles and coinsurance.

At the appropriate place in chapter 2 of subtitle H of division 1 of title V, insert the following new section:

SEC. ___. HOSPITAL LENGTH OF STAY.

(a) IN GENERAL.—Section 1866(a)(1) (42 U.S.C. 1395cc(a)(1)) is amended—

(1) by striking ''and'' at the end of subparagraph (Q);

(2) by striking the period at the end of subparagraph (R) and inserting ''; and'';

(3) by inserting after subparagraph (R) the following:

''(S) in the case of hospitals, not to discharge an inpatient before the date the attending physician and patient determine it to be medically appropriate.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to discharges occurring on or after 6 months after the date of enactment of this Act.

At the appropriate place in chapter 5 of subtitle I of division 2 of title V, insert the following new section:

SEC. ___. DETERMINATION OF HOSPITAL STAY.

(a) IN GENERAL.—Title XIX (42 U.S.C. 1396 et seq.) is amended—

(1) by redesignating section 1933 as section 1934; and

(2) by inserting after section 1932 the following new section:

''DETERMINATION OF HOSPITAL STAY

''SEC. 1933. (a) IN GENERAL.—A State plan for medical assistance under this title shall cover the length of an inpatient hospital stay under this part as determined by the attending physician, in consultation with the patient, to be medically appropriate.

''(b) CONSTRUCTION.—Nothing in this section shall be construed—

''(1) as requiring the provision of inpatient coverage if the attending physician, in consultation with the patient, determine that a shorter period of hospital stay is medically appropriate, or

''(2) as affecting the application of deductibles and coinsurance.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to discharges occurring on or after 6 months after the date of enactment of this Act.

AMENDMENT NO. 486

(Purpose: To provide additional funding for State emergency health services furnished to undocumented aliens)

At the appropriate place in chapter 1 of subtitle K of division 2 of title V, insert the following new section:

SEC. ___. ADDITIONAL FUNDING FOR STATE EMERGENCY HEALTH SERVICES FURNISHED TO UNDOCUMENTED ALIENS.

(a) TOTAL AMOUNT AVAILABLE FOR ALLOTMENT.—There are available for allotments under this section for each of the 5 fiscal years (beginning with fiscal year 1998) $20,000,000 for payments to certain States under this section.

(b) STATE ALLOTMENT AMOUNT.—

(1) IN GENERAL.—The Secretary of Health and Human Services shall compute an allotment for each fiscal year beginning with fiscal year 1998 and ending with fiscal year 2002 for each of the 12 States with the highest number of undocumented aliens. The amount of such allotment for each such State for a fiscal year shall bear the same ratio to the total amount available for allotments under subsection (a) for the fiscal year as the ratio of the number of undocumented aliens in the State in the fiscal year bears to the total of such numbers for all States for such fiscal year. The amount of allotment to a State provided under this paragraph for a fiscal year that is not paid out under subsection (c) shall be available for payment during the subsequent fiscal year.

(2) DETERMINATION.—For purposes of paragraph (1), the number of undocumented aliens in a State under this section shall be determined based on estimates of the resident illegal alien population residing in each State prepared by the Statistics Division of the Immigration and Naturalization Service as of October 1992 (or as of such later date if such date is at least 1 year before the beginning of the fiscal year involved).

(c) USE OF FUNDS.—From the allotments made under subsection (b), the Secretary shall pay to each State amounts the State demonstrates were paid by the State (or by a political subdivision of the State) for emergency health services furnished to undocumented aliens.

(d) STATE DEFINED.—For purposes of this section, the term ''State'' includes the District of Columbia.

(e) STATE ENTITLEMENT.—This section constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided under subsection (c).

AMENDMENT NO. 487

(Purpose: To provide for the application of disproportionate share hospital-specific payment adjustments with respect to California)

At the appropriate place in section 5721, insert the following:

(___) APPLICATION OF DSH PAYMENT ADJUSTMENT.—Notwithstanding subsection (d), effective July 1, 1997, section 1923(g)(2)(A) of the Social Security Act (42 U.S.C. 1396r–4(g)(2)(A)) shall be applied to the State of California as though—

(1) ''or that begins on or after July 1, 1997, and before July 1, 1999,'' were inserted in such section after ''January 1, 1995,''; and

(2) ''(or 175 percent in the case of a State fiscal year that begins on or after July 1, 1997, and before July 1, 1999)'' were inserted in such section after ''200 percent''.

AMENDMENT NO. 488

(Purpose: To provide for actuarially sufficient reimbursement rates for providers)

Beginning on page 764, strike line 7 and all that follows through page 765, line 17, and insert the following:

(a) PLAN AMENDMENTS.—Section 1902(a)(13) is amended—

(1) by striking all that precedes subparagraph (D) and inserting the following:

''(13)(A) provide—

''(i) for the State-based determination of rates of payment under the plan for hospital services (and which, in the case of hospitals, take into account the situation of hospitals which serve a disproportionate number of low income patients with special needs), nursing facility services, and services provided in intermediate care facilities for the mentally retarded, under which the State provides assurances to the Secretary that proposed rates will be actuarially sufficient to ensure access to and quality of services;

''(ii) that the State will submit such proposed rates for review by an independent actuary selected by the Secretary; and

''(iii) that any new rates or modifications to existing rates will be developed through a public rulemaking procedure under which such new or modified rates are published in 1 or more daily newspapers of general circulation in the State or in any publication used by the State to publish State statutes or rules, and providers, beneficiaries and their representatives, and other concerned State residents are given a reasonable opportunity for review and comment on such rates or modifications;''; and

(2) by redesignating subparagraphs (D), (E), and (F) as subparagraphs (B), (C), and (D) respectively.

AMENDMENT NO. 489

(Purpose: To strike the repeal of the Boren amendment)

Beginning on page 764, strike line 5 and all that follows through line 23 on page 766.

Ms. MIKULSKI. Mr. President, I rise today to support the Wellstone/Mikulski amendment which maintains the Boren amendment on nursing home reimbursement.

The Boren amendment ensures an adequate daily reimbursement rate for nursing homes under Medicaid. It helps nursing homes have the funds they need to meet Federal quality and safety standards. The Wellstone/Mikulski amendment will keep this guarantee in place.

Right now, the Boren policy is under attack. It is under attack by States. And it is under attack by Congress. If we repeal this law, States will be able to set their own rates of reimbursement to nursing homes.

We all know the tough budget climate we are operating in. Without the Boren policy, we take away the Federal guarantee of adequate reimbursement rates. This threatens the health and safety of senior citizens. States worry about reimbursements. I'm worried about seniors.

Without Boren, the State reimbursement rates may be too low to ensure that nursing homes can continue to provide quality care. Do we really want to return to the bad old days when senior citizens living in nursing homes faced inadequate care? Can we afford to forget the horror stories from the 1980's about living and quality conditions in some nursing homes?

Well, the Boren amendment helped to change that. We must protect the integrity of the law. The amendment Senator WELLSTONE and I are offering will do that.

Our amendment protects senior citizens living in nursing homes. And it ensures that nursing homes get an appropriate level of reimbursement. It does this by requiring States to reimburse nursing homes for the costs of daily care.

It ensures that States will have adequate reimbursement to provide quality services. It maintains Federal Government oversight. It maintains quality standards and it will protect seniors.

We have been through the fight to keep Federal nursing home standards. And Congress voted last year on a bipartisan basis to keep Federal standards and to maintain Federal enforcement.

In my State of Maryland, already the reimbursement rate is very low. Maryland gets $78 per day when it costs an average of $112 to provide nursing home care. Maryland nursing homes use this reimbursement to provide room and board, around the clock medical care, three meals a day, and bathing, and feeding. You can't even get a good hotel room for that rate. We cannot have the rates fall any lower without jeopardizing patients.

Mr. President, we must protect the Boren amendment. That is why I strongly support the Wellstone/Mikulski amendment. I urge my colleagues to vote for this amendment.

AMENDMENT NO. 490

(Purpose: To improve the provisions relating to the Higher Education Act of 1965)

Strike title VII and insert the following:

TITLE VII—COMMITTEE ON LABOR AND HUMAN RESOURCES

SEC. 7001. MANAGEMENT AND RECOVERY OF RESERVES.

(a) AMENDMENT.—Section 422 of the Higher Education Act of 1965 (20 U.S.C. 1072) is amended by adding after subsection (g) the following new subsection:

''(h) RECALL OF RESERVES; LIMITATIONS ON USE OF RESERVE FUNDS AND ASSETS.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall, except as otherwise provided in this subsection, recall $1,200,000,000 from the reserve funds held by guaranty agencies under this part on September 1, 2002.

''(2) DEPOSIT.—Funds recalled by the Secretary under this subsection shall be deposited in the Treasury.

''(3) EQUITABLE SHARE.—The Secretary shall require each guaranty agency to return reserve funds under paragraph (1) based on such agency's equitable share of excess reserve funds held by guaranty agencies as of September 30, 1996. For purposes of this paragraph, a guaranty agency's equitable share of excess reserve funds shall be determined as follows:

''(A) The Secretary shall compute each agency's reserve ratio by dividing (i) the amount held in such agency's reserve (including funds held by, or under the control of, any other entity) as of September 30, 1996, by (ii) the original principal amount of all

loans for which such agency has an outstanding insurance obligation.

''(B) If the reserve ratio of any agency as computed under subparagraph (A) exceeds 1.12 percent, the agency's equitable share shall include so much of the amounts held in such agency's reserve fund as exceed a reserve ratio of 1.12 percent.

''(C) If any additional amount is required to be recalled under paragraph (1) (after deducting the total of the equitable shares calculated under subparagraph (B)), the agencies' equitable shares shall include additional amounts—

''(i) determined by imposing on each such agency an equal percentage reduction in the amount of each agency's reserve fund remaining after deduction of the amount recalled under subparagraph (B); and

''(ii) the total of which equals the additional amount that is required to be recalled under paragraph (1) (after deducting the total of the equitable shares calculated under subparagraph (B)).

''(4) RESTRICTED ACCOUNTS.—Within 90 days after the beginning of each of fiscal years 1998 through 2002, each guaranty agency shall transfer a portion of each agency's equitable share determined under paragraph (3) to a restricted account established by the guaranty agency that is of a type selected by the guaranty agency with the approval of the Secretary. Funds transferred to such restricted accounts shall be invested in obligations issued or guaranteed by the United States or in other similarly low-risk securities. A guaranty agency shall not use the funds in such a restricted account for any purpose without the express written permission of the Secretary, except that a guaranty agency may use the earnings from such restricted account for activities to reduce student loan defaults under this part. The portion required to be transferred shall be determined as follows:

''(A) In fiscal year 1998—

''(i) all agencies combined shall transfer to a restricted account an amount equal to one-fifth of the total amount recalled under paragraph (1);

''(ii) each agency with a reserve ratio (as computed under paragraph (3)(A)) that exceeds 2 percent shall transfer to a restricted account so much of the amounts held in such agency's reserve fund as exceed a reserve ratio of 2 percent; and

''(iii) each agency shall transfer any additional amount required under clause (i) (after deducting the amount transferred under clause (ii)) by transferring an amount that represents an equal percentage of each agency's equitable share to a restricted account.

''(B) In fiscal years 1999 through 2002, each agency shall transfer an amount equal to one-fourth of the total amount remaining of the agency's equitable share (after deduction of the amount transferred under subparagraph (A)).

''(5) SHORTAGE.—If, on September 1, 2002, the total amount in the restricted accounts described in paragraph (4) is less than the amount the Secretary is required to recall under paragraph (1), the Secretary shall require the return of the amount of the shortage from other reserve funds held by guaranty agencies under procedures established by the Secretary.

''(6) PROHIBITION.—The Secretary shall not have any authority to direct a guaranty agency to return reserve funds under subsection (g)(1)(A) during the period from the date of enactment of this subsection through September 30, 2002, and any reserve funds otherwise returned under subsection (g)(1) during such period shall be treated as amounts recalled under this subsection and shall not be available under subsection (g)(4).

''(7) DEFINITION.—For purposes of this subsection the term 'reserve funds' when used with respect to a guaranty agency—

''(A) includes any reserve funds held by, or under the control of, any other entity; and

''(B) does not include buildings, equipment, or other nonliquid assets.''.

(b) CONFORMING AMENDMENT.—Section 428(c)(9)(A) of the Higher Education Act of 1965 (20 U.S.C. 1078(c)(9)(A)) is amended—

(1) in the first sentence, by striking ''for the fiscal year of the agency that begins in 1993''; and

(2) by striking the third sentence.

SEC. 7002. REPEAL OF DIRECT LOAN ORIGINATION FEES TO INSTITUTIONS OF HIGHER EDUCATION.

Section 452 of the Higher Education Act of 1965 (20 U.S.C. 1087b) is amended—

(1) by striking subsection (b); and

(2) by redesignating subsections (c) and (d) as subsections (b) and (c), respectively.

SEC. 7003. LENDER AND HOLDER RISK SHARING.

Section 428(b)(1)(G) of the Higher Education Act of 1965 (20 U.S.C. 1078(b)(1)(G)) is amended by striking ''not less than 98 percent'' and inserting ''95 percent''.

SEC. 7004. FEES AND INSURANCE PREMIUMS.

(a) IN GENERAL.—Section 428(b)(1)(H) of the Higher Education Act of 1965 (20 U.S.C. 1078(b)(1)(H)) is amended—

(1) by inserting ''(i)'' before ''provides'';

(2) by striking ''the loan,'' and inserting ''any loan made under section 428 before July 1, 1998,'';

(3) by inserting ''and'' after the semicolon; and

(4) by adding at the end the following:

''(ii) provides that no insurance premiums shall be charged to the borrower of any loan made under section 428 on or after July 1, 1998;''.

(b) SPECIAL ALLOWANCES.—Section 438(c) of the Higher Education Act of 1965 (20 U.S.C. 1087–1(c)) is amended—

(1) in paragraph (2), by striking ''paragraph (6)'' and inserting ''paragraphs (6) and (8)''; and

(2) by adding at the end the following:

''(8) ORIGINATION FEE ON SUBSIDIZED LOANS ON OR AFTER JULY 1, 1998.—In the case of any loan made or insured under section 428 on or after July 1, 1998, paragraph (2) shall be applied by substituting '2.0 percent' for '3.0 percent'.''.

(c) DIRECT LOANS.—Section 455(c) of the Higher Education Act of 1965 (20 U.S.C. 1087e(c)) is amended—

(1) by striking ''The Secretary'' and inserting the following:

''(1) IN GENERAL.—For loans made under this part before July 1, 1998, the Secretary'';

(2) by striking ''of a loan made under this part''; and

(3) by adding at the end the following:

''(2) ORIGINATION FEE.—For loans made under this part on or after July 1, 1998, the Secretary shall charge the borrower an origination fee of 2.0 percent of the principal amount of the loan, in the case of Federal Direct Stafford/Ford Loans.''.

SEC. 7005. SECRETARY'S EQUITABLE SHARE.

Section 428(c)(6)(A)(ii) of the Higher Education Act of 1965 (20 U.S.C. 1078(c)(6)(A)(ii) is amended by striking ''27 percent'' and inserting ''18.5 percent''.

SEC. 7006. FUNDS FOR ADMINISTRATIVE EXPENSES.

The first sentence of section 458(a) of the Higher Education Act of 1965 (20 U.S.C. 1087h(a)) is amended by striking ''$260,000,000'' and all that follows through the end of the sentence and inserting ''$532,000,000 in fiscal year 1998, $610,000,000 in fiscal year 1999, $705,000,000 in fiscal year 2000, $750,000,000 in fiscal year 2001, and $750,000,000 in fiscal year 2002.''.

SEC. 7007. EXTENSION OF STUDENT AID PROGRAMS.

Title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) is amended—

(1) in section 424(a), by striking ''1998.'' and ''2002.'' and inserting ''2002.'' and ''2006.'', respectively;

(2) in section 428(a)(5), by striking ''1998,'' and ''2002.'' and inserting ''2002,'' and ''2006.'', respectively; and

(3) in section 428C(e), by striking ''1998.'' and inserting ''2002.''.

SEC. 7008. EFFECTIVE DATE.

This subtitle and the amendments made by this subtitle take effect on October 1, 1997.

AMENDMENT NO. 491

(Purpose: To prohibit cost-sharing for children in families with incomes that are less than 150 percent of the poverty line)

Section 1916(g)(1) of the Social Security Act, as amended by section 5754, is amended by inserting before the period the following: '', except that no cost-sharing may be imposed with respect to medical assistance provided to an individual who has not attained age 18 if such individuals family income does not exceed 150 percent of the poverty line applicable to a family of the size involved, and if, as of the date of enactment of the Balanced Budget Act of 1997, cost-sharing could not be imposed with respect to medical assistance provided to such individual.''.

AMENDMENT NO. 492

(Purpose: To ensure the provision of appropriate benefits for uninsured children with special needs)

At the appropriate place in section 2102(5) of the Social Security Act as added by section 5801, insert the following: ''The benefits shall include additional benefits to meet the needs of children with special needs, including—

''(A) rehabilitation and habilitation services, including occupational therapy, physical therapy, speech and language therapy, and respiratory therapy services;

''(B) mental health services;

''(C) personal care services;

''(D) customized durable medical equipment, orthotics, and prosthetics, as medically necessary; and

''(E) case management services.

''With respect to FEHBP-equivalent children's health insurance coverage, services otherwise covered under the coverage involved that are medically necessary to maintain, improve, or prevent the deterioration of the physical, developmental, or mental health of the child may not be limited with respect to scope and duration, except to the degree that such services are not medically necessary. Nothing in the preceding sentence shall be construed to prevent FEHBP-equivalent children's health insurance coverage from utilizing appropriate utilization review techniques to determine medical necessity or to prevent the delivery of such services through a managed care plan.''.

AMENDMENT NO. 493

(Purpose: To exempt severely disabled aliens from the ban on receipt of supplemental security income)

On page 874, between lines 7 and 8, insert the following:

SEC. 5817A. SSI ELIGIBILITY FOR SEVERELY DISABLED ALIENS.

Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)), as amended by section 5815, is amended by adding at the end the following:

''(I) SSI EXCEPTION FOR SEVERELY DISABLED ALIENS.—With respect to eligibility for benefits for the program defined in paragraph

(3)(A) (relating to the supplemental security income program), paragraph (1), and the September 30, 1997 application deadline under subparagraph (G), shall not apply to any alien who is lawfully present in the United States and who has been denied approval of an application for naturalization by the Attorney General solely on the ground that the alien is so severely disabled that the alien is otherwise unable to satisfy the requirements for naturalization.''.

AMENDMENT NO 494

(Purpose: To provide for Medicaid eligibility of disabled children who lose SSI benefits)

On page 874, between lines 7 and 8, insert the following:

SEC. 5817A CONTINUATION OF MEDICAID ELIGIBILITY FOR DISABLED CHILDREN WHO LOSE SSI BENEFITS.

(a) IN GENERAL.—Section 1902(a)(10)(A)(i)(II)(42 U.S.C. 1396a(a)(10)(A)(i)(II)) is amended by inserting ''(or were being paid as of the date of enactment of section 211(a) of the Personal Responsibility and Work Opportunity Act of 1996 (Public Law 104-193; 110 Stat. 2188) and would continue to be paid but for the enactment of that section)'' after ''title XVI''.

(b) OFFSET.—Section 2103(b) of the Social Security Act (as added by section 5801) is amended—

(1) in paragraph (2), by striking ''and'' at the end;

(2) in paragraph (3), by striking the period and inserting ''; and''; and

(3) by adding at the end the following:

''(4) the amendment made by section 5817A(a) of the Balanced Budget Act of 1997 (relating to continued eligibility for certain disabled children).''.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) applies to medical assistance furnished on or after July 1, 1997.

AMENDMENT NO. 495

(Purpose: To establish a process to permit a nurse aide to petition to have his or her name removed from the nurse aide registry under certain circumstances)

On page 844, between lines 7 and 8, insert the following:

SEC. . REMOVAL OF NAME FROM NURSE AIDE REGISTRY.

(a) MEDICARE.—Section 1819(g)(1)(C) of the Social Security Act (42 U.S.C. 1395i-3(g)(1)(C)) is amended—

(1) in the first sentence by striking ''The State'' and inserting ''(i) The State''; and

(2) by adding at the end the following:

''(ii)(I) In the case of a finding of neglect, the State shall establish a procedure to permit a nurse aide to petition the State to have his or her name removed from the registry upon a determination by the State that—

''(aa) the employment and personal history of the nurse aide does not reflect a pattern of abusive behavior or neglect; and

''(bb) the neglect involved in the original finding was a singular occurrence.

''(II) In no case shall a determination on a petition submitted under clause (I) be made prior to the expiration of the 1-year period beginning on the date on which the name of the petitioner was added to the registry under this subparagraph.''.

(b) MEDICAID.—Section 1919(g)(1)(C) of the Social Security Act (42 U.S.C. 1396r(g)(1)(C)) is amended—

(1) in the first sentence by striking ''The State'' and inserting ''(i) The State''; and

(2) by adding at the end the following:

''(ii)(I) In the case of a finding of neglect, the State shall establish a procedure to permit a nurse aide to petition the State to have his or her name removed from the registry upon a determination by the State that—

''(aa) the employment and personal history of the nurse aide does not reflect a pattern of abusive behavior or neglect; and

''(bb) the neglect involved in the original finding was a singular occurrence.

''(II) In no case shall a determination on a petition submitted under clause (I) be made prior to the expiration of the 1-year period beginning on the date on which the name of the petitioner was added to the registry under this subparagraph.''.

(c) RETROACTIVE REVIEW.—The procedures developed by a State under the amendments made by subsection (a) and (b) shall permit an individual to petition for a review of any finding made by a State under section 1819(g)(1)(C) or 1919(g)(1)(C) of the Social Security Act (42 U.S.C. 1395i–3(g)(1)(C) or 1396r(g)(1)(C)) after January 1, 1995.

(d) STUDY AND REPORT.—

(1) STUDY.—The Secretary of Health and Human Services shall conduct a study of—

(A) the use of nurse aide registries by States, including the number of nurse aides placed on the registries on a yearly basis and the circumstances that warranted their placement on the registries;

(B) the extent to which institutional environmental factors (such as a lack of adequate training or short staffing) contribute to cases of abuse and neglect at nursing facilities; and

(C) whether alternatives (such as a probational period accompanied by additional training or mentoring or sanctions on facilities that create an environment that encourages abuse or neglect) to the sanctions that are currently applied under the Social Security Act for abuse and neglect at nursing facilities might be more effective in minimizing future cases of abuse and neglect.

(2) REPORT.—Not later than 2 years after the date of enactment of this Act, the Secretary of Health and Human Services shall prepare and submit to the appropriate committees of Congress, a report concerning the results of the study conducted under paragraph (1) and the recommendation of the Secretary for legislation based on such study.

AMENDMENT NO. 496

(Purpose: To strike the limitation on the coverage of abortions)

On page 860, strike all matter after line 10 and before line 15, and the following:

''(d) USE LIMITED TO STATE PROGRAM EXPENDITURES.—Funds provided to an eligible State under this title shall only be used to carry out the purpose of this title.

AMENDMENT NO. 497

(Purpose: To clarify that risk solvency standards established for managed care entities under the Medicaid program shall not preempt any State standards that are more stringent)

On page 743, line 6, strike the period and insert ''(but that shall not preempt any State standards that are more stringent than the standards established under this subparagraph.''.

AMENDMENT NO. 498

(Purpose: To allow funds provided under the welfare-to work grant program to be used for the microloan demonstration program under the Small Business Act)

On page 888, between lines 22 and 23, insert the following:

''(VI) Technical assistance and related services that lead to self-employment through the microloan demonstration program under section 7(m) of the Small Business Act (15 U.S.C. 636(m))

Mr. LAUTENBERG. Again, the first amendment on that list, Mr. President, is the Lautenberg amendment.

Mr. CONRAD addressed the Chair.

The PRESIDING OFFICER. The Senator recognizes the Senator from North Dakota.

Mr. LAUTENBERG. May we finish this up?

Mr. DOMENICI. I need to finish this work, if you don't mind.

Senator, I understand you did submit an amendment with reference to the illegal aliens.

Mr. LAUTENBERG. Legal.

Mr. DOMENICI. Legal aliens.

AMENDMENT NO. 499

(Purpose: To provide SSI eligibility for disabled legal aliens)

Mr. DOMENICI. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Mexico [Mr. DOMENICI] proposes an amendment numbered 499.

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

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

The amendment is as follows:

Strike sections 5811 through 5814 and insert the following:

SEC. 5812. EXTENSION OF ELIGIBILITY PERIOD FOR REFUGEES AND CERTAIN OTHER QUALIFIED ALIENS FROM 5 TO 7 YEARS FOR SSI AND MEDICAID.

(a) SSI.—Section 402(a)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)(A)) is amended to read as follows:

''(A) TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.—

''(i) SSI.—With respect to the specified Federal program described in paragraph (3)(A) paragraph 1 shall not apply to an alien until 7 years after the date—

''(I) an alien is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act;

''(II) an alien is granted asylum under section 208 of such Act; or

''(III) an alien's deportation is withheld under section 243(h) of such Act.

''(ii) FOOD STAMPS.—With respect to the specified Federal program described in paragraph (3)(B), paragraph 1 shall not apply to an alien until 5 years after the date—

''(I) an alien is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act:

''(II) an alien is granted asylum under section 208 of such Act; or

''(III) an alien's deportation is withheld under section 243(h) of such Act.''.

(b) MEDICAID.—Section 402(b)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(b)(2)(A)) is amended to read as follows:

''(A) TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.—

''(i) MEDICAID.—With respect to the designated Federal program described in paragraph (3)(C), paragraph 1 shall not apply to an alien until 7 years after the date—

''(I) an alien is admitted to the United States as a refugee under section 207 of the Immigration and nationality Act:

''(II) an alien is granted asylum under section 208 of such Act; or

''(III) an alien's deportation is withheld under section 243(h) of such Act.

''(ii) OTHER DESIGNATED FEDERAL PROGRAMS.—With respect to the designated Federal programs under paragraph (3) (other than subparagraph (C)), paragraph 1 shall not apply to an alien until 5 years after the date—

''(I) an alien is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act;

''(II) an alien is granted asylum under section 208 of such Act; or

''(III) an alien's deportation is withheld under section 243(h) of such Act.''.

(c) STATUS OF CUBAN AND HAITIAN ENTRANTS.—For purposes of sections 402(a)(2)(A) and 402(b)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)(A), (b)(2)(A), an alien who is a Cuban and Haitian entrant, as defined in section 501(e) of the Refugee Education Assistance Act of 1984, shall be considered a refugee.

SEC. 5813. SSI ELIGIBILITY FOR PERMANENT RESIDENT ALIENS WHO ARE MEMBERS OF AN INDIAN TRIBE.

Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1966 (8 U.S.C. 1612(a)(2)) (as amended by section 5311) is amended by adding at the end the following:

''(F) PERMANENT RESIDENT ALIENS WHO ARE MEMBERS OF AN INDIAN TRIBE.—With respect to eligibility for benefits for the program defined in paragraph (3)(A) (relating to the supplemental security income program), paragraph (1) shall not apply to an alien who—

''(i) is lawfully admitted for permanent residence under the Immigration and Nationality Act; and

''(ii) is a member of an Indian tribe (as defined in section 4(e) of the Indian Self-Determination and Education Assistance Act).''.

SEC. 5814. SSI ELIGIBILITY FOR DISABLED LEGAL ALIENS IN THE UNITED STATES ON AUGUST 22, 1996.

(a) Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2) (as amended by section 5813) is amended by adding at the end the following:

''(G) SSI ELIGIBILITY FOR DISABLED ALIENS.—With respect to eligibility for benefits for the program defined in paragraph (3)(A) (relating to the supplemental security income program), paragraph (1) shall not apply—

''(i) to an alien who—

''(I) is lawfully residing in any State on August 22, 1996; and

''(II) is disabled, as defined in section 1614(a)(3) of the Social Security Act (42 U.S.C. 1382c(a)(3)); or

''(ii) to an alien who—

''(I) is lawfully residing in any State and after such date;

''(II) is disabled (as so defined and

''(III) as of June 1, 1997, is receiving benefits under such program.''.

''(b) Funds shall be made available for not to exceed 2 years for elderly SSI recipients made ineligible for benefits after August 22, 1996.

Mr. DOMENICI. I wonder if the Senator from Delaware would mind taking over for me. We are only going to be another 10 minutes, and he can close it. I would appreciate that.

Senator LAUTENBERG, I will see you in the morning.

Mr. LAUTENBERG. I look forward to that.

Mr. DOMENICI. Have we run out of time under the bill?

The PRESIDING OFFICER. My understanding is that the time runs out at 9:15.

Mr. DOMENICI. You have plenty of time, Senator.

Several Senators addressed the Chair.

Mr. CONRAD. Mr. President, I yielded to the distinguished Republican manager. I would like to reclaim my time at this point.

Mr. DOMENICI. I didn't know you had an amendment.

Mr. CONRAD. I have a point of order that I would like to raise.

Mr. DOMENICI. I wonder if we could finish this part of getting them in.

Mr. CONRAD. Yes. I would be happy to yield for that purpose.

AMENDMENT NO. 500

(Purpose: To require that any benefits package offered under the block grant option for the children's health initiative includes hearing and visions services)

Mr. DOMENICI. I send an amendment to the desk in behalf of Mr. CHAFEE and Mr. ROCKEFELLER.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Mexico [Mr. DOMENICI] for Mr. CHAFEE for himself and Mr. ROCKEFELLER, proposes an amendment numbered 500.

The amendment is as follows:

On page 847, beginning on line 1, strike ''and that otherwise satisfies State insurance standards and requirements.'' and insert ''that includes hearing and vision services for children, and that otherwise satisfies State insurance standards and requirements.''.

AMENDMENT NO. 501

(Purpose: To require that any benefits package offered under the block grant option for the children's health initiative includes hearing and visions services)

Mr. DOMENICI. Mr. President, I send an amendment to the desk in behalf of Senator CHAFEE and Senator ROCKEFELLER.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Mexico [Mr. DOMENICI], for Mr. CHAFEE, for himself and Mr. ROCKEFELLER proposes an amendment numbered 501.

The amendment is as follows:

On page 861, after line 26, add the following:

''(4) HEARING AND VISION SERVICES.—Notwithstanding the definition of FEHBP-equivalent children's health insurance coverage in section 2102(5), any package of health insurance benefits offered by a State that opts to use funds provided under this title under this section shall include hearing and vision services for children.''.

Mr. CONRAD addressed the Chair.

The PRESIDING OFFICER. The Senator from North Dakota.

I would assume that the Senator would be willing to yield for additional amendments that may be filed.

Mr. CONRAD. That is the case.

The PRESIDING OFFICER. The Senator may proceed.

POINT OF ORDER

Mr. CONRAD. I rise to make a point of order that section 5822 of this bill is extraneous and violates section 313(b)(1)(D) of the Budget Act, the so-called Byrd rule.

Mr. President, I urge my colleagues to join me in opposing what amounts to a $2 billion blank check for one State, the State of Texas.

The bill before us would require the Secretary of Health and Human Services to approve the privatization of all Federal and State health and human services benefit programs in the State of Texas without any hearings and without any opportunity to review the proposal or ensure that the goals of these programs are furthered by the proposal.

Mr. President, this is truly unprecedented. If we look at the potential impact from this one State waiver, we see that it affects 2.35 million Medicaid beneficiaries, 2.1 million food stamp recipients, 10 percent of all the food stamp recipients in the United States, nearly 1 million WIC recipients, and 20,000 children who are up for adoption or qualify for foster care assistance.

The Texas waiver amounts to a $2 billion blank check without the benefit of one hearing and without the benefit of any Senator knowing what is in the proposal, because this is a proposal that has not been revealed to the U.S. Senate. There has been no waiver submitted.

We hear a lot of talk that it is a waiver. There has been no waiver submitted. This is a procurement document which, by law, is confidential and cannot be reviewed by the U.S. Senate. There have been no public hearings on this proposal—not one. Not a single Member here has had privy to what this procurement document involves. There are serious unanswered questions about whether taxpayers are protected from liability, mismanagement or fraud.

Mr. President, let me go to the next chart. The contracting of human services has a very checkered record. I have produced reviews of just four situations which have occurred around the country, because I think before we leap off this precipice, we ought to know what is in this agreement. What is in this proposal? None of us have been privy to what is here.

Let me just review with my colleagues what we have seen in other agreements like this around the country. In California, an agreement with Lockheed Martin for a child support enforcement contract, harshly criticized in the California Assembly, slated to cost $99 million, now projected to cost $260 million, cost overrun of 163 percent. The State of California stopped payment in February of 1997; limited contractor liability of only $44 million. Taxpayers have to pick up the rest—a disaster in California.

Do we want this to be repeated in Texas? Some will say, well, it won't happen in Texas. On what basis do they say that? Not a single Senator knows what is in that procurement document—not a single one—because it is confidential.

Virginia: Electronic Data Systems, a Medicaid contract. By the way, this is the same company that seeks to privatize all—let me emphasis—every single Federal and State program in the State of Texas. The same company is involved in this Virginia matter.

This is a Medicaid contract in Virginia. The contract has been canceled; 20 months behind schedule; error rate of more than 50 percent—error rate of more than 50 percent—alleged sweetheart deal; EDS selected over competitor whose bid was 50 percent less; alleged conflict of interest; company won contract after making revolving-door hire of a senior Virginia Medicaid official.

Texas: Anderson Consulting, a child support system contract; 559 percent over the budget; over 4 years behind schedule; design errors result in inability to handle changes in Federal regulations; taxpayers to foot more than 78 percent of the project cost—another disaster.

Mr. President, before we do this, we ought to know what is in this procurement document. We shouldn't be handing a blank check to Texas, or any other State. I wouldn't advocate this for my State—a blank check that could blow up on the taxpayers like these examples have blown up.

Let me just conclude with the Florida Unisys contract, a Medicaid contract. Unisys employees arrested for grand theft; one pleaded guilty to fraud, forgery and money-laundering; two others charged with racketeering; more arrests expected; use of temporary employees, one of whom stole almost a quarter of a million dollars.

And we are getting ready to approve this kind of deal for the State of Texas without any hearing, without any review, without a single Senator knowing what is in the proposed agreement?

Mr. President, we ought to think very carefully before we go down this path.

In Florida, authorities investigating alleged Medicaid theft of $20 million.

Boy, if the warning lights aren't out on this one, I don't know what it will take.

Mr. President, we ought to review this circumstance, have a chance to review it, have hearings, and make a determination if it makes any sense for us to proceed on this basis. I think there are serious and legitimate questions surrounding this proposed procurement document.

The Texas waiver has serious unanswered questions. How do we prevent the massive cost overruns and high error rates that plague similar projects in other States?

How do we protect against revolving-door hiring, kickbacks, or other fraud?

Will the taxpayers be liable if a contractor fails to enroll eligible individuals?

You know, this is a fundamental responsibility of Government to make certain that those who are eligible get the benefits to which they are entitled. Who pays for it if they enroll people who are not eligible?

What happens to vulnerable Americans who need these programs for basic survival if the contractor has financial incentives to minimize enrollment, even of those who have every legal right to be qualified?

Mr. President, I would like to quote an editorial from the Salt Lake Tribune of April 27th. This is what the Salt Lake Tribune said on April 27 of this year:

> Certain elements of a welfare program lend themselves well to contracting, vouchers, or other forms of privatization . . .

I think we all agree with that:

> But when it comes to deciding who will receive public assistance or who should lose custody of a child, the private sector has its limits. If a private group's primary mission is to make profits . . . services may be reduced . . . Government employees, on the other hand, are subject to more public scrutiny and are expected to promote the public good within constitutional protections for individuals.

Mr. President, let's not fix what isn't broken.

Virtually every State is currently operating, developing, or planning the development of an integrated, automated eligibility and enrollment system for TANF, food stamps, and Medicaid. Thirty-eight States with Federally certified systems; three States installing; five States developing; two States planning; three States with State-developed systems.

Let's not throw the baby out with the bathwater.

I urge my colleagues to support this well-taken point of order.

I thank the Chair. I yield the floor.

Mr. ROTH. Mr. President, I move to waive the point of order.

The PRESIDING OFFICER. The Senator from Delaware.

MOTION TO WAIVE THE BUDGET ACT

Mr. ROTH. I move to waive the point of order.

Mr. CONRAD. Mr. President, parliamentary inquiry.

The PRESIDING OFFICER. State the inquiry.

Mr. CONRAD. Parliamentary inquiry. The motion to waive the point of order has been raised. Will this be stacked in votes tomorrow? Would that be the intention of the Chair?

Mr. ROTH. That would be the intent of the chairman.

Mr. CONRAD. That would be the intent of the chairman.

Mr. President, would that be the intent?

The PRESIDING OFFICER. That would be the procedure.

Mr. CONRAD. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second?

There is a sufficient second.

The yeas and nays were ordered.

Mr. CONRAD. I thank the Chair.

Mr. LAUTENBERG addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, I can't let this moment pass without commending——

Mr. ROTH. Could the Senator yield so I can send this amendment to the desk for consideration?

Mr. LAUTENBERG. Yes, of course. I would be happy to yield to the chairman of the Finance Committee. But I expect to regain the floor.

AMENDMENT NO. 502

Mr. ROTH. Mr. President, I submit an amendment on behalf of Senator D'AMATO on Medicare, on the duplication provision for consideration tomorrow.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

> The Senator from Delaware [Mr. ROTH] for Mr. D'AMATO, proposes an amendment numbered 502.

The amendment is as follows:

> Section 1. In 42 U.S.C. §1395ss(d)(3)(A)(v), insert ''(a)'' before ''For'', and after the first sentence insert:
>
> ''(b) For purposes of this subparagraph, a health insurance policy (which may be a contract with a health maintenance organization) is not considered to ''duplicate'' health benefits under this title or title XIX or under another health insurance policy if it—
>
> (I) provides comprehensive health care benefits that replace the benefits provided by another health insurance policy,
>
> (II) is being provided to an individual entitled to benefits under Part A or enrolled under Part B on the basis of section 226(b), and
>
> (III) coordinates against items and services available or paid for under this title or title XIX, provided that payments under this title or title XIX shall not be treated as payments under such policy in determining annual or lifetime benefit limits.
>
> Section 2. In 42 U.S.C. §1395ss(d)(3)(A)(v), insert ''(c)'' before ''For purposes of this clause''.

The PRESIDING OFFICER. The Senator from New Jersey.

POINT OF ORDER

Mr. LAUTENBERG. Mr. President, I want to commend our friend and colleague from North Dakota for being aware of what is potentially taking place here.

Mr. President, this is a small example of the kind of document that you might have that has all kinds of bad goodies in here. One of the things that you have to do around here is to make certain that everybody is on the alert to the fact that some things get into these bills without being discussed, without being formally introduced. It has a way of sneaking in there. There is an osmosis process in which they fall down from the sky and get in there. This is one that is really kind of sky-high.

I express very serious concerns about the provision in this bill, that it will allow, as the Senator from North Dakota said, in this case Texas, but any State—to have private companies determine the eligibility for low-income benefits like Medicaid, WIC and food stamps.

Mr. President, this is a budget reconciliation bill, not a Government

management reform bill. In my view, the privatization provision does not belong in fast-track legislation—fast track, that means to get it through here as quickly as you can—that is designed primarily to implement the budget resolution. This provision has no real impact on the deficit except to potentially make it worse in the years ahead, and it would represent a significant policy change with broad-ranging implications.

I also note that this provision is outside of the bipartisan budget agreement. It was never discussed at any one of the negotiating sessions because I personally sat there at every one of them, and it never appeared in any early drafts of the budget agreement.

This provision raises some very important policy questions. For example, will these private companies have an incentive, as the Senator from North Dakota pointed out in his chart, to exclude people that they would rather not carry from low-income programs. Will they receive bonuses for doing so? Will they feel inclined to do so in order to win other State government contracts?

Now, Mr. President, I kind of grew up, if I can say, in the computer business, and we have seen some of the finest companies in the world make mistakes. We have seen it here with the FAA contract, a fairly complicated piece of business, and it was pointed out that it was Unisys and EDS and names that are very well known in the computer field. Mistakes are made and sometimes these things run way over the original cost estimate, as demonstrated in the example we saw, so we cannot afford to put all of our citizens subject to what might go awry here and spend $2 billion to take care of an arrangement, whatever that arrangement is. Ask every citizen here whether they would feel like kicking into this thing, and I am sure that given a proper questionnaire they would say, ''Heck, no.'' This is not for us and no State ought to be so privileged as to get that kind of an advantage.

Mr. President, the Department of Health and Human Services reports that there may be 3 million children eligible for Medicaid who are not enrolled in the program. It is a serious problem and I feel could even get worse under a privatization program. If private companies are put in charge of enrolling more children for Medicaid, would they really conduct aggressive outreach programs to enroll children, to encourage people to bring them in even if it meant that the State's Medicaid costs would go up? I would not bet on it.

I want to be clear. I am not necessarily opposed to privatization of some Government services. However, it must be considered very carefully, especially when the lives of vulnerable Americans are at stake. This proposal really breaks new ground. For the first time, private interests would be handed complete power to make benefit decisions that are of critical importance to people with low incomes.

It is like turning our military over to private hands and letting them design what conflicts we are going to get involved with. The fact is that much of the allure of privatization is to save money, and there is a place for that. For example, Congress has to decide to have private companies operate some of its cafeterias and do some of its cleaning, and perhaps that translates into more savings and better service for congressional employees. But Congress has wisely limited the roll of private companies in many functions of Government. Private companies are not allowed to operate our military installations, nor do we have private companies administer our Social Security system. We draw the line at some point.

I am concerned that privatizing decisions about benefits for low-income individuals may go over this line. At least, at the very least, it needs careful and thorough study. Yet, I understand that the Finance Committee has not reviewed the details of the Texas waiver, has never seen the full proposal, and since the Senator from North Dakota is also a member of the Finance Committee and talks about the secret nature of this agreement, that further confirms what the rest of us who are not on the Finance Committee might not know and that is that it has never had appropriate scrutiny, never had appropriate review.

Mr. CONRAD. Will the Senator yield on that?

Mr. LAUTENBERG. I would be delighted.

Mr. CONRAD. Is the Senator aware that the proposal before us forces the Secretary of Health and Human Services to approve without comment or review any proposal submitted by the State of Texas which includes provisions to contract out for eligibility determinations? Was the Senator so aware?

Mr. LAUTENBERG. Not aware. I cannot even believe it would be suggested, because that is such a dereliction of duty that I think everybody would be embarrassed if something like this took place. What do you mean? That a Secretary has no right to review the conditions under which we are spending the taxpayers' money?

Mr. CONRAD. If we think about this, these are programs with respect to food stamps and WIC that are 100 percent federally funded. The Medicaid Program is over 50 percent federally funded.

Mr. LAUTENBERG. The rest of it is State funded.

Mr. CONRAD. The rest of it is State funded. We would be in a position to endorse any proposal the State of Texas sent up here without any review, without any comment by the Secretary of Health and Human Services. That is the situation we are in with the proposal in the underlying legislation. I just ask the Senator, has he ever heard of such a proposal before the Senate?

Mr. LAUTENBERG. Never, not even in the years that I spent in the private sector, and I ran a pretty good-sized company with 16,000 employees when I left. It did better after I left. It now has 30,000 employees.

Never have I seen it. Never, when one works with Government, have I seen this kind of an arrangement that has a peculiar odor, and it is not Chanel No. 5. The fact is that to give away Government funds in a program as sensitive as this to take care of the poor—listen, all of us have seen the abuses of private sector companies that have taken over health care and things of that nature.

It just blows one's mind when you see that the president of a company that is in the health care business made $22 million in a single year and meanwhile is squeezing down because that is where the profits are going to come from, from cutting conditions. They are cutting programs that are supposed to take care of people's health.

Well, do you want to have someone up there whose bonus, whose stock options, whose salary depends on making sure that they service as few people as possible, reduce expenses as much as possible when, in fact, the WIC Program is designed to take care of people who are really impoverished, people who need the nutrition that comes through the program to sustain them? So do you want to have some executive sitting at some remote place—and I liked that executive life when I was there, but it was never at the Government's expense—at Government expense. We see constant reference to cases being tried, investigations being conducted where programs were turned over to the private sector. I talk about things like jails—we have tried that in New Jersey—which were dismal failures because they could not protect the guards sufficiently in these jails because they did not hire the right kind of people. They did not provide them with the right kind of tools. The facilities were not built enough to make sure the inmates incarcerated were properly cared for.

So we see this time and time again, and here we walk in and say, ''OK, here is a bunch of poor people. You take care of them. Do the best you can at the best price you can.'' What an outrage.

Mr. CONRAD. Will the Senator yield for a final question?

Mr. LAUTENBERG. Sure.

Mr. CONRAD. Is the Senator aware that under the proposal in the underlying legislation, we could have a private company decide the custody of a child? That this is so far-reaching without any limits we could be in a circumstance in which a private concern has the authority to determine the custody of a child? How does that strike the Senator from New Jersey?

Mr. LAUTENBERG. I will tell the Senator how it strikes me. I say thank God that the Senator from North Dakota has brought this to the attention of the Senate and to the public.

My friend has done a real service in doing this. The notion that an individual working for a private living, perhaps their salary dependent upon their ability to curtail services, is hardly the way you want to treat a sick patient in the hospital. That is hardly the way you want to treat a family problem. That is hardly the way you want to protect a mother who has been battered. That is hardly the way we want to do things in a society with the conscience this country has.

I am delighted, again, that the Senator introduced it. I am concerned that privatization like this is not going to do the job. Before we go ahead with approval of a waiver, we ought to at least hold a hearing and review the details. Mr. President, Congress has established these safety net programs for people in our society who are truly in need, impoverished. They are designed to ease suffering, to provide nutritional assistance to help children, help struggling people get into the work force to get themselves off welfare, to do whatever they can to sustain themselves. These programs can literally mean the difference between homelessness and independence, and we ought not to rush to hand them over to a private interest at this time, perhaps never, but we sure ought not to do it in the hasty manner that this is being undertaken. We can always revisit this issue, Mr. President, without constraints of a reconciliation bill.

I fully support the action being proposed by the Senator from North Dakota and commend him for it, I must tell you.

Mr. CONRAD. I thank the Senator from New Jersey. If I could just take a moment to further point out—I want to rivet this point—there have been no hearings, not a hearing in the Finance Committee, not a hearing in the Agriculture Committee. Members have not been granted the opportunity to question witnesses, experts, company, or advocates on the merits of privatizing eligibility determinations, protections against cost overruns or protections for recipients.

I really believe this is a totally unprecedented proposal that is buried in this very large document that sets a precedent that I believe is truly alarming. I hope my colleagues will support the point of order when we vote on it tomorrow. This is, I think, a circumstance in which a very broad proposal is being attempted, being made to ram it through Congress as part of privileged legislation. That is wrong. That is simply wrong. The issue deserves public hearings and full debate.

I thank the Chair, yield the floor, and I thank very much the Senator from New Jersey.

AMENDMENT NO. 503

(Purpose: To extend premium protection for low-income medicare beneficiaries under the medicaid program)

The PRESIDING OFFICER. The Senator from New Jersey.

Mr. LAUTENBERG. Mr. President, I send an amendment to the desk for Senator ROCKEFELLER and ask for its consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Jersey [Mr. LAUTENBERG], for Mr. ROCKEFELLER, proposes an amendment numbered 503.

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

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

The amendment is as follows:

At the appropriate place in division 2 of title V, insert the following:

SEC. . EXTENSION OF SLMB PROTECTION.

(a) IN GENERAL.—Section 1902(a)(10)(E)(iii) (42 U.S.C. 1396a(a)(10)(E)(iii)) is amended by striking ''and 120 percent in 1995 and years thereafter'' and inserting '', 120 percent in 1995 through 1997, 125 percent in 1998, 130 percent in 1999, 135 percent in 2000, 140 percent in 2001, 145 percent in 2002, and 150 percent in 2003 and years thereafter''.

(b) 100 PERCENT FMAP.—Section 1905(b) (42 U.S.C. 1396d(b)) is amended by adding at the end the following: ''Notwithstanding the first sentence of this section, the Federal medical assistance percentage shall be 100 percent with respect to amounts expended as medical assistance for medical assistance described in section 1902(a)(10)(E)(iii) for individuals described in such section whose income exceeds 120 percent of the official poverty line referred to in such section.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply on and after October 1, 1997.

Mr. LAUTENBERG. Mr. President, I assume that the amendment goes into the line of amendments as turned in and will be considered at that point in the order.

The PRESIDING OFFICER. It goes in in the stacked order, yes.

Mr. LAUTENBERG. Mr. President, I note the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

AMENDMENT NO. 504

(Purpose: To immediately transfer to part B certain home health benefits)

Mr. LAUTENBERG. Mr. President, there is an amendment here from Senator KENNEDY that failed to get included in the list. I send it to the desk.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Jersey [Mr. LAUTENBERG] for Mr. KENNEDY, proposes an amendment numbered 504.

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

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

The amendment is as follows:

Strike section 5361 and insert the following:

SEC. 5361. ESTABLISHMENT OF POST-HOSPITAL HOME HEALTH BENEFIT UNDER PART A AND TRANSFER OF OTHER HOME HEALTH SERVICES TO PART B.

(a) IN GENERAL.—Section 1812(a)(3) (42 U.S.C. 1395d(a)(3)) is amended—

(1) by inserting ''post-hospital'' before ''home health services'', and

(2) by inserting ''for up to 100 visits'' before the semicolon.

(b) POST-HOSPITAL HOME HEALTH SERVICES.—Section 1861 (42 U.S.C. 1395x), as amended by sections 5102(a) and 5103(a), is amended by adding at the end the following:

(qq) POST-HOSPITAL HOME HEALTH SERVICES.—The term 'post-hospital home health services' means home health services furnished to an individual under a plan of treatment established when the individual was an inpatient of a hospital or rural primary care hospital for not less than 3 consecutive days before discharge, or during a covered post-hospital extended care say, if home health services are initiated for the individual within 30 days after discharge from the hospital, rural primary care hospital or extended care facility.''.

(c) CONFORMING AMENDMENTS.—Section 1812(b) (42 U.S.C. 1395d(b)) is amended—

(1) by striking ''or'' at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting ''; or'', and

(3) by adding after paragraph (3) the following:

''(4) post-hospital home health services furnished to the individual beginning after such services have been furnished to the individual for a total of 100 visits.''.

(d) PHASE-IN OF ADDITIONAL PART B COSTS IN DETERMINATION OF PART B MONTHLY PREMIUM.—Section 1839(a) (42 U.S.C. 1395r(a)) is amended—

(1) in paragraph (3) in the sentence inserted by section 5541 of this title, by inserting ''(except as provided in paragraph (5)(B))'' before the period, and

(2) by adding after paragraph (4) the following:

''(5)(A) The Secretary shall, at the time of determining the monthly actuarial rate under paragraph (1) for 1998 through 2003, shall determine a transitional monthly actuarial rate for enrollees age 65 and over in the same manner as such rate is determined under paragraph (1), except that there shall be excluded from such determination an estimate of any benefits and administrative costs attributable to home health services for which payment would have been made under part A during the year but for paragraph (4) of section 1812(b).

''(B) The monthly premium for each individual enrolled under this part for each month for a year (beginning with 1998 and ending with 2003) shall be equal to 50 percent of the monthly actuarial rate determined under subparagraph (A) increased by the following proportion of the difference between such premium and the monthly premium otherwise determined under paragraph (3) (without regard to this paragraph):

''(i) For a month in 1998, 1/7.

''(ii) For a month in 1999, 2/7.

''(iii) For a month in 2000, 3/7.

''(iv) For a month in 2001, 4/7.

''(v) For a month in 2000, 5/7.

''(vi) For a month in 2003, 6/7.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section apply to services furnished on or after October 1, 1997.

(2) SPECIAL RULE.—If an individual is entitled to benefits under part A of title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.), but is not enrolled in the insurance program established by part B of that title,

the individual also shall be entitled under part A of that title to home health services that are not post-hospital home health services (as those terms are defined under that title) furnished before the 19th month that begins after the date of enactment of this Act.

The PRESIDING OFFICER. The Senator from Delaware.

AMENDMENT NO. 505 TO AMENDMENT NO. 448

(Purpose: To improve the children's health initiative)

Mr. ROTH. Mr. President, on behalf of Mr. LOTT I send an amendment to the desk in the second degree to amendment No. 448, proposed by Mr. CHAFEE.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH], for Mr. LOTT, proposes an amendment numbered 505 to amendment No. 448.

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

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

AMENDMENT NO. 503, AS MODIFIED

Mr. LAUTENBERG. Mr. President, I ask unanimous consent that I be permitted to send to the desk a modification to an amendment I earlier sent to the desk on behalf of Senator ROCKEFELLER.

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

Mr. LAUTENBERG. I send the amendment to the desk.

The PRESIDING OFFICER. The amendment is so modified.

The amendment, as modified, is as follows:

At the appropriate place add the following:

Notwithstanding any other provisions of this Act, section 5544 low-income Medicare Beneficiary Block Grant Program shall read as follows:

(a) IN GENERAL.—Section 1902(a)(10)(E)(iii) (42 U.S.C. 1396a(a)(10)(E)(iii) is amended by striking ''and 120 percent in 1995 and years thereafter'' and inserting '', 120 percent in 1995 through 1997, 125 percent in 1998, 130 percent in 1999, 135 percent in 2000, 140 percent in 2001, 145 percent in 2002, and 150 percent in 2003 and years thereafter''.

(b) 100 PERCENT FMAP.—Section 1905(b) (42 U.S.C. 1396d(b)) is amended by adding at the end the following: ''Notwithstanding the first sentence of this section, the Federal medical assistance percentage shall be 100 percent with respect to amounts expended as medical assistance for medical assistance described in section 1902(a)(10)(E)(iii) for individuals described in such section whose income exceeds 120 percent of the official poverty line referred to in such section.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply on and after October 1, 1997.

Mr. LAUTENBERG. I thank the Chair, yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

UNANIMOUS-CONSENT AGREEMENT

Mr. ROTH. Mr. President, I ask unanimous consent that it now be in order for me to offer a managers' amendment this evening, and further, prior to final passage of the bill on Wednesday, it be in order for me, Senator ROTH, to modify my amendment after the concurrence of the chairman and ranking member of the Budget Committee.

The PRESIDING OFFICER. Is there objection?

Mr. CHAFEE. Mr. President, I didn't quite understand what the request was—that Senator LOTT be permitted to what?

Mr. ROTH. It has nothing to do with Senator LOTT. What it provides is that I may offer a managers' amendment this evening, and that tomorrow I may amend it, with the concurrence of the chairman and ranking member of the Budget Committee.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

AMENDMENT NO. 506

(Purpose: To provide for managers' amendments)

Mr. ROTH. Mr. President, I send a managers' amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH] proposes an amendment numbered 506.

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

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

AMENDMENT NOS. 507, 508 AND 509

Mr. ROTH. Mr. President, I send three second-degree amendments to the desk on behalf of Senator LOTT, and I ask unanimous consent that they be considered as read and be numbered accordingly.

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

The amendments are as follows:

AMENDMENT NO. 507 TO AMENDMENT NO. 501

(Purpose: To provide a substitute for the children's health insurance initiative under subtitle J of title V)

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

AMENDMENT NO. 508 TO AMENDMENT NO. 501

(Purpose: To provide a substitute for the children's health insurance initiative under subtitle J of title V)

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

AMENDMENT NO. 509 TO AMENDMENT NO. 501

(Purpose: To provide a substitute for the children's health insurance initiative under subtitle J of title V)

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

AMENDMENT NO. 510

(Purpose: To require that any benefits package offered under the block grant option for the children's health initiative includes hearing and vision services)

Mr. LAUTENBERG. Mr. President, I send an amendment to the desk on behalf of Mr. ROCKEFELLER and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Jersey [Mr. LAUTENBERG], for Mr. ROCKEFELLER, proposes an amendment numbered 510.

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

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

The amendment is as follows:

At the appropriate place add the following:

Notwithstanding any other provision of this Act the following shall be the hearing and vision services provided under the children's health insurance section:

''(4) HEARING AND VISION SERVICES.—Notwithstanding the definition of FEHBP-equivalent children's health insurance coverage in section 2102(5), any package of health insurance benefits offered by a State that opts to use funds provided under this title under this section shall include hearing and vision services for children.''.

Mr. LAUTENBERG. Mr. President, I ask that amendment No. 510 be in order for its appearance tomorrow.

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

AMENDMENT NO. 511

(Purpose: To provide a substitute for the children's health insurance initiative under subtitle J of title V)

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

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH] proposes an amendment numbered 511.

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

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

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

AMENDMENT NO. 512 TO AMENDMENT NO. 511

(PURPOSE: TO CLARIFY THE STANDARD BENEFITS PACKAGE AND THE COST-SHARING REQUIREMENTS FOR THE CHILDREN'S HEALTH INITIATIVES)

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

and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Rhode Island [Mr. CHAFEE] for himself and Mr. ROCKEFELLER, proposes an amendment numbered 512 to Amendment No. 511.

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

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

The amendment is as follows:

On page 4 strike line 17 through line 3 on page 5 and insert the following:

'(5) FEHBP-EQUIVALENT CHILDREN'S HEALTH INSURANCE COVERAGE.—The term 'FEHBP-equivalent children's health insurance coverage' means, with respect to a State, any plan or arrangement that provides, or pays the cost of, health benefits that the Secretary has certified are equivalent to or better than the services covered for a child, including hearing and vision services, under the standard Blue Cross/Blue Shield preferred provider option service benefit plan offered under chapter 89 of title 5, United States Code.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

AMENDMENT NO. 513 TO AMENDMENT NO. 510

(Purpose: To provide a substitute for the children's health insurance initiative under subtitle J of title V)

Mr. ROTH. Mr. President, I send a second-degree amendment to the desk on behalf of Senator LOTT and I ask that it be considered.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Delaware [Mr. ROTH], for Mr. LOTT, proposes an amendment numbered 513 to amendment No. 510.

(The text of the amendment is printed in today's RECORD under ''Amendments Submitted.'')

AMENDMENT NO. 427

(Purpose: To amend title XVIII of the Social Security Act to continue full-time-equivalent resident reimbursement for an additional one year under medicare for direct graduate medical education for residents enrolled in combined approved primary care medical residency training programs)

Mr. ROTH. Mr. President, I ask unanimous consent that it be in order to send an amendment to the desk by Senator DEWINE of Ohio.

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

The clerk will report.

The assistant legislative clerk read as follows.

The Senator from Delaware, [Mr. ROTH], for Mr. DEWINE, proposes an amendment numbered 427.

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

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

The amendment is as follows:

At the appropriate place in chapter 3 of subtitle F of division 1 of title V, insert the following:

SEC. . MEDICARE SPECIAL REIMBURSEMENT RULE FOR PRIMARY CARE COMBINED RESIDENCY PROGRAMS.

(a) IN GENERAL.—Section 1886(h)(5)(G) of the Social Security Act (42 U.S.C. 1395ww(h)(5)(G)) is amended—

(1) in clause (i), by striking ''and (iii)'' and inserting '', (iii), and (iv)''; and

(2) by adding at the end the following:

''(iv) SPECIAL RULE FOR PRIMARY CARE COMBINED RESIDENCY PROGRAMS.—(I) In the case of a resident enrolled in a combined medical residency training program in which all of the individual programs (that are combined) are for training a primary care resident (as defined in subparagraph (H)), the period of board eligibility shall be the minimum number of years of formal training required to satisfy the requirements for initial board eligibility in the longest of the individual programs plus one additional year.

''(II) A resident enrolled in a combined medical residency training program that includes an obstetrics and gynecology program qualifies for the period of broad eligibility under subclause (I) if the other programs such resident combines with such obstetrics and gynecology program are for training a primary care resident.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) apply to combined medical residency training programs in effect on or after July 1, 1996.

MORNING BUSINESS

Mr. ROTH. Mr. President, I ask unanimous consent there now be a period for the transaction of morning business with Senators permitted to speak for up to 5 minutes each.

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

RECOGNIZING THE NATIONAL GROCERS ASSOCIATION

Mr. NICKLES. Mr. President, I wish to bring to the attention of the Senate the community contribution of the American independent retail grocers and their wholesalers. In past years, through the celebration of National Grocers Week, the House and Senate have recognized the important role these businesses play in our economy. The week of June 22–28, 1997, commemorates the eleventh year that National Grocers Week has been observed by the industry to encourage and recognize grocers' leadership in private sector initiatives. Across the nation, community grocers, through environmental initiatives, political involvement, and charitable support, demonstrate and build on the cornerstone of this great country—the entrepreneurial spirit.

In this annual celebration, National Grocers Association (N.G.A) and the nation honor outstanding independent retail and wholesale grocers, state associations and food industry manufacturers for their community leadership with N.G.A.'s ''Grocers Care'' initiatives.

''GROCERS CARE'' AWARD HONOREES

Representatives from companies, organizations and associations around the United States will be honored. The honorees include:

Alabama: Peter V. Gregerson, Gregerson's Foods, Inc., Gadsden; John M. Wilson, Super Foods Supermarkets, Luverne; Dennis T. Stewart, Piggly Wiggly Alabama, Bessemer;

California: Judy Lynn, Tawa Supermarkets, Buena Park Colorado: Harold J. Kelloff, Kelloff's Food Market, Alamosa;

Florida: Leland F. Williams, Felton's Meat & Produce, Plant City; Roy Deffler, Associated Grocers of Florida, Miami;

Iowa: George Tracy, Sales Force of Des Moines, Des Moines; Kenneth C. Stroud, Food's, Inc., Des Moines; Scott Havens, Plaza Holiday Foods, Norwalk; William D. Long, Waremart, Inc., Boise; Virgil Wahlman, Buy Right Food Center, Inc., Milford;

Indiana: Larry D Contos, Pay Less Super Markets, Inc., Anderson;

Kansas: Doug Highland, Sixth Street Foods, Hays; Bill Lancaster and Douglas Carolan Associated Wholesale Grocers, Kansas City;

Kentucky: James Hughes, Techau's, Inc., Cynthiana; Frank Hinton, D & T Foods, Murray; William R. Gore, G & J Market, Inc., Paducah; Peggy Lawson, Laurel Grocery Company, Inc., London;

Louisiana: Vincent A. Cannata, Cannata's Super Market, Inc., Morgan City; Joseph H. Campbell, Associated Grocers, Inc. Baton Rouge;

Michigan: Kimberly Brubaker and Mark S. Feldpausch, Felpausch Food Centers, Hastings; Ruthann Shull, J & C Family Foods, Carleton; Robert D. DeYoung, Fulton Heights Foods, Grand Rapids; Richard Glidden, Harding's Market, Kalamazoo; Mary Dechow and James B. Meyer, Spartan Stores, Inc., Grand Rapids;

Minnesota: Christopher Coborn and Daniel G. Coborn, Coborn's, Inc., St. Cloud; Gordon B. Anderson, Gordy's, Inc., Worthington; Tim Mattheison, Do-Mats Foods, Benson; William E. Farmer, Fairway Foods, Inc.; Alfred N. Flaten, Nash Finch Company, Minneapolis; Jeffrey Noddle, SUPERVALU INC., Minneapolis;

Missouri: Douglas Gerard, Country Mart, Inc., Branson;

Nebraska: Patrick Raybould, B & R Stores, Inc., Lincoln; Fran Juro, No Frills Supermarkets, Omaha; John F. Hanson, Sixth Street Food Stores, North Platte; Douglas D. Cunningham, John Cunningham, D & D Foodliner, Inc. #9, Wausa; James R. Clarke, Jim's Foodmart, Aurora;

New Hampshire: Richard Delay, Delay's, Inc., Greenfield;

New Jersey: Mike Reilly, ShopRite of Hunterton County, Flemington; David Zallie, Zallie Enterprises, Clementon; Mark K. Laurenti, Shop Rite of Bensalem, Inc., Bensalem; Paul R. Buckley, Jr., Murphy's Market, Inc., Medford; Dean Janeway, Catherine Frank-White, and Jean Pillet, Wakefern;

New Mexico: Martin G. Romine, California Superama, Gallup;

North Dakota: Wallace Joersz, J.K. Foods, Inc., Mandan; Stephen B. Barlow, Miracle Mart, Inc., Mandan; Kay Zander-Woock and Terrance Rockstad, Dan's Super Market, Inc., Bismarck;

Ohio: Reuben Shaffer, Kroger Company, Cincinnati; Ronald C. Graff, Columbiana Foods, Inc., Boardman; Walter A. Churchill, Churchill's Super Markets, Inc, Sylvania; David G. Litteral, Festival Foods, New Boston; Earl Hughes, Fresh Encounters, Inc., Findlay;

Oklahoma: Gary Nichols and Holly Nichols, Nichols SuperThrift, Checotah; George Waken and William Waken, The Boys Market, Enid; James R. Brown, Doc's Food Stores, Inc., Bixby; Thomas D. Goodner, Goodner's Supermarket, Duncan; Larry Anderson, Larry's Foods, Inc., Mustang; R. Scott Petty, Petty's Fine Foods, Tulsa;

Oregon: Craig T. Danielson, Danielson Food Stores, Oregon City; Ross Dwinell, United Grocers, Inc., Milwaukie;

Pennsylvania: Dale Giovengo, Giant Eagle, Pittsburgh; Robert McDonough, Redner's Markets, Inc., Reading; Angelo Spagnolo, Tri County Giant Eagle, Belle Vernon; Christy Spoa, Save-A-Lot, Ellwood City; Dr. Arlene Klein Wier, Vience Spring Valley, Inc., Philadelphia, PA;

South Dakota: Ken Fiedler, Ken's Supermarkets, Inc., Aberdeen; Tennessee: Tommy Litton, Big John's Household Foods, Oneida; H. Dean Dickey, Pic Pac Foods, Columbia;

Texas: Jose Fermin Rodriguez, Thrift T-Mart, San Antonio; R.A. Brookshire, Brookshire Brothers, Inc., Lufkin; Stanton L. Irvin, Tri- State Association Grocers, Inc., El Paso;

Utah: Kenneth W. Macey, Macey's, Inc. Sandy; Richard A. Parkinson, Associated Food Stores, Salt Lake City,;

Virginia: Steve Rosa, Camellia Food Stores, Inc., Norfolk; Steven C. Smith, K-VA-T Food Stores, Inc., Abingdon; Douglas A. Tschorn; Jessee Lewis, Mid-Mountain Foods, Abington;

Vermont: The Wayside Country Store, Arlington;

Wisconsin: Thomas Metcalfe, Metcalfe, Inc., Manona; Steve Erickson, Erickson's Diversified Corp. Hudson; James F. Cwiklo, Quality Foods IGA, Wisconsin Rapids; Tom Turicik, Sentry Foods, Inc., Plymouth; James Heden, More 4 Superstore, River Falls; George Miller, North Country IGA, Ashland; Chuck Potter, Potter's Piggly Wiggly, St. Francis; Ronald Lusic, Fleming Companies, Inc., Waukesha; Robert D. Ranus, Roundy's, Inc. Milwaukee; Gail Omernick, The Copps Corporation, Stevens Point;

Washington: H.L. ''Buzz'' Ravenscraft, Associated Grocers, Inc.; Washington, DC: Eric Weis, Giant Food Inc.;

West Virginia: David G. Milne, Morgan's Foodland, Kingwood.

The following state associations are instrumental in coordinating information relative to the community service activities of their members: Arizona Food Marketing Alliance, Rocky Mountain Food Dealers, Iowa Grocery Industry Association, Illinois Food Retailers, Kentucky Grocers Association, Mid-Atlantic Food Dealers, Minnesota Grocers Association, Nebraska Retail Grocers Association, New Hampshire Grocers Association, North Carolina Food Dealers, North Dakota Grocers Association, Ohio Grocers Association, Oklahoma Grocers Association, Pennsylvania Food Merchants, Tennessee Grocers Association, Vermont Grocers Association, Wisconsin Grocers Association. Manufacturers: Borden Foods Corporation; Brown & Williamson Tobacco Company; Electronic Warranty Group, Inc.; General Mills, Inc.; Kellogg USA Inc.; NOVUS Services; Procter & Gamble Company; Ralston Purina Company; RJ Reynolds Tobacco Company.

CAMPAIGN FINANCE REFORM PROJECT

Mr. FORD. Mr. President, today, I want to bring to the attention of my colleagues and other interested persons, a letter from the campaign finance Project. As my colleagues are aware, this project is being led by two of our former colleagues, Nancy Kassebaum Baker and former Vice President Walter Mondale. They were asked by President Clinton earlier this year to lead a bipartisan effort to develop a solution for reforming our campaign finance laws.

Last week, they issued an open letter to the President and to the Congress about their observations and what they believe should constitute real and meaningful reform. They have identified several key areas that they believe are essential to these reform efforts: a complete ban on ''soft money;'' refine and sharpen the definitions of ''issue advocacy'' and ''independent expenditures;'' improve disclosure of campaign finances; and strengthen enforcement and leadership at the Federal Election Commission.

I have the privilege to meet with both Vice President Mondale and Senator Kassebaum Baker. They are sincere in their efforts to reform our campaign finance system. They believe, as I do, that our failure to act in this issue will only fuel the public's cynicism about the institutions of the Congress, the Presidency, and the electoral process as a whole. I commend this letter to my colleagues attention and ask unanimous consent that the text of the letter be printed in the RECORD.

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

AN OPEN LETTER TO THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES FROM NANCY KASSEBAUM BAKER AND WALTER F. MONDALE—JUNE 18, 1997

DEAR MR. PRESIDENT AND MEMBERS OF CONGRESS: In March, the President asked that we help in the cause of campaign finance reform. Since then we have observed closely the national discussion of this issue, which we believe is central to the well-being of American democracy. We would now like to report about our initial recommendations, with a plea, in the best interests of our political process, that the Executive and Legislative Branches commit themselves to a course of urgent debate leading to early and meaningful action.

One of us is a Republican. The other is a Democrat. We are inspired by the bipartisan efforts of Senators John McCain and Russell Feingold, and Representatives Christopher Shays and Martin Meehan, to achieve campaign finance reform. The bipartisan effort of new members of the House, led by Representatives Asa Hutchinson and Thomas Allen, is also a foundation for hope. We are mindful that no change will occur unless there is a consensus in both parties that reform is fair to each. We also believe the imperative task of renewing our democracy requires that we all look beyond party. Guided by basic lessons from our Constitution and national experience, we must identify specific measures and commit ourselves to action where agreement is within our grasp, even as we identify other questions for further consideration.

The Constitution, in this as in all public affairs, is our first teacher. It directs that the Congress shall make no law abridging the freedom of speech. The Supreme Court has provided substantial guidance how that command applies to campaign finance laws. Whether any of us might wish that the Court had decided particulars of prior cases differently, our national legislative task is to give full honor to its free speech decisions.

The Constitution also enshrines political democracy. One of its central purposes is to ensure that every individual has the right to participate fully in the electoral process. As Madison said of the Congress in The Federalist Papers (No. 52), ''the door of this part of the federal government is open to merit of every description, . . . without regard to poverty or wealth.'' Our campaign finance system must respect, and do everything it can to bolster, the constitutionally rooted primacy of individual citizens in our political democracy.

In applying constitutional values to campaign finance, we do not have to start from scratch. We have had a century of debate and legislation about several essential matters, including what we now describe as ''soft money.'' From early in the twentieth century, federal law has prohibited contributions from corporate treasuries to federal election campaigns. Starting in the 1940s, this bar has been applied equally to contributions to federal election campaigns from union treasuries. The basic principle of these constraints, upheld by the Supreme Court, is that organizations which are granted special privileges and protections, provided by federal or state law for economic advantage, should not be permitted to leverage that advantage to cast doubt on the integrity of our national government.

In the 1970s, in response to the constitutional crisis that began twenty-five years ago this week, the Congress established limits on individual contributions to candidates and political parties, and barred large individual contributions to them that threatened to undermine governmental integrity in reality or appearance. Though it subsequently invalidated several other reform provisions of that time, the Supreme Court sustained this central element of our campaign finance law.

At the end of the 1970s, the Federal Election Commission began to erode these important protections. The Commission authorized national party committees to spend the proceeds of a new category of contributions

which we now know as ''soft money.'' This allowed previously prohibited corporate and union treasury contributions, and also unlimited contributions from individuals, to the national political parties. The theory has been that if contributions are not used directly in a federal election, federal campaign finance laws do not limit them. At first, the amounts of soft money involved were relatively small. But as happens with cracks in dikes, the power behind the breach has overwhelmed all defenses. The resulting flood of money to the national parties and their campaign organizations now threatens the credibility of our entire electoral process.

We believe that Congress, as a matter of high priority must stop, unambiguously, all ''soft money'' contributions to the national parties and their campaign organizations. The Congress should also prohibit the solicitation of soft money by those parties and organizations, any federal office holder, or any candidate for federal office for the seeming benefit of others, but in truth to circumvent the prohibition of soft money to the national parties. These interrelated acts would do much to reinvigorate the basic concept of the Federal Election Campaign Act: that, while we must remain mindful of the political parties' needs for resources to perform their vital role in the political process, it is individuals, subject to contribution limits established by Congress, who are the heart of the system of private contributions for federal elections. The prompt end to soft money solicitations by presidential candidates, among others, would also assure that the public gets full value for its investment in publicly financed presidential elections.

A recurring observation about the 1996 and other recent federal elections is that candidates have lost control of the conduct of their campaigns. Indeed, many candidates are at risk of becoming bystanders to campaigns waged by others in the name of ''issue advocacy.'' As a result, the accountability of the candidates for the conduct of campaigns is seriously compromised. Part of the problem is the need to sharpen definitions, that may have worked twenty years ago, to distinguish campaigning for candidates from a more general public debate of issues. Another part is the need to update the disclosure requirements of the Federal Election Campaign Act. Progress on both counts is necessary to assure that our political process achieves the substantial benefits that should result from an end to the ''soft money'' system.

First, it is essential that Congress establish, on the basis of the experience of recent elections, an appropriate test consistent with the First Amendment for distinguishing advocacy about candidates from the general advocacy of issues. The purpose of this test should be to identify for consistent treatment under the Federal Election Campaign Act significant expenditures for general communications to the public, at times close to elections, that are designed to achieve specific electoral results. The Supreme Court has said that Congress may regulate federal campaign activity to avoid corrupting influences or appearances. In doing so, the Congress should look at reality, not the self-applied labels of partisans. Our objective should be to assure that comparable expenditures are treated comparably.

The gains from ending ''soft money'' will be incomplete if money currently spent by parties is only redirected into so-called issue advertisements, including those by surrogate organizations established to circumvent campaign finance laws. A tightened, realistic definition of statutory terms will not foreclose communications to the public on behalf of the interests of business enterprises and unions even up to Election Day, under regulations evenly applied to their political action committees. It will mean that communications to the general public in periods close to elections that are designed to achieve electoral wins or losses are financed through the voluntary contributions of individuals, such as to their parties, political action committees, or candidates.

Second, disclosure is an essential tool because it allows citizens to hold candidates accountable for the means by which campaigns are financed. On election day voters can only express themselves about candidates on the ballot. Even candidates, however, may not know the true identity of entities that dominate the airwaves during the closing weeks of a campaign with electoral messages patently targeted to favor or disfavor them or their opponents. Broader disclosure of the sources of financing of campaign advertisements would contribute to the robustness of political debate. It would ensure that candidates know to whom they might respond, and that the electorate knows who can be held accountable for the accuracy or demeanor of advertisements.

Additionally, we should take advantage of an electronic age in which information can be transmitted rapidly from, and updated frequently by, party and campaign officials, and made readily available to the public with equal rapidity.

No limitations and no disclosure requirements are worth much in the absence of timely and effective enforcement. Indeed, the absence of credible enforcement causes damage beyond the campaign finance laws by engendering real doubts about the application of the rule of law to powerful members of our society. The American public believes resolutely that a fundamental premise of our constitutional democracy is that high elected officials, like ordinary citizens, are subject to the rule of law, and to the timely application of it. The Congress and the President need to work together to assure the public that campaign finance laws are not pretenses.

The President and the Senate should take immediate action to assure that vacancies on the Federal Election Commission are filled by knowledgeable, independent-minded individuals who are not subject to the suggestion that they are appointed to represent political organizations. We say this because we need a clean break from the past, not to be critical of any former, present, or potential member of the Commission. It is within the President's power to accomplish this new start for the Commission, beginning today. We urge the President, in consultation with the leadership of the Congress, to name an advisory panel of citizens whose task would be to recommend highly qualified candidates for the President's consideration for appointment to the Commission, subject of course to the Senate's advice and consent.

Congress can take further steps to protect the independence of the Commission. If commissioners were limited to one term, they would have no occasion to measure the impact of their decisions on the possibility of reappointment. The independence of the Commission can also be furthered by placing its funding on a more secure, longer term basis.

The potential for deadlock inheres in the requirement that the Commission have an even number of commissioners. Because the Congress also has made the Commission the official gatekeeper to the United States courts, judicial action to resolve complaints under the Federal Election Campaign Act is impeded unless permitted by a majority of commissioners. Thus, a deadlocked Commission is an obstacle to the adjudication of meritorious claims. It is important to rely on the expertise of the Commission, but when the Commission is unable to resolve complaints, our respect for the rule of law requires that complainants have the right to a fresh start through a direct action in the United States courts against alleged violators. The law should be amended to provide for this in the event that the Commission is unable to act because of deadlock or a lack of resources.

We have not attempted to set out an exhaustive list of reforms which may be attainable and would make a significant contribution. Other important proposals by members of Congress or students of campaign finance reform merit consideration, such as encouraging small contributions through tax credits, or providing greater resources to candidates through enhanced access to communications media or through flexibility by the parties in supporting candidates with expenditure of hard money contributions. Rather, our purpose is to illustrate that it is possible to identify and act on particular, achievable improvements, which should not be postponed or neglected. We very much encourage and support a larger debate about other changes at the federal and state levels in the manner in which political campaigns are financed. Additional changes will be essential to renewing American democracy. The enactment of immediate reforms may give us a measure of time to address other reforms, but should never become an excuse for avoiding them.

We urge that the work of the Congress over the next few months be spurred by one overriding thought: no one would create, or should feel comfortable in defending, the campaign finance system that now exists. Public cynicism about our great national political institutions is the inevitable product of the gaps that exist between our principles and the law, and between the law and compliance with it. The trend lines, also, are all wrong. If we were unhappy about campaign financing in the election of 1996, as the public is and as members of both parties ought to be, then we should anticipate with great trepidation the election of 2000, absent prompt reforms.

The challenge for this Congress is to put in place changes for the presidential and congressional election cycle that will start the day after next year's elections, a little more than sixteen months from now, to enable an election in the year 2000 in which we will have pride and the public will have confidence. Your leadership in that endeavor will serve the interests of American democracy, and command the enduring appreciation of all of us who know how needed that leadership is.

Sincerely,

NANCY KASSEBAUM BAKER.
WALTER F. MONDALE.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Monday, June 23, 1997, the federal debt stood at $5,332,782,057,516.70. (Five trillion, three hundred thirty-two billion, seven hundred eighty-two million, fifty-seven thousand, five hundred sixteen dollars and seventy cents)

Five years ago, June 23, 1992, the federal debt stood at $3,937,817,000,000. (Three trillion, nine hundred thirty-seven billion, eight hundred seventeen million)

Ten years ago, June 23, 1987, the federal debt stood at $2,292,959,000,000. (Two trillion, two hundred ninety-two billion, nine hundred fifty-nine million)

Fifteen years ago, June 23, 1982, the federal debt stood at $1,070,166,000,000. (One trillion, seventy billion, one hundred sixty-six million)

Twenty-five years ago, June 23, 1972, the federal debt stood at $425,755,000,000 (Four hundred twenty-five billion, seven hundred fifty-five million) which reflects a debt increase of nearly $5 trillion—$4,907,027,057,516.70 (Four trillion, nine hundred seven billion, twenty-seven million, fifty-seven thousand, five hundred sixteen dollars and seventy cents) during the past 25 years.

REACTION TO HOUSE MFN VOTE

Mr. HELMS. Mr. President, today the House in effect approved President Clinton's renewal of most-favored-nation status for the People's Republic of China. The House failed to adopt a resolution disapproving of Mr. Clinton's renewal of MFN for China.

The House thus squandered its opportunity to send a strong signal to the Clinton administration that its policy of engagement with China has not worked.

The administration, and others supporting MFN, insisted that they were willing to pressure China on human rights, on trade, on proliferation, and on Hong Kong. They just didn't believe, they insisted repeatedly, that MFN is the way to do it.

Fair enough, Mr. President. Taking supporters of MFN at their word, I hope Senators will make clear that if MFN isn't the proper tool to use in trying to influence China on such matters, what is the proper tool? By renewing MFN, President Clinton and supporters of MFN for China, have taken on a new burden—to show they are serious about finding a way to persuade China to stop abusing its citizens rights, stop unfair trade practices, stop sending weapons of mass destruction to rogue regimes, and live up to its commitments on Hong Kong.

The debate over China policy is far from over. During the coming weeks and months, I will be considering new measures on China.

For example, Mr. President, the Senate Foreign Relations Committee will hold hearings on legislation to deal with serious problems in the United States-China relationship, and on the commercial activities of the People's Liberation Army in the United States.

I do hope that Senators who have asserted that there is a better way to influence China than revoking MFN will work with the Foreign Relations Committee in finding that better way.

HONORING THE ZINZERS ON THEIR 60TH WEDDING ANNIVERSARY

Mr. ASHCROFT. Mr. President, families are the cornerstone of America. The data are undeniable: Individuals from strong families contribute to the society. In an era when nearly half of all couples married today will see their union dissolve into divorce, I believe it is both instructive and important to honor those who have taken the commitment of ''till death us do part'' seriously, demonstrating successfully the timeless principles of love, honor, and fidelity. These characteristics make our country strong.

For these important reasons, I rise today to honor Dorothy and Roy Zinzer of Affton, Missouri, who on June 19, 1997, celebrated their 60th wedding anniversary. My wife, Janet, and I look forward to the day we can celebrate a similar milestone. The Zinzers' commitment to the principles and values of their marriage deserves to be saluted and recognized.

MESSAGES FROM THE HOUSE

At 11:58 a.m., a message from the House of Representatives, delivered by Ms. Goetz, one of its reading clerks, announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 1532. An act to amend title 18, United States Code, to create criminal penalties for theft and willful vandalism at national cemeteries.

H.R. 1553. An act to amend the President John F. Kennedy Assassination Records Collection Act of 1992 to extend the authorization of the Assassination Records Review Board until September 30, 1998.

H.R. 1581. An act to reauthorize the program established under chapter 44 of title 28, United States Code, relating to arbitration.

H.R. 1866. An act to continue favorable treatment for need-based educational aid under the antitrust laws.

H.R. 1901. An act to clarify that the protections of the Federal Tort Claims Act apply to the members and personnel of the National Gambling Impact Study Commission.

ENROLLED BILL SIGNED

The message also announced that the Speaker has signed the following enrolled bill:

H.R. 363. An act to amend section 2118 of the Energy Policy Act of 1992 to extend the Electric and Magnetic Fields Research and Public Information Dissemination program.

The enrolled bill was signed subsequently by the President pro tempore [Mr. THURMOND].

MEASURES REFERRED

The following bills were read the first and second times by unanimous consent and referred as indicated:

H.R. 1532. An act to direct the United States Sentencing Commission to provide sentencing enhancement for offenses against property at national cemeteries; to the Committee on the Judiciary.

H.R. 1581. An act to reauthorize the program established under chapter 44 of title 28, United States Code, relating to arbitration; to the Committee on the Judiciary.

MEASURE PLACED ON THE CALENDAR

The following measure was read the second time and placed on the calendar:

S. 950. A bill to provide for equal protection of the law and to prohibit discrimination and preferential treatment on the basis of race, color, national origin, or sex in Federal actions, and for other purposes.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–2314. A communication from the Secretary of Housing and Urban Development, transmitting, a draft of proposed legislation entitled ''Homelessness Assistance and Management Reform Act of 1997''; to the Committee on Banking, Housing, and Urban Affairs.

EC–2315. A communication from the Acting General Counsel, Department of Housing and Urban Development, transmitting, pursuant to law, five rules entitled ''HOME Investment Partnership Program'' (FR-3962), received on June 23, 1997; to the Committee on Banking, Housing, and Urban Affairs.

EC–2316. A communication from the Director, U.S. Office of Personnel Management, transmitting, a draft of proposed legislation relative to judicial review to protect the merit system; to the Committee on Governmental Affairs.

EC–2317. A communication from the CFO and Plan Administrator, PCA Retirement Committee, First South Production Credit Association, transmitting, pursuant to law, a report of the annual pension plan ending December 31, 1996; to the Committee on Governmental Affairs.

EC–2318. A communication from the Chairman of the National Transportation Safety Board, transmitting, pursuant to law, the annual report on the system of internal accounting and financial controls in effect during fiscal year 1996; to the Committee on Governmental Affairs.

EC–2319. A communication from the Executive Director, Committee for Purchase from People Who are Blind or Severely Disabled, transmitting, pursuant to law, a rule relative to employment of the blind and disabled, received on June 17, 1997; to the Committee on Governmental Affairs.

EC–2320. A communication from the Inspector General, U.S. Railroad Retirement Board, transmitting, pursuant to law, a report for the period October 1, 1996 through March 31, 1997; to the Committee on Governmental Affairs.

EC–2321. A communication from the Executive Director of the District of Columbia Financial Responsibility and Management Assistance Authority, transmitting, pursuant to law, a report relative to the Strategic Plan; to the Committee on Governmental Affairs.

REPORTS OF COMMITTEE

The following reports of committee were submitted:

By Mr. WARNER, from the Committee on Rules and Administration:

Special Report entitled ''Printing Pictures of Missing Children on Senate Mail'' (Rept. No. 105–34).

By Mr. MCCONNELL, from the Committee on Appropriations, without amendment:

S. 955. An original bill making appropriations for foreign operations, export financing, related programs for the fiscal year ending September 30, 1998, and for other purposes (Rept. No. 105–35).

LETTER OF TRANSMITTAL

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC, 1997.

Hon. ALBERT A. GORE, Jr.,
President, U.S. Senate,
Washington, DC.

DEAR MR. PRESIDENT: Under authority of Senate Resolution 73, agreed to February 13, 1995, I am submitting to you the annual report of the U.S. Senate Special Committee on Aging, Developments in Aging: 1996, volume 1.

Senate Resolution 4, the Committee Systems Reorganization Amendments of 1977, authorizes the Special Committee on Aging ''to conduct a continuing study of any and all matters pertaining to problems and opportunities of older people, including but not limited to, problems and opportunities of maintaining health, of assuring adequate income, of finding employment, of engaging in productive and rewarding activity, of securing proper housing and, when necessary, of obtaining care and assistance.'' Senate Resolution 4 also requires that the results of these studies and recommendations be reported to the Senate annually.

This report describes actions taken during 1996 by the Congress, the administration, and the U.S. Senate Special Committee on Aging, which are significant to our Nation's older citizens. It also summarizes and analyzes the Federal policies and programs that are of the most continuing importance for older persons and their families.

On behalf of the members of the committee and its staff, I am pleased to transmit this report to you.

Sincerely,

CHARLES E. GRASSLEY, *Chairman.*

By Mr. GRASSLEY, from the Special Committee on Aging: Special Report entitled ''Developments In Aging: 1996, Volume 1'' (Rept. No. 105–36).

EXECUTIVE REPORTS OF COMMITTEES

The following executive report of committee was submitted:

By Mr. HATCH, from the Committee on the Judiciary:

Eric H. Holder, Jr., of the District of Columbia, to be Deputy Attorney General.

(The above nomination was reported with the recommendation that he be confirmed.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. TORRICELLI (for himself and Mr. SARBANES):

S. 951. A bill to reestablish the Office of Noise Abatement and Control in the Environmental Protection Agency; to the Committee on Environment and Public Works.

By Mr. MCCONNELL (for himself, Mr. HATCH, Mr. KYL, and Mr. SESSIONS):

S. 952. A bill to establish a Federal cause of action for discrimination and preferential treatment in Federal actions on the basis of race, color, national origin, or sex, and for other purposes; to the Committee on the Judiciary.

By Mr. SHELBY (for himself, Mr. NICKLES, and Mrs. HUTCHISON):

S. 953. A bill to require certain Federal agencies to protect the right of private property owners, and for other purposes; to the Committee on Governmental Affairs.

By Mr. KERREY:

S. 954. A bill to assure competition in telecommunications markets; to the Committee on the Judiciary.

By Mr. MCCONNELL:

S. 955. An original bill making appropriations for foreign operations, export financing, related programs for the fiscal year ending September 30, 1998, and for other purposes; from the Committee on Appropriations; placed on the calendar.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. TORRICELLI (for himself and Mr. SARBANES):

S. 951. A bill to reestablish the Office of Noise Abatement and Control in the Environmental Protection Agency; to the Committee on Environment and Public Works.

THE QUIET COMMUNITIES ACT OF 1997

Mr. TORRICELLI. Mr. President, I rise today to introduce, along with Senator SARBANES, the Quiet Communities Act of 1997. It is estimated that noise levels in communities across the country have increased more than 10 percent over the last decade. Studies indicate that noise affects one's ability to concentrate and can cause sleep deprivation, resulting in deleterious effects on health. Air noise is polluting our communities, and we must face and address this reality that affects the quality of life of our constituents.

The Federal Aviation Administration predicts there will be 36 percent more flights in 2007 than there are today and that 60 of the 100 largest airports in this country are proposing to build new runways. A recent study by the Natural Resources' Defense Council found that the FAA's noise policy threshold is far too high for residential communities. Additionally, the study found there are over 250,000 people residing near Newark, JFK, and LaGuardia suffering from more noise than even the FAA deems fit for residences.

In the 1970 Clean Air Act, Congress authorized $30 million for the establishment of the Office of Noise Abatement and Control [ONAC] within the Environmental Protection Agency [EPA] to study noise and its effect on public health and welfare, and to consult with other Federal agencies on noise related issues. In 1982, ONAC's funding was terminated and the Office has been virtually dormant since.

Each year, new studies show potential links between high noise levels and health and quality of life issues. Few issues are as volatile or as controversial as air noise. The EPA has consistently differed with the FAA—and advocated stricter measures—on the selection of noise measurement methodologies, on the threshold of noise at which health impacts are felt, and on the implementation of noise abatement programs at airports around the Nation.

It is time to properly address the aircraft noise that affects millions of people every day in manners that are both short and long term. The Quiet Communities Act of 1997 will reestablish within the EPA an Office of Noise Abatement and Control which will be responsible for coordinating Federal noise abatement activities, updating or developing noise standards, providing technical assistance to local communities, and promoting research and education on the impacts of noise pollution. The Office will emphasize noise abatement approaches that rely on State and local activity, market incentives, and coordination with other public and private agencies. The act will also provide for the EPA to submit recommendations to Congress and the FAA regarding recommendations on new measures that could be implemented to mitigate the impact of aircraft noise on surrounding communities. I ask unanimous consent that this be printed in the RECORD.

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

S. 951

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 ''Quiet Communities Act of 1997''.

SEC. 2. FINDINGS.

Congress finds that—

(1)(A) for too many citizens of the United States, noise from aircraft, vehicular traffic, and a variety of other sources is a constant source of torment; and

(B) nearly 20,000,000 citizens of the United States are exposed to noise levels that can lead to psychological and physiological damage, and another 40,000,000 people are exposed to noise levels that cause sleep or work disruption;

(2)(A) chronic exposure to noise has been linked to increased risk of cardiovascular problems, strokes, and nervous disorders; and

(B) excessive noise causes sleep deprivation and task interruptions, which pose untold costs on society in diminished worker productivity;

(3)(A) to carry out the Clean Air Act of 1970 (42 U.S.C. 7401 et seq.), the Noise Control Act of 1972 (42 U.S.C. 4901 et seq.), and the Quiet Communities Act of 1978 (Public Law 95–609; 92 Stat. 3079), the Administrator of the Environmental Protection Agency established an Office of Noise Abatement and Control;

(B) the responsibilities of the Office of Noise Abatement and Control included promulgating noise emission standards, requiring product labeling, facilitating the development of low emission products, coordinating Federal noise reduction programs, assisting State and local abatement efforts, and promoting noise education and research; and

(C) funding for the Office of Noise Abatement and Control was terminated in 1982 and no funds have been provided since;

(4) because the Administrator of the Environmental Protection Agency remains responsible for enforcing regulations issued under the Noise Control Act of 1972 (42 U.S.C. 4901 et seq.) even though funding for the Office of Noise Abatement and Control has been terminated, and because that Act prohibits State and local governments from regulating noise sources in many situations, noise abatement programs across the United States lie dormant;

(5) as the population grows and air and vehicle traffic continues to increase, noise pollution is likely to become an even greater problem in the future; and

(6) the health and welfare of the citizens of the United States demands that the Environmental Protection Agency once again assume a role in combating noise pollution.

SEC. 3. REESTABLISHMENT OF OFFICE OF NOISE ABATEMENT AND CONTROL.

(a) REESTABLISHMENT.—

(1) IN GENERAL.—The Administrator of the Environmental Protection Agency shall reestablish an Office of Noise Abatement and Control (referred to in this Act as the ''Office'').

(2) RESPONSIBILITIES.—The Office shall be responsible for—

(A) coordinating Federal noise abatement activities;

(B) updating or developing noise standards;

(C) providing technical assistance to local communities; and

(D) promoting research and education on the impacts of noise pollution.

(3) EMPHASIZED APPROACHES.—The Office shall emphasize noise abatement approaches that rely on State and local activity, market incentives, and coordination with other public and private agencies.

(b) STUDY.—

(1) IN GENERAL.—Not later than 18 months after the date of enactment of this Act, the Administrator of the Environmental Protection Agency shall submit a study on airport noise to Congress and the Federal Aviation Administration.

(2) AREAS OF STUDY.—The study shall—

(A) examine the Federal Aviation Administration's selection of noise measurement methodologies;

(B) the threshold of noise at which health impacts are felt; and

(C) the effectiveness of noise abatement programs at airports around the United States.

(3) RECOMMENDATIONS.—The study shall include specific recommendations to the Federal Aviation Administration on new measures that should be implemented to mitigate the impact of aircraft noise on surrounding communities.

SEC. 4. AUTHORIZING OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this Act—

(1) $5,000,000 for each of fiscal years 1998, 1999, and 2000; and

(2) $8,000,000 for each of fiscal years 2001 and 2002.

By Mr. SHELBY (for himself, Mr. NICKLES, and Mrs. HUTCHISON):

S. 953. A bill to require certain Federal agencies to protect the right of private property owners, and for other purposes; to the Committee on Governmental Affairs.

THE PRIVATE PROPERTY OWNERS' BILL OF RIGHTS

Mr SHELBY. Mr. President, today I rise to introduce legislation that reaffirms one of the basic principles that formed our Nation—protection of private property rights. The Private Property Owners' Bill of Rights is intended to reaffirm this constitutional right.

The right to private property is an essential freedom. While the fifth amendment to the Constitution recognizes that the Federal Government may take property for public use; it explicitly mandates that Government must compensate the private property owner. In recent years, this fundamental right has been blatantly ignored in the name of habitat and species preservation.

Since the inception of our Nation, ownership of private property has been a cornerstone of economic liberty and prosperity. The current Federal regulatory polices are an ominous cloud hanging over every landowner from the established developer to the hard-working generational farmer.

Myriad new environmental regulations stemming from the Endangered Species Act and the wetlands statues of section 404 of the Clean Water Act have rendered countless acres of private land useless. Thus leaving property owners deprived of the ability to farm, develop, or even repair existing structures on their own land. This bill does not challenge the integrity of the Endangered Species Act or the wetlands statutes; it simply attempts to shift the burden of enforcing these laws from the individual back to the Government. For too long, the policies of the Fish and Wildlife Service, the Army Corps of Engineers, or the Environmental Protection Agency, with respect to these statutes, have gone unchecked.

Property owners should not be singled out to bear the costs of public policies. If our Government determines that a certain parcel of land should be conserved or a species protected, it should purchase the land at a fair and just price. Current regulations punish individuals that happen to own land that the Government wants to manage without purchasing. Enforcement of land use statutes can range from exorbitant fines to the inability to use one's own land or even to time in prison. Currently, expensive and lengthy mitigation is the only recourse available to contest the Government's actions. Simply put, this is an intolerable situation.

Continuing the punitive approach to conservation will only serve to alienate those that are in the best position to assist with the efforts. It is estimated that three-fourths of these lands that meet the Federal Government's definition of a wetland through section 404 of the Clean Water Act, are privately owned. It is time to change the bureaucratic viewpoint that protecting a private property owners' constitutionally guaranteed rights comes at the cost of protecting the environment. Contrary to the Government's actions, both are intrinsically linked.

Throughout my tenure, I have heard countless stories of landowners being denied the right to use their own land—the very property that they purchased or inherited, cared for, developed and pay taxes on—because the Government determines there is a need to preserve the property for a wetland or species. These citizens find themselves in a regulatory nightmare—unable to live off the land yet unable to sell it to the Government, or anyone for that matter, for full market value. Only on paper is the land truly theirs.

For example, a farmer in Missouri was accused of destroying wetlands simply for moving dirt while repairing a broken levee on his family's property. In another disturbing instance, Texan Marge Rector spent $830,000 to purchase 15 acres of land for her retirement. Soon after, it was determined that her land was a potential habitat for the black-capped vireo and the golden-cheeked warbler. Within 5 years, her land was determined to be worth approximately $30,000. Her retirement dream turned into a nightmare.

Unfortunately these are not isolated cases, there are hundreds of individuals in similar predicaments across our country. This issue is not limited by geographical boundaries, socio-economic status or occupation. Any individual that owns land is subject to unexpected, unpredictable environmental regulation that—at the very least—will rob a person of the economic value of their land or, worse, force a landowner into prison for rightfully using their land.

Mr. President, the time has arrived to realistically address the matter at hand by creating a clearly defined policy for Federal agencies to follow. Abusing the rights of private property owners in the name of the environment must end. Congress needs to act before the economic future of more citizens is put at risk.

Therefore, I am pleased to reintroduce the Private Property Owners' Bill of Rights with my colleagues, Senators NICKLES and HUTCHISON. This bill would reaffirm the Federal Government's constitutional responsibility to protect private property by requiring the Federal Government and its agents, to include private property owners in any process or action to take private land.

The Private Property Owners' Bill of Rights requires a Federal agency and its representative to give notice and gain consent from property owners prior to entering a property owner's land for the purpose of gathering information to enforce the Endangered Species Act or any wetlands statute. Private property owners also would be guaranteed the right to complete access to that information and the right to debate its accuracy prior to the Government's use of it.

Additionally, this legislation requires Federal Government agencies to create an administrative appeals process for owners of property adversely affected by environmental regulations. The Endangered Species Act will be amended to require that private property owners are notified and included in any management agreement that would affect their land. These provisions will assure that the landowner's voice is heard.

Most importantly, the private property owners' bill of rights guarantees compensation for landowners whose property is devalued by $10,000 or 20 percent of its fair market value by Federal action. Uniform guidelines would be created that all Federal agencies and landowners would follow when developing a compensation agreement. If disagreements arise between the parties, they may request arbitration. In

no manner does this option limit the availability of alternative legal measures. These are reasonable protections to ensure that landowners' rights, guaranteed under the Constitution, are not violated and that Government affirmatively meets its constitutional obligation to protect private property.

Our Nation is built on the principles of individual freedoms and rights. It is time that the Federal Government abide by the laws of our land and stop the practice of regulating private property without the benefit of compensation. These abuses must end. I urge my colleagues to join me in support of this effort.

I ask unanimous consent that the Private Property Owners' Bill of Rights Act of 1997 be printed in the RECORD.

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

S. 953

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 ''Private Property Owners' Bill of Rights''.

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—Congress finds the following:

(1) Our democracy was founded on principles of ownership, use, and control of private property. These principles are embodied in the fifth amendment to the Constitution, which prohibits the taking of private property without the payment of just compensation.

(2) A number of Federal environmental programs, specifically the Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.) and section 404 of the Federal Water Pollution Control Act (33 U.S.C. 1344), have been implemented by employees, agents, and representatives of the Federal Government in a manner that deprives private property owners of the use and control of their property.

(3) As new Federal programs are proposed that would limit and restrict the use of private property to provide habitat for plant and animal species, the rights of private property owners must be recognized and respected.

(4) Private property owners are being forced by Federal policy to resort to extensive, lengthy, and expensive litigation to protect certain basic civil rights guaranteed by the Constitution.

(5) Since many private property owners do not have the financial resources or the extensive commitment of time to proceed in litigation against the Federal Government, a clear Federal policy is needed to guide and direct Federal agencies with respect to the implementation by the agencies of environmental laws that directly impact private property.

(6) While all private property owners should and must abide by nuisance laws and should not use their property in a manner that harms their neighbors, these laws have traditionally been enacted, implemented, and enforced at the State and local levels where the laws are best able to protect the rights of all private property owners and local citizens.

(7) While traditional pollution control laws are intended to protect the health and physical welfare of the general public, habitat protection programs in effect on the date of enactment of this Act are intended to protect the welfare of plant and animal species, while allowing recreational and aesthetic opportunities for the public.

(b) PURPOSE.—The purpose of this Act is to provide a consistent Federal policy to—

(1) encourage, support, and promote the private ownership of property; and

(2) ensure that the constitutional and legal rights of private property owners are protected by the Federal Government and employees, agents, and representatives of the Federal Government.

SEC. 3. DEFINITIONS.

In this Act:

(1) AGENCY HEAD.—The term ''agency head'' means the Secretary or Administrator with jurisdiction or authority to take a final agency action under 1 or more of the applicable provisions of law.

(2) APPLICABLE PROVISIONS OF LAW.—The term ''applicable provisions of law'' means the Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.) and section 404 of the Federal Water Pollution Control Act (33 U.S.C. 1344).

(3) NON-FEDERAL PERSON.—The term ''non-Federal person'' means a person other than an officer, employee, agent, department, or instrumentality of—

(A) the Federal Government; or

(B) a foreign government.

(4) PRIVATE PROPERTY OWNER.—The term ''private property owner'' means a non-Federal person (other than an officer, employee, agent, department, or instrumentality of a State, municipality, or political subdivision of a State, or a State, municipality, or political subdivision of a State) that—

(A) owns property referred to in subparagraph (A) or (B) of paragraph (5); or

(B) holds property referred to in paragraph (5)(C).

(5) PROPERTY.—The term ''property'' means—

(A) land;

(B) any interest in land; and

(C) any proprietary water right.

(6) QUALIFIED AGENCY ACTION.—The term ''qualified agency action'' means an agency action (as defined in section 551(13) of title 5, United States Code) that is taken under 1 or more of the applicable provisions of law.

SEC. 4. PROTECTION OF PRIVATE PROPERTY RIGHTS.

(a) IN GENERAL.—In implementing and enforcing the applicable provisions of law, each agency head shall—

(1) comply with applicable State and tribal government laws, including laws relating to private property rights and privacy; and

(2) implement and enforce the applicable provisions of law in a manner that has the least impact on the constitutional and other legal rights of private property owners.

(b) REGULATIONS.—Each agency head shall develop and implement regulations for ensuring that the constitutional and other legal rights of private property owners are protected in any case in which the agency head makes, or participates with other agencies in the making of, any final decision that restricts the use of private property.

SEC. 5. PROPERTY OWNER CONSENT FOR ENTRY.

(a) IN GENERAL.—Subject to subsection (b), an agency head may not enter privately owned property to collect information regarding the property, unless the private property owner has—

(1) consented in writing to the entry;

(2) after providing the consent, been provided notice of the entry; and

(3) been notified that any raw data collected from the property must be made available to the private property owner at no cost, if requested by the private property owner.

(b) ENTRY FOR CONSENT OR NOTICE.—Subsection (a) shall not prohibit entry onto property for the purpose of obtaining consent or providing notice required under subsection (a).

SEC. 6. RIGHT TO REVIEW AND DISPUTE DATA COLLECTED FROM PRIVATE PROPERTY.

An agency head may not use data that is collected from privately owned property to implement or enforce any of the applicable provisions of law, unless the agency head has—

(1) provided to the private property owner—

(A) access to the information;

(B) a detailed description of the manner in which the information was collected; and

(C) an opportunity to dispute the accuracy of the information; and

(2) determined that the information is accurate, if the private property owner disputes the accuracy of the information pursuant to paragraph (1)(C).

SEC. 7. RIGHT TO AN ADMINISTRATIVE APPEAL OF WETLANDS DECISIONS.

Section 404 of the Federal Water Pollution Control Act (33 U.S.C. 1344) is amended by adding at the end the following:

''(u) ADMINISTRATIVE APPEALS.—

''(1) IN GENERAL.—The Secretary or the Administrator, after notice and opportunity for public comment, shall issue rules to establish procedures to provide private property owners, or authorized representatives of the owners, an opportunity for an administrative appeal of the following actions under this section:

''(A) A determination of regulatory jurisdiction over a particular parcel of property.

''(B) The denial of a permit.

''(C) The terms and conditions of a permit.

''(D) The imposition of an administrative penalty.

''(E) The imposition of an order requiring the private property owner to restore or otherwise alter the property.

''(2) DECISION.—The rules issued under paragraph (1) shall provide that any administrative appeal of an action described in paragraph (1) shall be heard and decided by an official other than the official who took the action, and shall be conducted at a location that is in the vicinity of the property involved in the action.

''(3) DEFINITIONS.—In this subsection:

''(A) NON-FEDERAL PERSON.—The term 'non-Federal person' means a person other than an officer, employee, agent, department, or instrumentality of—

''(i) the Federal Government; or

''(ii) a foreign government.

''(B) PRIVATE PROPERTY OWNER.—The term 'private property owner' means a non-Federal person (other than an officer, employee, agent, department, or instrumentality of a State, municipality, or political subdivision of a State, or a State, municipality, or political subdivision of a State) that—

''(i) owns property referred to in clause (i) or (ii) of subparagraph (C); or

''(ii) holds property referred to in subparagraph (C)(iii).

''(C) PROPERTY.—The term 'property' means—

''(i) land;

''(ii) any interest in land; and

''(iii) any proprietary water right.''.

SEC. 8. RIGHT TO ADMINISTRATIVE APPEAL UNDER THE ENDANGERED SPECIES ACT OF 1973.

Section 11 of the Endangered Species Act of 1973 (16 U.S.C. 1540) is amended by adding at the end the following:

''(i) ADMINISTRATIVE APPEALS.—

''(1) IN GENERAL.—The Secretary, after notice and opportunity for public comment, shall issue rules to establish procedures to

provide private property owners, or authorized representatives of the owners, an opportunity for an administrative appeal of the following actions under this Act:

''(A) A determination that a particular parcel of property is critical habitat of a species listed under section 4.

''(B) The denial of a permit for an incidental take.

''(C) The terms and conditions of a permit for an incidental take.

''(D) The imposition of an administrative penalty.

''(E) The imposition of an order prohibiting or substantially limiting the use of the property.

''(2) DECISION.—The rules issued under paragraph (1) shall provide that any administrative appeal of an action described in paragraph (1) shall be heard and decided by an official other than the official who took the action, and shall be conducted at a location that is in the vicinity of the parcel of property involved in the action.

''(3) DEFINITIONS.—In this subsection:

''(A) NON-FEDERAL PERSON.—The term 'non-Federal person' means a person other than an officer, employee, agent, department, or instrumentality of—

''(i) the Federal Government; or

''(ii) a foreign government.

''(B) PRIVATE PROPERTY OWNER.—The term 'private property owner' means a non-Federal person (other than an officer, employee, agent, department, or instrumentality of a State, municipality, or political subdivision of a State, or a State, municipality, or political subdivision of a State) that—

''(i) owns property referred to in clause (i) or (ii) of subparagraph (C); or

''(ii) holds property referred to in subparagraph (C)(iii).

''(C) PROPERTY.—The term 'property' means—

''(i) land;

''(ii) any interest in land; and

''(iii) any proprietary water right.''.

SEC. 9. COMPENSATION FOR TAKING OF PRIVATE PROPERTY.

(a) ELIGIBILITY.—A private property owner that, as a consequence of a final qualified agency action of an agency head, is deprived of $10,000, or 20 percent or more, of the fair market value of the affected portion of the property of the owner, as determined by a qualified appraisal expert, shall be entitled to receive compensation in accordance with this section.

(b) DEADLINE.—Not later than 90 days after receipt of a final decision of an agency head that deprives a private property owner of the fair market value or viable use of property for which compensation is required under subsection (a), the private property owner may submit in writing a request to the agency head for compensation in accordance with subsection (c).

(c) AGENCY HEAD'S OFFER.—Not later than 180 days after the receipt of a request for compensation under subsection (b), the agency head shall stay the decision and provide to the private property owner—

(1) an offer to purchase the affected property of the private property owner at the fair market value that would apply if there were no use restrictions under the applicable provisions of law; and

(2) an offer to compensate the private property owner for the difference between the fair market value of the property without the restrictions and the fair market value of the property with the restrictions.

(d) PRIVATE PROPERTY OWNER'S RESPONSE.—

(1) IN GENERAL.—A private property owner shall have 60 days after the date of receipt of the offers of the agency head under subsection (c) to accept 1 of the offers or to reject both offers.

(2) SUBMISSION TO ARBITRATION.—If the private property owner rejects both offers, the private property owner may submit the matter for arbitration to an arbitrator appointed by the agency head from a list of arbitrators submitted to the agency head by the American Arbitration Association. The arbitration shall be conducted in accordance with the real estate valuation arbitration rules of the association. For the purposes of this section, an arbitration shall be binding on the agency head and a private property owner as to the amount, if any, of compensation owed to the private property owner and whether for the purposes of this section the private property owner has been deprived of the fair market value or viable use of property for which compensation is required under subsection (a).

(e) JUDGMENT.—A qualified agency action of an agency head that deprives a private property owner of property as described in subsection (a), shall be deemed, at the option of the private property owner, to be a taking under the Constitution and a judgment against the United States if the private property owner—

(1) accepts an offer of the agency head under subsection (c); or

(2) submits to arbitration under subsection (d).

(f) PAYMENT.—An agency head shall pay a private property owner any compensation required under the terms of an offer of the agency head that is accepted by the private property owner in accordance with subsection (d), or under a decision of an arbitrator under that subsection, by not later than 60 days after the date of the acceptance or the date of the issuance of the decision, respectively.

(g) FORM OF PAYMENT.—Payment under this section shall be in a form agreed to by the agency head and the private property owner and may be in the form of—

(1) payment of an amount that is equal to the fair market value of the property on the day before the date of the final qualified agency action with respect to which the property or interest is acquired;

(2) payment of an amount that is equal to the reduction in value of the property; or

(3) conveyance of real property or an interest in real property that has a fair market value equal to the amount referred to in paragraph (1) or (2).

(h) OTHER RIGHTS PRESERVED.—This section shall not preempt, alter, or limit the availability of any remedy for the taking of property or an interest in property that is available under the Constitution or any other law.

(i) FINAL JUDGMENTS.—If a private property owner unsuccessfully seeks compensation under this section and thereafter files a claim for compensation under the fifth amendment to the Constitution and is successful in obtaining a final judgment ordering compensation from the United States Court of Federal Claims for the claim, the agency head who made the final agency decision that results in the taking shall reimburse, from funds appropriated to the agency for the 2 fiscal years following payment of the compensation, the Treasury of the United States for amounts appropriated under section 1304 of title 31, United States Code, to pay the judgment against the United States.

SEC. 10. PRIVATE PROPERTY OWNER PARTICIPATION IN COOPERATIVE AGREEMENTS.

Section 6(b) of the Endangered Species Act of 1973 (16 U.S.C. 1535(b)) is amended—

(1) by striking ''The Secretary'' and inserting the following:

''(1) IN GENERAL.—The Secretary''; and

(2) by adding at the end the following:

''(2) PARTICIPATION BY PRIVATE PROPERTY OWNERS.—

''(A) IN GENERAL.—Notwithstanding any other provision of this section, in any case in which the Secretary enters into a management agreement under paragraph (1) that establishes restrictions on the use of property, the Secretary shall notify all private property owners or lessees of the property that is subject to the management agreement and shall provide an opportunity for each private property owner or lessee to participate in the management agreement.

''(B) DEFINITIONS.—In this paragraph:

''(i) NON-FEDERAL PERSON.—The term 'non-Federal person' means a person other than an officer, employee, agent, department, or instrumentality of—

''(I) the Federal Government; or

''(II) a foreign government.

''(ii) PRIVATE PROPERTY OWNER.—The term 'private property owner' means a non-Federal person (other than an officer, employee, agent, department, or instrumentality of a State, municipality, or political subdivision of a State, or a State, municipality, or political subdivision of a State) that—

''(I) owns property referred to in subclause (I) or (II) of clause (iii); or

''(II) holds property referred to in clause (iii)(III).

''(iii) PROPERTY.—The term 'property' means—

''(I) land;

''(II) any interest in land; and

''(III) any proprietary water right.''.

Mr. NICKLES. Mr. President, of all the freedoms we enjoy in this country, the ability to own, care for, and develop private property is perhaps the most crucial to our free enterprise economy. In fact, our economy would cease to function without the incentives provided by private property. So sacred and important are these rights, that our forefathers chose to specifically protect them in the fifth amendment to the U.S. Constitution, which says in part, ''nor shall private property be taken for public use, without just compensation.''

Unfortunately, some Federal environmental, safety, and health laws are encouraging Government violation of private property rights, and it is a problem which is increasing in severity and frequency. We would all like to believe the Constitution will protect our property rights if they are threatened, but today that is simply not true. The only way for a person to protect their private property rights is in the courts, and far too few people have the time or money to take such action. Thus many citizens lose their fifth amendment rights simply because no procedures have been established to prevent Government takings.

Many people in the Federal bureaucracy believe that public protection of health, safety, and the environment is not compatible with protection of private property rights. I disagree. In fact, the terrible environmental conditions exposed in Eastern Europe when the cold war ended lead me to believe that property ownership enhances environmental protection. As the residents of East Berlin and Prague know all too well, private owners are more effective

caretakers of the environment than communist governments.

Yet the question remains, how do we prevent overzealous bureaucrats from using their authority in ways which threaten property rights?

Today I rise to join my colleague Senator RICHARD SHELBY of Alabama in introducing legislation which will strengthen every citizen's fifth amendment rights. Our bill, the Private Property Owners Bill of Rights, targets two of the worst property rights offenders, the Endangered Species Act and the Wetlands Permitting Program established by Section 404 of the Clean Water Act.

Our bill requires Federal agents who enter private property to gather information under either the Endangered Species Act or the Wetlands Permitting Program to first obtain the written consent of the landowner. While it is difficult to believe that such a basic right should need to be spelled out in law, overzealous bureaucrats and environmental radicals too often mistake private resources as their own. Property owners are also guaranteed the right of access to that information, the right to dispute its accuracy, and the right of an administrative appeal from decisions made under those laws.

Most importantly, the Private Property Owners Bill of Rights guarantees compensation for a landowner whose property is devalued by $10,000, or 20 percent or more, of the fair market value resulting from a Federal action under the Endangered Species Act or Wetlands Permitting Program. An administrative process is established to give property owners a simple and inexpensive way to seek resolution of their takings claims. If we are to truly live up to the requirements of our Constitution, we must make this commitment. I believe this provision will work both to protect landowners from uncompensated takings and to discourage Government actions which would cause such takings.

The time has come for farmers, ranchers, and other landowners to take a stand against violations of their private property rights by the Federal bureaucracy. The Private Property Owners Bill of Rights will help landowners take that stand.

By Mr. KERREY:

S. 954. A bill to assure competition in telecommunications markets; to the Committee on the Judiciary.

THE TELECOMMUNICATIONS COMPETITION ACT OF 1997

Mr. KERREY. Mr. President, the Telecommunications Act of 1996 was to usher in a new era of competition, choice, jobs, universal service, and infrastructure investment.

Much of the promise of the new act remains unfulfilled. Most disappointing has been progress on the competition front. Rather than and explosion of competition, in the year since the law was enacted, there has been a disturbing trend toward consolidation.

I rise to express serious concern about the Department of Justice's approach to mergers in the telecommunications industry. I feel very strongly that the Justice Department approval of the Bell Atlantic and Nynex merger is bad competition policy and bad telecommunications policy.

With this merger, two strong potential competitors with two vibrant, rich markets are now one. This loss of competition follows the equally troublesome merger between Telecomm giants Pacific Telesis and Southwestern Bell. Perhaps most troubling is that these approvals have opened the door for even larger mergers.

What was unimaginable a year ago, the reconstruction of the old Bell System monopoly is very much within the realm of possibility.

Mr. President, the urge to compete should not be replaced with the urge to merge.

A little more than a year ago, the Congress enacted landmark legislation to open telecommunications markets to competition, preserve and advance universal service, and spur private investment in telecommunication infrastructure. Over the last year, the Federal Communications Commission has worked around the clock to implement the new law. It has been a daunting task, frustrated by litigation and regulatory wrangling.

While the FCC and the States struggle with implementation of the new law, it is important to remember that a key part of that legislation did not rely on regulation, it relied on the marketplace. The idea was to unleash pent up competitive forces among and between telecommunications companies. Mega mergers between telecommunications titans quell these market forces for increased investment, lower rates, and improved service.

To unshackle the restraints of the Court supervised breakup of AT&T, the Congress gave Regional Bell Operating Companies instant access to long distance markets outside of their local service regions and access to long distance markets inside their regions when they opened their markets to local competition.

In addition to responding to the lure of long distance markets, Regional Bell Operating Companies and other local exchange carriers were expected to covet each other's markets. The attraction of serving new local markets was to be a key catalyst for breaking down barriers to competition.

With these mergers, local competition and long distance competition is lost. In addition, potential internet, video and broad band competition has disappeared.

The promise of the new law was that competition, not consolidation would bring new services at lower prices to consumers. Where competition failed to advance service and restrain prices, universal service support would assure that telephone rates and services where comparable in rural and urban areas.

When certain large telecommunications companies combine, they not only eliminate the potential of competition with each other in each other's markets, but they can create a market power which may be capable of resisting competition from others. They can also create the possibility of an unequal bargaining power when they compete with or deal with small, independent and new carriers.

The promise of the Telecommunications Act was improved service and lower rates for consumers through competition and the advancement of universal service. If properly implemented, the Telecommunications Act of 1996 can deliver, but the disappointing merger decisions of the Department of Justice will make that task much more difficult.

The legislation I introduce today would clearly institute an appropriate level scrutiny for mergers between large telecommunications companies. I believe that the antitrust laws and the Telecommunications Act would permit this type of analysis, without the adoption of a new statute, but to date, the Department of Justice has not seemed willing to pursue this approach.

Under the Telecommunications Monopoly Prevention Act, new megamergers would not be prohibited but be required to be reviewed in the context of their contribution to competition.

This legislation is by no means a moratorium on mergers. Indeed, some mergers, even among large telecommunications companies, may be very much in the consumers interests and in the interest of competition. This legislation simply requires a level of review consistent with the vision of the Telecommunications Act.

It is my view that the Justice Department is presently pursuing a standard of review for telecomm mergers which would be appropriate for competitive companies tending toward monopoly, but not for monopolies which should be moving toward competition.

Mr. President, I ask that the text of the Telecommunications Monopoly Prevention Act be printed in the RECORD as read and urge my colleagues to review and support this needed piece of legislation.

ADDITIONAL COSPONSORS

S. 9

At the request of Mr. NICKLES, the name of the Senator from Pennsylvania [Mr. SANTORUM] was added as a cosponsor of S. 9, a bill to protect individuals from having their money involuntarily collected and used for politics by a corporation or labor organization.

S. 63

At the request of Mr. FEINGOLD, the name of the Senator from New Jersey [Mr. TORRICELLI] was added as a cosponsor of S. 63, a bill to amend certain Federal civil rights statutes to prevent the involuntary application of arbitration to claims that arise from unlawful

employment discrimination based on race, color, religion, sex, national origin, age, or disability, and for other purposes.

S. 294

At the request of Mrs. HUTCHISON, the name of the Senator from New Jersey [Mr. TORRICELLI] was added as a cosponsor of S. 294, a bill to amend chapter 51 of title 18, United States Code, to establish Federal penalties for the killing or attempted killing of a law enforcement officer of the District of Columbia, and for other purposes.

S. 328

At the request of Mr. HUTCHINSON, the name of the Senator from Missouri [Mr. BOND] was added as a cosponsor of S. 328, a bill to amend the National Labor Relations Act to protect employer rights, and for other purposes.

S. 362

At the request of Mr. LEAHY, the name of the Senator from Louisiana [Ms. LANDRIEU] was added as a cosponsor of S. 362, a bill to deter and punish serious gang and violent crime, promote accountability in the juvenile justice system, prevent juvenile and youth crime, and for other purposes.

S. 385

At the request of Mr. CONRAD, the name of the Senator from Kentucky [Mr. FORD] was added as a cosponsor of S. 385, a bill to provide reimbursement under the medicare program for telehealth services, and for other purposes.

S. 397

At the request of Ms. MIKULSKI, the name of the Senator from Massachusetts [Mr. KENNEDY] was added as a cosponsor of S. 397, a bill to amend chapters 83 and 84 of title 5, United States Code, to extend the civil service retirement provisions of such chapter which are applicable to law enforcement officers, to inspectors of the Immigration and Naturalization Service, inspectors and canine enforcement officers of the United States Customs Service, and revenue officers of the Internal Revenue Service.

S. 460

At the request of Mr. BOND, the name of the Senator from Idaho [Mr. KEMPTHORNE] was added as a cosponsor of S. 460, a bill to amend the Internal Revenue Code of 1986 to increase the deduction for health insurance costs of self-employed individuals, to provide clarification for the deductibility of expenses incurred by a taxpayer in connection with the business use of the home, to clarify the standards used for determining that certain individuals are not employees, and for other purposes.

S. 587

At the request of Mr. CAMPBELL, the name of the Senator from Colorado [Mr. ALLARD] was added as a cosponsor of S. 587, a bill to require the Secretary of the Interior to exchange certain lands located in Hinsdale County, Colorado.

S. 589

At the request of Mr. CAMPBELL, the name of the Senator from Colorado [Mr. ALLARD] was added as a cosponsor of S. 589, a bill to provide for a boundary adjustment and land conveyance involving the Raggeds Wilderness, White River National Forest, Colorado, to correct the effects of earlier erroneous land surveys.

S. 590

At the request of Mr. CAMPBELL, the name of the Senator from Colorado [Mr. ALLARD] was added as a cosponsor of S. 590, a bill to provide for a land exchange involving certain land within the Routt National Forest in the State of Colorado.

S. 591

At the request of Mr. CAMPBELL, the name of the Senator from Colorado [Mr. ALLARD] was added as a cosponsor of S. 591, a bill to transfer the Dillon Ranger District in the Arapaho National Forest to the White River National Forest in the State of Colorado.

S. 597

At the request of Mr. BINGAMAN, the name of the Senator from South Dakota [Mr. JOHNSON] was added as a cosponsor of S. 597, a bill to amend title XVIII of the Social Security Act to provide for coverage under part B of the medicare program of medical nutrition therapy services furnished by registered dietitians and nutrition professionals.

S. 606

At the request of Mr. HUTCHINSON, the name of the Senator from Missouri [Mr. ASHCROFT] was added as a cosponsor of S. 606, a bill to prohibit discrimination in contracting on federally funded projects on the basis of certain labor policies of potential contractors.

S. 677

At the request of Ms. MOSELEY-BRAUN, the name of the Senator from Illinois [Mr. DURBIN] was added as a cosponsor of S. 677, a bill to amend the Immigration and Nationality Act of 1994, to provide the descendants of the children of female United States citizens born abroad before May 24, 1934, with the same rights to United States citizenship at birth as the descendants of children born of male citizens abroad.

S. 770

At the request of Mr. NICKLES, the name of the Senator from Wyoming [Mr. ENZI] was added as a cosponsor of S. 770, a bill to encourage production of oil and gas within the United States by providing tax incentives, and for other purposes.

S. 810

At the request of Mr. ABRAHAM, the name of the Senator from Georgia [Mr. COVERDELL] was added as a cosponsor of S. 810, a bill to impose certain sanctions on the People's Republic of China, and for other purposes.

S. 884

At the request of Mr. CLELAND, the name of the Senator from Georgia [Mr. COVERDELL] was added as a cosponsor of S. 884, a bill to amend the Appalachian Regional Development Act of 1965 to add Elbert County and Hart County, Georgia, to the Appalachian region.

S. 885

At the request of Mr. D'AMATO, the name of the Senator from Vermont [Mr. JEFFORDS] was added as a cosponsor of S. 885, a bill to amend the Electronic Fund Transfer Act to limit fees charged by financial institutions for the use of automatic teller machines, and for other purposes.

S. 888

At the request of Mr. DOMENICI, the names of the Senator from Tennessee [Mr. FRIST], and the Senator from North Carolina [Mr. FAIRCLOTH] were added as cosponsors of S. 888, a bill to amend the Small Business Act to assist the development of small business concerns owned and controlled by women, and for other purposes.

S. 912

At the request of Mr. BOND, the name of the Senator from South Carolina [Mr. HOLLINGS] was added as a cosponsor of S. 912, a bill to provide for certain military retirees and dependents a special medicare part B enrollment period during which the late enrollment penalty is waived and a special medigap open period during which no under-writing is permitted.

AMENDMENTS SUBMITTED

THE BALANCED BUDGET ACT OF 1997

ROTH (AND MOYNIHAN) AMENDMENT NO. 431

Mr. ROTH (for himself and Mr. MOYNIHAN) proposed an amendment to the bill (S. 947) to provide for reconciliation pursuant to section 104(a) of the concurrent resolution on the budget for fiscal year 1998; as follows:

On page 169, between lines 24 and 25, insert:

''(5) SATISFACTION OF REQUIREMENT.—

''(A) IN GENERAL.—A MedicarePlus plan offered by a MedicarePlus organization satisfies paragraph (1)(A), with respect to benefits for items and services furnished other than through a provider that has a contract with the organization offering the plan, if the plan provides (in addition to any cost sharing provided for under the plan) for at least the total dollar amount of payment for such items and services as would otherwise be authorized under parts A and B (including any balance billing permitted under such parts).

''(B) EXCEPTION FOR MSA PLANS AND UNRESTRICTED FEE-FOR-SERVICE PLANS.—Subparagraph (A) shall not apply to an MSA plan or an unrestricted fee-for-service plan.''

On page 188, between lines 18 and 19, insert:

''(k) TREATMENT OF SERVICES FURNISHED BY CERTAIN PROVIDERS.—

''(1) IN GENERAL.—A physician or other entity (other than a provider of services) that does not have a contract establishing payment amounts for services furnished to an individual enrolled under this part with a MedicarePlus organization shall accept as payment in full for covered services under this title that are furnished to such an individual the amounts that the physician or other entity could collect if the individual were not so enrolled. Any penalty or other

provision of law that applies to such a payment with respect to an individual entitled to benefits under this title (but not enrolled with a MedicarePlus organization under this part) also applies with respect to an individual so enrolled.

''(2) EXCEPTION FOR MSA PLANS AND UNRESTRICTED FEE-FOR-SERVICE PLANS.—Paragraph (1) shall not apply to an MSA plan or an unrestricted fee-for-service plan.''

On page 203, beginning with line 13, strike all through page 204, line 11, and insert:

''(8) ADJUSTMENTS TO MINIMUM AMOUNTS AND MINIMUM PERCENTAGE INCREASES.—After computing all amounts under this subsection (without regard to this paragraph) for any year, the Secretary shall—

''(A) redetermine the amount under paragraph (1)(C) for such year by substituting '100 percent' for '101 percent' each place it appears, and

''(B) increase the minimum amount under paragraph (1)(B) to an amount equal to the lesser of—

''(i) the amount the Secretary estimates will result in increased payments under such paragraph equal to the decrease in payments by reason of the redetermination under subparagraph (A), or

''(ii) an amount equal to 85 percent of the annual national Medicare Choice capitation rate determined under paragraph (4).''

On page 222, strike lines 18 through 21 and insert:

''(II) the date on which the Secretary determines that the State has in effect solvency standards identical to the standards established under section 1856(a).''

On page 226, beginning with line 17, strike all through page 227, line 3, and insert:

''(d) CERTIFICATION OF PROVISION AGAINST RISK OF INSOLVENCY FOR PSOS.—

''(1) IN GENERAL.—Each Medicare Choice organization that is a provider-sponsored organization with a waiver in effect under subsection (a)(2) shall meet the standards established under section 1856(a) with respect to the financial solvency and capital adequacy of the organization.''

On page 309, line 17, insert '', including the extent to which current medicare update indexes do not accurately reflect inflation'' after ''1395t)''.

On page 309, line 22, beginning with '', including'' strike all through ''inflation'' on line 24.

On page 335, beginning with line 24, strike through page 336, line 2, and insert:

(3) NONELDERLY MEDICARE BENEFICIARIES.—

(A) IN GENERAL.—The amendment made by subsection (c) shall apply to policies issued on and after July 1, 1998.

(B) TRANSITION RULE.—In the case of an individual who first became eligible for benefits under part A of title XVIII of the Social Security Act pursuant to section 226(b) of such Act and enrolled for benefits under part B of such title before July 1, 1998, the 6-month period described in section 1882(s)(2)(A) of such Act shall begin on July 1, 1998. Before July 1, 1998, the Secretary of Health and Human Services shall notify any individual described in the previous sentence of their rights in connection with medicare supplemental policies under section 1882 of such Act, by reason of the amendment made by subsection (c).

On page 340, between lines 21 and 22, insert:

PART I—IN GENERAL

On page 341, line 11, strike ''and''.

On page 341, between lines 11 and 12, insert:

''(3) applying the information and quality programs under part II; and''

On page 341, line 12, strike ''(3)'' and insert ''(4)''.

On page 357, between lines 2 and 3, insert:

PART II—INFORMATION AND QUALITY STANDARDS

Subpart A—Information

SEC. 5044. INFORMATION REQUIREMENTS.

(a) IN GENERAL.—The Secretary shall provide that in the case of a demonstration plan conducted under part I, the information and comparative reports described in this section shall be used in lieu of that provided under part C of title XVIII of the Social Security Act.

(b) SECRETARY'S MATERIALS; CONTENTS.—The notice and informational materials mailed by the Secretary under this part shall be written and formatted in the most easily understandable manner possible, and shall include, at a minimum, the following:

(1) GENERAL INFORMATION.—General information with respect to coverage under this part during the next calendar year, including—

(A) the part B premium rates that will be charged for part B coverage, and a statement of the fact that enrollees in demonstration plans are not required to pay such premium,

(B) the deductible, copayment, and coinsurance amounts for coverage under the traditional medicare program,

(C) a description of the coverage under the traditional medicare program and any changes in coverage under the program from the prior year,

(D) a description of the individual's medicare payment area, and the standardized medicare payment amount available with respect to such individual,

(E) information and instructions on how to enroll in a demonstration plan,

(F) the right of each demonstration plan sponsor by law to terminate or refuse to renew its contract and the effect the termination or nonrenewal of its contract may have on individuals enrolled with the demonstration plan under this part,

(G) appeal rights of enrollees, including the right to address grievances to the Secretary or the applicable external review entity, and

(H) the benefits offered by plans in basic benefit plans under section 1895H(a), and how those benefits differ from the benefits offered under parts A and B.

(2) COMPARATIVE REPORT.—A copy of the most recent comparative report (as established by the Secretary under subsection (c)) for the demonstration plans in the individual's medicare payment area.

(c) COMPARATIVE REPORT.—

(1) IN GENERAL.—The Secretary shall develop an understandable standardized comparative report on the demonstration plans offered by demonstration plan sponsors, that will assist demonstration eligible individuals in their decisionmaking regarding medical care and treatment by allowing such individuals to compare the demonstration plans that such individuals are eligible to enroll with. In developing such report the Secretary shall consult with outside organizations, including groups representing the elderly, demonstration plan sponsors, providers of services, and physicians and other health care professionals, in order to assist the Secretary in developing the report.

(2) REPORT.—The report described in paragraph (1) shall include a comparison for each demonstration plan of—

(A) the plan's medicare service area;

(B) coverage by the plan of emergency services and urgently needed care;

(C) the amount of any deductibles, coinsurance, or any monetary limits on benefits;

(D) the number of individuals who disenrolled from the plan within 3 months of enrollment during the previous fiscal year (excluding individuals whose disenrollment was due to death or moving outside of the plan's service area) stated as percentages of the total number of individuals in the plan;

(E) process, outcome, and enrollee satisfaction measures, as recommended by the Quality Advisory Institute as established under section 5044B;

(F) information on access and quality of services obtained from the analysis described in section 5044B;

(G) the procedures used by the plan to control utilization of services and expenditures, including any financial incentives;

(H) the number of applications during the previous fiscal year requesting that the plan cover or pay for certain medical services that were denied by the plan (and the number of such denials that were subsequently reversed by the plan), stated as a percentage of the total number of applications during such period requesting that the plan cover such services;

(I) the number of times during the previous fiscal year (after an appeal was filed with the Secretary) that the Secretary upheld or reversed a denial of a request that the plan cover certain medical services;

(J) the restrictions (if any) on payment for services provided outside the plan's health care provider network;

(K) the process by which services may be obtained through the plan's health care provider network;

(L) coverage for out-of-area services;

(M) any exclusions in the types of health care providers participating in the plan's health care provider network;

(N) whether the plan is, or has within the past two years been, out-of-compliance with any requirements of this part (as determined by the Secretary);

(O) the plan's premium price for the basic benefit plan submitted under part C of title XVIII of the Social Security Act, an indication of the difference between such premium price and the standardized medicare payment amount, and the portion of the premium an individual must pay out of pocket;

(P) whether the plan offers any of the optional supplemental benefit plans, and if so, the plan's premium price for such benefits; and

(Q) any additional information that the Secretary determines would be helpful for demonstration eligible individuals to compare the demonstration plans that such individuals are eligible to enroll with.

(3) ADDITIONAL INFORMATION.—The comparative report shall also include—

(A) a comparison of each demonstration plan to the fee-for-service program under parts A and B of title XVIII of the Social Security Act;

(B) an explanation of medicare supplemental policies under section 1882 of such Act and how to obtain specific information regarding such policies; and

(C) a phone number for each demonstration plan that will enable demonstration eligible individuals to call to receive a printed listing of all health care providers participating in the plan's health care provider network.

(4) UPDATE.—The Secretary shall, not less than annually, update each comparative report.

(5) DEFINITIONS.—In this subsection—

(A) HEALTH CARE PROVIDER.—The term ''health care provider'' means anyone licensed under State law to provide health care services under part A or B.

(B) NETWORK.—The term ''network'' means, with respect to a demonstration plan sponsor, the health care providers who have entered into a contract or agreement with the plan sponsor under which such providers are obligated to provide items, treatment, and services under this section to individuals enrolled with the plan sponsor under this part.

(C) OUT-OF-NETWORK.—The term ''out-of-network'' means services provided by health

care providers who have not entered into a contract agreement with the demonstration plan sponsor under which such providers are obligated to provide items, treatment, and services under this section to individuals enrolled with the plan sponsor under this part.

(6) COST SHARING.—Each demonstration plan sponsor shall pay to the Secretary its pro rata share of the estimated costs incurred by the Secretary in carrying out the requirements of this section and section 4360 of the Omnibus Reconciliation Act of 1990. There are hereby appropriated to the Secretary the amount of the payments under this paragraph for purposes of defraying the cost described in the preceding sentence. Such amounts shall remain available until expended.

Subpart B—Quality in Demonstration Plans

SEC. 5044A. DEFINITIONS.

In this subpart:

(1) COMPARATIVE REPORT.—The term ''comparative report'' means the comparative report developed under section 5044.

(2) DIRECTOR.—The term ''Director'' means the Director of the Office of Competition within the Department of Health and Human Services as established under part I.

(3) MEDICARE PROGRAM.—The term ''medicare program'' means the program of health care benefits provided under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.).

(4) DEMONSTRATION PLAN.—The term ''demonstration plan'' means a plan established under part I.

(5) DEMONSTRATION PLAN SPONSOR.—The term ''demonstration plan sponsor'' means a sponsor of a demonstration plan.

SEC. 5044B. QUALITY ADVISORY INSTITUTE.

(a) ESTABLISHMENT.—There is established an Institute to be known as the ''Quality Advisory Institute'' (in this subpart referred to as the ''Institute'') to make recommendations to the Director concerning licensing and certification criteria and comparative measurement methods under this subpart.

(b) MEMBERSHIP.—

(1) COMPOSITION.—The Institute shall be composed of 5 members to be appointed by the Director from among individuals who have demonstrable expertise in—

(A) health care quality measurement;

(B) health plan certification criteria setting;

(C) the analysis of information that is useful to consumers in making choices regarding health coverage options, health plans, health care providers, and decisions regarding health treatments; and

(D) the analysis of health plan operations.

(2) TERMS AND VACANCIES.—The members of the Institute shall be appointed for 5-year terms with the terms of the initial members staggered as determined appropriate by the Director. Vacancies shall be filled in a manner provided for by the Director.

(c) DUTIES.—The Institute shall—

(1) not later than 1 year after the date on which all members of the Institute are appointed under subsection (b)(2), provide advice to the Director concerning the initial set of criteria for the certification of demonstration plans;

(2) analyze the use of the criteria for the certification of demonstration plans implemented by the Director under this subpart and recommend modifications in such criteria as needed;

(3) analyze the use of the comparative measurements implemented by the Director in developing comparative reports and recommend modifications in such measurements as needed;

(4) perform, or enter into contracts with other entities for the performance of, an analysis of access to services and clinical outcomes based on patient encounter data;

(5) enter into contracts with other entities for the development of such criteria and measurements and to otherwise carry out its duties under this section; and

(6) carry out any other activities determined appropriate by the Institute to carry out its duties under this section.

The analysis described in paragraph (4) should focus on conditions and procedures of significance to beneficiaries under the medicare program, as determined by the Institute, and should be designed, and the results summarized, in a manner that facilitates comparisons across health plans.

SEC. 5044C. DUTIES OF DIRECTOR.

(a) IN GENERAL.—The Director shall—

(1) adopt, adapt, or develop criteria in accordance with sections 5044F through 5044I to be used in the licensing of certifying entities and in the certification of demonstration plans, including any minimum criteria needed for the operation of demonstration plans during the transition period described in section 5044F(c);

(2) issue licenses to certifying entities that meet the criteria developed under paragraph (1) for the purpose of enabling such entities to certify demonstration plans in accordance with this subpart;

(3) develop comparative health care measures in addition to those implemented by the Director in developing comparative reports in order to guide consumer choice under the medicare program and to improve the delivery of quality health care under such program;

(4) develop procedures, consistent with section 5044A, for the dissemination of certification and comparative quality information provided to the Director;

(5) contract with an independent entity for the conduct of audits concerning certification and quality measurement and require that as part of the certification process performed by licensed certification entities that there include an onsite evaluation, using performance-based standards, of the providers of items and services under a demonstration plan;

(6) at least quarterly, meet jointly with the Agency for Health Care Policy and Research to review innovative health outcomes measures, new measurement processes, and other matters determined appropriate by the Director;

(7) at least annually, meet with the Institute concerning certification criteria;

(8) not later than January 1, 1999, and each January 1 thereafter, prepare and submit to demonstration plan sponsors and to Congress, a report concerning the activities of the Director for the previous year;

(9) advise the President and Congress concerning health insurance and health care provided under demonstration plans and make recommendations concerning measures that may be implemented to protect the health of all enrollees in demonstration plans; and

(10) carry out other activities determined appropriate by the Director.

(b) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to limit the authority of the Director or the Secretary of Health and Human Services with respect to requirements other than those applied under this subpart with respect to demonstration plans.

SEC. 5044D. COMPLIANCE.

(a) IN GENERAL.—Not later than January 1, 1999, the Director shall ensure that a demonstration plan may not be offered unless it has been certified in accordance with this subpart.

(b) CONTRACTS OR REIMBURSEMENTS.—In carrying out subsection (a), the Director—

(1) may not enter into a contract with a demonstration plan sponsor for the provision of a demonstration plan unless the demonstration plan is certified in accordance with this subpart;

(2) may not reimburse a demonstration plan sponsor for items and services provided under a demonstration plan unless the demonstration plan is certified in accordance with this subpart; and

(3) shall, after providing notice to the demonstration plan sponsor operating a demonstration plan and an opportunity for such demonstration plan to be certified, and in accordance with any applicable grievance and appeals procedures under section 5044I, terminate any contract with a demonstration plan sponsor for the operation of a demonstration plan if such demonstration plan is not certified in accordance with this subpart.

SEC. 5044E. PAYMENTS FOR VALUE.

(a) ESTABLISHMENT OF PROGRAM.—The Director shall establish a program under which payments are made to various demonstration plans to reward such plans for meeting or exceeding quality targets.

(b) PERFORMANCE MEASURES.—In carrying out the program under subsection (a), the Director shall establish broad categories of quality targets and performance measures. Such targets and measures shall be designed to permit the Director to determine whether a demonstration plan is being operated in a manner consistent with this subpart.

(c) USE OF FUNDS.—

(1) IN GENERAL.—The Secretary shall withhold 0.50 percent from any payment that a demonstration plan sponsor receives with respect to an individual enrolled with such plan under part I.

(2) PAYMENTS.—The Director shall use amounts collected under paragraph (1) to make annual payments to those demonstration plans that have been determined by the Director to meet or exceed the quality targets and performance measures established under subsection (b). Any amounts collected under such paragraph for a fiscal year and remaining available after payments are made under subsection (d), shall be used for deficit reduction.

(d) AMOUNT OF PAYMENT.—

(1) FORMULA.—The amount of any payment made to a demonstration plan under this section shall be determined in accordance with a formula to be developed by the Director. The formula shall ensure that a payment made to a demonstration plan under this section be in an amount equal to—

(A) with respect to a demonstration plan that is determined to be in the first quintile, 1 percent of the amount allocated to the plan under this subpart;

(B) with respect to a demonstration plan that is determined to be in the second quintile, 0.75 percent of the amount allocated to the plan under this subpart;

(C) with respect to a demonstration plan that is determined to be in the third quintile, 0.50 percent of the amount allocated by the plan under this subpart; and

(D) with respect to a demonstration plan that is determined to be in the fourth quintile, 0.25 percent of the amount allocated by the plan under this subpart.

(2) NO PAYMENT.—A demonstration plan that is determined by the Director to be in the fifth quintile shall not be eligible to receive a payment under this section.

(3) DETERMINATION OF QUINTILES.—Not later than April 30 of each calendar year, the Director shall rank each demonstration plan based on the performance of the plan during the preceding year as determined using the quality targets and performance measures established under subsection (b). Such rankings shall be divided into quintiles with the first quintile containing the highest ranking plans and the fifth quintile containing the lowest ranking plans. Each such

quintile shall contain plans that in the aggregate cover an equal number of beneficiaries as compared to another quintile.

SEC. 5044F. CERTIFICATION REQUIREMENT.

(a) IN GENERAL.—To be eligible to enter into a contract with the Director to enroll individuals in a demonstration plan, a demonstration plan sponsor shall participate in the certification process and have the demonstration plans offered by such plan sponsor certified in accordance with this subpart.

(b) EFFECT OF MERGERS OR PURCHASE.—

(1) CERTIFIED PLANS.—Where 2 or more demonstration plan sponsors offering certified demonstration plans are merged or where 1 such plan sponsor is purchased by another plan sponsor, the resulting plan sponsor may continue to operate and enroll individuals for coverage under the demonstration plan as if the demonstration plan involved were certified. The certification of any resulting demonstration plan shall be reviewed by the applicable certifying entity to ensure the continued compliance of the contract with the certification criteria.

(2) NONCERTIFIED PLANS.—The certification of a demonstration plan shall be terminated upon the merger of the demonstration plan sponsor involved or the purchase of the plan sponsor by another entity that does not offer any certified demonstration plans. Any demonstration plans offered through the resulting plan sponsor may reapply for certification after the completion of the merger or purchase.

(c) TRANSITION FOR NEW PLANS.—

(1) IN GENERAL.—A demonstration plan that has not provided health insurance coverage to individuals prior to the effective date of this Act shall be permitted to contract with the Director and operate and enroll individuals under a demonstration plan without being certified for the 2-year period beginning on the date on which such demonstration plan sponsor enrolls the first individual in the demonstration plan. Such demonstration plan must be certified in order to continue to provide coverage under the contract after such period.

(2) LIMITATION.—A new demonstration plan described in paragraph (1) shall, during the period referred to in paragraph (1) prior to certification, comply with the minimum criteria developed by the Director under section 5044F(a)(1).

SEC. 5044G. LICENSING OF CERTIFICATION ENTITIES.

(a) IN GENERAL.—The Director shall develop procedures for the licensing of entities to certify demonstration plans under this subpart.

(b) REQUIREMENTS.—The procedures developed under subsection (a) shall ensure that—

(1) to be licensed under this section a certification entity shall apply the requirements of this subpart to demonstration plans seeking certification;

(2) a certification entity has procedures in place to suspend or revoke the certification of a demonstration plan that is failing to comply with the certification requirements; and

(3) the Director will give priority to licensing entities that are accrediting health plans that contract with the Director on the date of enactment of this Act.

SEC. 5044H. CERTIFICATION CRITERIA.

(a) ESTABLISHMENT.—The Director shall establish minimum criteria under this section to be used by licensed certifying entities in the certification of demonstration plans under this subpart.

(b) REQUIREMENTS.—Criteria established by the Director under subsection (a) shall require that, in order to be certified, a demonstration plan shall comply at a minimum with the following:

(1) QUALITY IMPROVEMENT PLAN.—The demonstration plan shall implement a total quality improvement plan that is designed to improve the clinical and administrative processes of the demonstration plan on an ongoing basis and demonstrate that improvements in the quality of items and services provided under the demonstration plan have occurred as a result of such improvement plan.

(2) PROVIDER CREDENTIALS.—The demonstration plan shall compile and annually provide to the licensed certifying entity documentation concerning the credentials of the hospitals, physicians, and other health care professionals reimbursed under the demonstration plan.

(3) COMPARATIVE INFORMATION.—The demonstration plan shall compile and provide, as requested by the Secretary of Health and Human Services, to the such Secretary the information necessary to develop a comparative report.

(4) ENCOUNTER DATA.—The demonstration plan shall maintain patient encounter data in accordance with standards established by the Institute, and shall provide these data, as requested by the Institute, to the Institute in support of conducting the analysis described in section 5044B(c)(4).

(5) OTHER REQUIREMENTS.—The demonstration plan shall comply with other requirements authorized under this subpart and implemented by the Director.

SEC. 5044I. GRIEVANCE AND APPEALS.

The Director shall develop grievance and appeals procedures under which a demonstration plan that is denied certification under this subpart may appeal such denial to the Director.

On page 434, line 17, insert ''county in a'' after ''residing in a''.

On page 434, line 21, insert ''or a rural county that is not adjacent to a Metropolitan Statistical Area'' after ''254e(a)(1)(A))''.

On page 515, strike line 5 through 7, and insert the following:

SEC. 5331. EXTENSION OF COST LIMITS.

On page 515, line 14, beginning with '', increased by'' strike all through ''data'' on line 18.

On page 519, line 7, strike ''October'' and insert ''July''.

On page 527, lines 22 and 23, strike '', PERCENTAGE, AND HISTORICAL TREND FACTOR'' and insert '' AND PERCENTAGE''.

On page 578, line 20, insert ''V66.2,'' after ''V66.1,''.

On page 636, strike lines 1 and 2, and insert:

SEC. 5505. IMPLEMENTATION OF RESOURCE-BASED METHODOLOGIES.

On page 636, lines 18 through 20, strike ''primary care services provided in an office setting'' and insert ''office visit procedure codes''.

On page 637, beginning with line 19, strike all through page 638, line 14, and insert:

(b) DELAY OF IMPLEMENTATION TO 1999; PHASEIN OF IMPLEMENTATION.—Section 1848(c)(2) (42 U.S.C. 1395w–4(c)(2)), as amended by subsection (a), is amended—

(1) in subparagraph (C)(ii)—

(A) by striking ''1998'' each place it appears and inserting ''1999'', and

(B) by inserting '', to the extent provided under subparagraph (H),'' after ''based'' in the matter following subclause (II), and

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

''(H) 3-YEAR ADDITIONAL PHASEIN OF RESOURCE-BASED PRACTICE EXPENSE UNITS.—Notwithstanding subparagraph (C)(ii), the Secretary shall implement the resource-based practice expense unit methodology described in such subparagraph ratably over the 3-year period beginning with 1999 such that such methodology is fully implemented for 2001 and succeeding years.''.

On page 640, between lines 12 and 13, insert:

(e) APPLICATION OF RESOURCE-BASED METHODOLOGY TO MALPRACTICE RELATIVE VALUE UNITS.—Section 1848(c)(2)(C)(iii) (42 U.S.C. 1395w–4(c)(2)(C)(iii)) is amended—

(1) by inserting ''for years before 1999'' before ''equal'', and

(2) by striking the period at the end and inserting a comma and by adding at the end the following flush matter:

''and for years beginning with 1999 based on the malpractice expense resources involved in furnishing the service''.

On page 640, line 13, strike lines 13 through 15, and insert:

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to years beginning on and after January 1, 1998.

(2) MALPRACTICE.—The amendments made by subsection (e) shall apply to years beginning on and after January 1, 1999.

On page 647, beginning with line 6, strike all through page 653, line 19.

On page 668, beginning with line 24, strike all through page 669, line 3, and insert:

''(2)(A) In the case of a drug or biological for which payment was under this part on May 1, 1997, the amount determined under paragraph (1) for any drug or biological shall not exceed—

''(i) in the case of 1998, the amount of the payment under this part on May 1, 1997, and

''(ii) in the case of 1999 and each succeeding year, the amount determined under this subparagraph for the previous year, increased by the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year.

''(B) In the case of a drug or biological not described in subparagraph (A), the amount determined under paragraph (1) for any year following the first year for which payment is made under this part for such drug or biological shall not exceed the amount payable under this part (after application of this subparagraph) for the previous year, increased by the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year.''

On page 669, line 9, strike the end quotation marks.

On page 669, between lines 9 and 10, insert:

''(4) The Secretary shall conduct such studies or surveys as are necessary to determine the average wholesale price (and such other price as the Secretary determines appropriate) of any drug or biological for purposes of paragraph (1). The Secretary shall, not later than 6 months after the date of the enactment of this subsection, report to the appropriate committees of Congress the results of the studies and surveys conducted under this paragraph.''

On page 669, line 12, strike ''1999'' and insert ''1998''.

On page 768, line 2, strike ''the provider'' and insert ''a provider or managed care entity (as defined in section 1950(a)(1)''.

On page 768, line 5, insert ''or managed care entity (as defined in section 1950(a)(1)'' after ''a provider''.

On page 771, line 9, insert '', and as approved by the Secretary'' after ''DSH''.

On page 771, line 14, strike ''services provided by'' and insert ''payments to''.

On page 771, line 18, insert '', and as approved by the Secretary'' after ''DSH''.

On page 773, line 9, insert '', and as approved by the Secretary'' after ''DSH''.

On page 773, line 17, strike ''services provided by'' and insert ''payments to''.

On page 773, line 22, insert '', and as approved by the Secretary'' after ''DSH''.

On page 775, line 2, strike ''services provided by'' and insert ''payments to''.

On page 775, line 6, insert ", and as approved by the Secretary" after "health DSH".

On page 777, line 13, strike "during fiscal year 1995" and insert "that are attributable to the fiscal year 1995 DSH allotment,".

On page 778, strike lines 14 through 18 and insert the following:

"(A) the total State DSH expenditures that are attributable to fiscal year 1995 for payments to institutions for mental diseases and other mental health facilities (based on reporting data specified by the State on HCFA Form 64 as mental health DSH, and as approved by the Secretary); or"

On page 778, line 24, strike "services provided by" and insert "payments to".

On page 779, line 3, insert ", and as approved by the Secretary" after "DSH".

On page 779, line 20, strike "services provided by" and insert "payments to".

On page 820, strike lines 21 through 24 and insert the following:

"(6) Any cost-sharing imposed under this subsection may not be included in determining the amount of the State percentage required for reimbursement of expenditures under a State plan under this title.

"(7) In this subsection, the term 'cost-sharing' includes copayments, deductibles, coinsurance, enrollment fees, premiums, and other charges for the provision of health care services.".

On page 846, line 2, strike "and".

On page 846, line 13, strike the period and insert "; and".

On page 846, between lines 13 and 14, insert the following:

"(C) satisfies the maintenance of effort requirement described in section 2105(c)(5).".

On page 849, strike lines 13 through 15, and insert the following:

"(B) for each of fiscal years 1999 and 2000, $3,200,000,000;

"(C) for fiscal year 2001, $3,600,000,000;

"(D) for fiscal year 2002, $3,500,000,000;"

On page 849, line 17, strike "(D)" and insert "(E)".

On page 856, line 11, insert "Federal and State incurred" after "the".

On page 856, line 18, insert "Federal and State incurred" after "the".

On page 856, line 20, insert "children covered at State option among" after "for".

On page 856, line 23, insert "Federal and State incurred" after "the".

On page 856, line 25, insert "children covered at State option among" after "for".

On page 860, strike lines 1 through 10 and insert the following:

"(c) PROHIBITION ON USE OF FUNDS.—No funds provided under this title may be used to provide health insurance coverage for—

"(1) families of State public employees; or

"(2) children who are committed to a penal institution."

On page 860, line 14, strike "title." and insert "title (as described in section 2101), and any health insurance coverage provided with such funds may include coverage of abortion only if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest."

On page 863, strike lines 1 through 23 and insert the following:

"(4) Section 1128 (relating to exclusion from individuals and entities from participation in State health care plans).

"(5) Section 1128A (relating to civil monetary penalties).

"(6) Section 1128B (relating to criminal penalties for certain additional charges).

"(7) Section 1132 (relating to periods within which claims must be filed).

"(8) Section 1902(a)(4)(C) (relating to conflict of interest standards).

"(9) Section 1903(i) (relating to limitations on payment).

"(10) Section 1903(w) (relating to limitations on provider taxes and donations).

"(11) Subparagraph (B) in the matter following section 1905(a)(25) (relating to the exclusion of care or services for any individual who has not attained 65 years of age and who is a patient in an institution for mental diseases from the definition of medical assistance).

"(12) Section 1921 (relating to state licensure authorities).

"(13) Sections 1902(a)(25), 1912(a)(1)(A), and 1903(o) (insofar as such sections relate to third party liability)."

Section 403(a)(5) of the Social Security Act, as added by section 5821, is amended—

(1) by striking "amounts reserved pursuant to subparagraphs (F) and (G)" each place it appears and inserting "amounts reserved pursuant to subparagraphs (E), (F), and (G)"; and

(2) in subparagraph (A)(i), by adding at the end the following flush sentence:

"The Secretary shall make pro rata reductions in the amounts otherwise payable to States under this paragraph as necessary so that grants under this paragraph do not exceed the available amount, as defined in clause (iv)."

On page 834, strike "and" on lines 6, 18 and 25, and strike lines 7 and 19.

On page 835, strike lines 1, 9 and 17, and strike "and" on lines 8 and 16.

KERREY AMENDMENT NO. 432

(Ordered to lie on the table.)

Mr. KERREY submitted an amendment intended to be proposed by him to the bill, S. 947, supra; as follows:

At the appropriate place in the bill insert the following:

SEC. . RESERVE PRICE.

In any auction conducted or supervised by the Federal Communications Commission (hereinafter the Commission) for any license, permit or right which has value, a reasonable reserve price shall be set by the Commission for each unit in the auction. The reserve price shall establish a minimum bid for the unit to be auctioned. If no bid is received above the reserve price for a unit, the unit shall be retained. The Commission shall reassess the reserve price for that unit and place the unit in the next scheduled or next appropriate auction.

THE CIVIL RIGHTS ACT OF 1997

MCCONNELL (AND OTHERS) AMENDMENT NO. 433

(Ordered referred to the Committee on the Judiciary.)

Mr. MCCONNELL (for himself, Mr. HATCH, Mr. KYL, and Mr. SESSIONS) submitted an amendment intended to be proposed by them to the bill (S. 952) to establish a Federal cause of action for discrimination and preferential treatment in Federal actions on the basis of race, color, national origin, or sex, and for other purposes; as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Civil Rights Act of 1997".

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—Congress finds that—

(1) the fifth and fourteenth amendments to the Constitution guarantee that all individuals are entitled to equal protection of the laws, regardless of race, color, national origin, or sex;

(2) the Supreme Court, in Adarand Constructors, Inc. v. Pena, 515 U.S. 200 (1995), recently affirmed that this guarantee of equality applies to Federal actions;

(3) the Federal Government currently conducts over 150 programs, including contracting programs, that grant preferences based on race, color, national origin, or sex; and

(4) the Federal Government also grants preferences in employment based on race, color, national origin, or sex.

(b) PURPOSE.—The purpose of this Act is to provide for equal protection of the laws and to prohibit discrimination and preferential treatment in the Federal Government on the basis of race, color, national origin, or sex.

SEC. 3. PROHIBITION AGAINST DISCRIMINATION AND PREFERENTIAL TREATMENT.

Notwithstanding any other provision of law, neither the Federal Government nor any officer, employee, or agent of the Federal Government shall—

(1) intentionally discriminate against, or grant a preference to, any person or group based in whole or in part on race, color, national origin, or sex, in connection with—

(A) a Federal contract or subcontract;

(B) Federal employment; or

(C) any other federally conducted program or activity; or

(2) require or encourage a Federal contractor or subcontractor, or the recipient of a license or financial assistance, to discriminate intentionally against, or grant a preference to, any person or group based in whole or in part on race, color, national origin, or sex, in connection with any Federal contract or subcontract or Federal license or financial assistance.

SEC. 4. AFFIRMATIVE ACTION PERMITTED.

This Act does not prohibit or limit any effort by the Federal Government or any officer, employee, or agent of the Federal Government—

(1) to encourage businesses owned by women and minorities to bid for Federal contracts or subcontracts, to recruit qualified women and minorities into an applicant pool for Federal employment, or to encourage participation by qualified women and minorities in any other federally conducted program or activity, if such recruitment or encouragement does not involve granting a preference, based in whole or in part on race, color, national origin, or sex, in selecting any person for the relevant employment, contract or subcontract, benefit, opportunity, or program; or

(2) to require or encourage any Federal contractor, subcontractor, or recipient of a Federal license or Federal financial assistance to recruit qualified women and minorities into an applicant pool for employment, or to encourage businesses owned by women and minorities to bid for Federal contracts or subcontracts, if such requirement or encouragement does not involve granting a preference, based in whole or in part on race, color, national origin, or sex, in selecting any individual for the relevant employment, contract or subcontract, benefit, opportunity, or program.

SEC. 5. CONSTRUCTION.

(a) HISTORICALLY BLACK COLLEGES AND UNIVERSITIES.—Nothing in this Act shall be construed to prohibit or limit any act that is designed to benefit an institution that is an historically Black college or university on the basis that the institution is an historically Black college or university.

(b) INDIAN TRIBES.—This Act does not prohibit any action taken—

(1) pursuant to a law enacted under the constitutional powers of Congress relating to the Indian tribes; or

(2) under a treaty between an Indian tribe and the United States.

(c) CERTAIN SEX-BASED CLASSIFICATIONS.—This Act does not prohibit or limit any classification based on sex if—

(1) the classification is applied with respect to employment and the classification would be exempt from the prohibitions of title VII of the Civil Rights Act of 1964 by reason of section 703(e)(1) of such Act (42 U.S.C. 2000e–2(e)(1)); or

(2) the classification is applied with respect to a member of the Armed Forces pursuant to statute, direction of the President or Secretary of Defense, or Department of Defense policy.

(d) IMMIGRATION AND NATIONALITY LAWS.—This Act does not affect any law governing immigration or nationality, or the administration of any such law.

SEC. 6. COMPLIANCE REVIEW OF POLICIES AND REGULATIONS.

Not later than 1 year after the date of enactment of this Act, the head of each department or agency of the Federal Government, in consultation with the Attorney General, shall review all existing policies and regulations that such department or agency head is charged with administering, modify such policies and regulations to conform to the requirements of this Act, and report to the Committee on the Judiciary of the House of Representatives and the Committee on the Judiciary of the Senate the results of the review and any modifications to the policies and regulations.

SEC. 7. REMEDIES.

(a) IN GENERAL.—Any person aggrieved by a violation of section 3 may, in a civil action, obtain appropriate relief (which may include back pay). A prevailing plaintiff in a civil action under this section shall be awarded a reasonable attorney's fee as part of the costs.

(b) CONSTRUCTION.—This section does not affect any remedy available under any other law.

SEC. 8. EFFECT ON PENDING MATTERS.

(a) PENDING CASES.—This Act does not affect any case pending on the date of enactment of this Act.

(b) PENDING CONTRACTS AND SUBCONTRACTS.—This Act does not affect any contract or subcontract in effect on the date of enactment of this Act, including any option exercised under such contract or subcontract before or after such date of enactment.

SEC. 9. DEFINITIONS.

In this Act, the following definitions apply:

(1) FEDERAL GOVERNMENT.—The term ''Federal Government'' means executive and legislative branches of the Government of the United States.

(2) PREFERENCE.—The term ''preference'' means an advantage of any kind, and includes a quota, set-aside, numerical goal, timetable, or other numerical objective.

(3) HISTORICALLY BLACK COLLEGE OR UNIVERSITY.—The term ''historically Black college or university'' means a part B institution, as defined in section 322(2) of the Higher Education Act of 1965 (20 U.S.C. 1061(2)).

THE BALANCED BUDGET ACT OF 1997

ROTH (AND MOYNIHAN) AMENDMENT NO. 434

Mr. ROTH (for himself and Mr. MOYNIHAN) proposed an amendment to the bill, S. 947, supra; as follows:

Strike section 5542 and insert the following:

SEC. 5542. INCOME-RELATED REDUCTION IN MEDICARE SUBSIDY.

(a) IN GENERAL.—Section 1839 (42 U.S.C. 1395r) is amended by adding at the end the following:

''(h)(1) Notwithstanding the previous subsections of this section, in the case of an individual whose modified adjusted gross income for a taxable year ending with or within a calendar year (as initially determined by the Secretary in accordance with paragraph (3)) exceeds the threshold amount described in paragraph (5)(B), the Secretary shall increase the amount of the monthly premium for months in the calendar year by an amount equal to the difference between—

''(A) 200 percent of the monthly actuarial rate for enrollees age 65 and over as determined under subsection (a)(1) for that calendar year; and

''(B) the total of the monthly premiums paid by the individual under this section (determined without regard to subsection (b)) during such calendar year.

''(2) In the case of an individual described in paragraph (1) whose modified adjusted gross income exceeds the threshold amount by less than $50,000, the amount of the increase in the monthly premium applicable under paragraph (1) shall be an amount which bears the same ratio to the amount of the increase described in paragraph (1) (determined without regard to this paragraph) as such excess bears to $50,000.

''(3) The Secretary shall make an initial determination of the amount of an individual's modified adjusted gross income for a taxable year ending with or within a calendar year for purposes of this subsection as follows:

''(A) Not later than September 1 of the year preceding the year, the Secretary shall provide notice to each individual whom the Secretary finds (on the basis of the individual's actual modified adjusted gross income for the most recent taxable year for which such information is available or other information provided to the Secretary by the Secretary of the Treasury) will be subject to an increase under this subsection that the individual will be subject to such an increase, and shall include in such notice the Secretary's estimate of the individual's modified adjusted gross income for the year.

''(B) If, during the 30-day period beginning on the date notice is provided to an individual under subparagraph (A), the individual provides the Secretary with information on the individual's anticipated modified adjusted gross income for the year, the amount initially determined by the Secretary under this paragraph with respect to the individual shall be based on the information provided by the individual.

''(C) If an individual does not provide the Secretary with information under subparagraph (B), the amount initially determined by the Secretary under this paragraph with respect to the individual shall be the amount included in the notice provided to the individual under subparagraph (A).

''(4)(A) If the Secretary determines (on the basis of final information provided by the Secretary of the Treasury) that the amount of an individual's actual modified adjusted gross income for a taxable year ending with or within a calendar year is less than or greater than the amount initially determined by the Secretary under paragraph (3), the Secretary shall increase or decrease the amount of the individual's monthly premium under this section (as the case may be) for months during the following calendar year by an amount equal to 1/12 of the difference between—

''(i) the total amount of all monthly premiums paid by the individual under this section during the previous calendar year; and

''(ii) the total amount of all such premiums which would have been paid by the individual during the previous calendar year if the amount of the individual's modified adjusted gross income initially determined under paragraph (3) were equal to the actual amount of the individual's modified adjusted gross income determined under this paragraph.

''(B)(i) In the case of an individual for whom the amount initially determined by the Secretary under paragraph (3) is based on information provided by the individual under subparagraph (B) of such paragraph, if the Secretary determines under subparagraph (A) that the amount of the individual's actual modified adjusted gross income for a taxable year is greater than the amount initially determined under paragraph (3), the Secretary shall increase the amount otherwise determined for the year under subparagraph (A) by interest in an amount equal to the sum of the amounts determined under clause (ii) for each of the months described in clause (ii).

''(ii) Interest shall be computed for any month in an amount determined by applying the underpayment rate established under section 6621 of the Internal Revenue Code of 1986 (compounded daily) to any portion of the difference between the amount initially determined under paragraph (3) and the amount determined under subparagraph (A) for the period beginning on the first day of the month beginning after the individual provided information to the Secretary under subparagraph (B) of paragraph (3) and ending 30 days before the first month for which the individual's monthly premium is increased under this paragraph.

''(iii) Interest shall not be imposed under this subparagraph if the amount of the individual's modified adjusted gross income provided by the individual under subparagraph (B) of paragraph (3) was not less than the individual's modified adjusted gross income determined on the basis of information shown on the return of tax imposed by chapter 1 of the Internal Revenue Code of 1986 for the taxable year involved.

''(C) In the case of an individual who is not enrolled under this part for any calendar year for which the individual's monthly premium under this section for months during the year would be increased pursuant to subparagraph (A) if the individual were enrolled under this part for the year, the Secretary may take such steps as the Secretary considers appropriate to recover from the individual the total amount by which the individual's monthly premium for months during the year would have been increased under subparagraph (A) if the individual were enrolled under this part for the year.

''(D) In the case of a deceased individual for whom the amount of the monthly premium under this section for months in a year would have been decreased pursuant to subparagraph (A) if the individual were not deceased, the Secretary shall make a payment to the individual's surviving spouse (or, in the case of an individual who does not have a surviving spouse, to the individual's estate) in an amount equal to the difference between—

''(i) the total amount by which the individual's premium would have been decreased for all months during the year pursuant to subparagraph (A); and

''(ii) the amount (if any) by which the individual's premium was decreased for months during the year pursuant to subparagraph (A).

''(5) In this subsection, the following definitions apply:

''(A) The term 'modified adjusted gross income' means adjusted gross income (as defined in section 62 of the Internal Revenue Code of 1986)—

''(i) determined without regard to sections 135, 911, 931, and 933 of such Code, and

''(ii) increased by the amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax under such Code.

''(B) The term 'threshold amount' means—

''(i) except as otherwise provided in this paragraph, $50,000,

''(ii) $75,000, in the case of a joint return (as defined in section 7701(a)(38) of such Code), and

''(iii) zero in the case of a taxpayer who—

''(I) is married at the close of the taxable year but does not file a joint return (as so defined) for such year, and

''(II) does not live apart from his spouse at all times during the taxable year.

''(6)(A) The Secretary shall transfer amounts received pursuant to this subsection to the Federal Hospital Insurance Trust Fund.

''(B) In applying section 1844(a), amounts attributable to clause (i) shall not be counted in determining the dollar amount of the premium per enrollee under paragraph (1)(A) or (1)(B).''.

(b) CONFORMING AMENDMENTS.—(1) Section 1839 (42 U.S.C. 1395r) is amended—

(A) in subsection (a)(2), by inserting ''or section subsection (h)'' after ''subsections (b) and (e)'';

(B) in subsection (a)(3) of section 1839(a), by inserting ''or subsection (h)'' after ''subsection (e)'';

(C) in subsection (b), inserting ''(and as increased under subsection (h))'' after ''subsection (a) or (e)''; and

(D) in subsection (f), by striking ''if an individual'' and inserting the following: ''if an individual (other than an individual subject to an increase in the monthly premium under this section pursuant to subsection (h))''.

(2) Section 1840(c) (42 U.S.C. 1395r(c)) is amended by inserting ''or an individual determines that the estimate of modified adjusted gross income used in determining whether the individual is subject to an increase in the monthly premium under section 1839 pursuant to subsection (h) of such section (or in determining the amount of such increase) is too low and results in a portion of the premium not being deducted,'' before ''he may''.

(c) REPORTING REQUIREMENTS FOR SECRETARY OF THE TREASURY.—

(1) IN GENERAL.—Subsection (l) of section 6103 of the Internal Revenue Code of 1986 (relating to confidentiality and disclosure of returns and return information) is amended by adding at the end the following new paragraph:

''(16) DISCLOSURE OF RETURN INFORMATION TO CARRY OUT INCOME-RELATED REDUCTION IN MEDICARE PART B PREMIUM.—

''(A) IN GENERAL.—The Secretary may, upon written request from the Secretary of Health and Human Services, disclose to officers and employees of the Health Care Financing Administration return information with respect to a taxpayer who is required to pay a monthly premium under section 1839 of the Social Security Act. Such return information shall be limited to—

''(i) taxpayer identity information with respect to such taxpayer,

''(ii) the filing status of such taxpayer,

''(iii) the adjusted gross income of such taxpayer,

''(iv) the amounts excluded from such taxpayer's gross income under sections 135 and 911,

''(v) the interest received or accrued during the taxable year which is exempt from the tax imposed by chapter 1 to the extent such information is available, and

''(vi) the amounts excluded from such taxpayer's gross income by sections 931 and 933 to the extent such information is available.

''(B) RESTRICTION ON USE OF DISCLOSED INFORMATION.—Return information disclosed under subparagraph (A) may be used by officers and employees of the Health Care Financing Administration only for the purposes of, and to the extent necessary in, establishing the appropriate monthly premium under section 1839 of the Social Security Act.''

(2) CONFORMING AMENDMENT.—Paragraphs (3)(A) and (4) of section 6103(p) of such Code are each amended by striking ''or (15)'' each place it appears and inserting ''(15), or (16)''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by subsections (a) and (b) shall apply to the monthly premium under section 1839 of the Social Security Act for months beginning with January 1998.

(2) INFORMATION FOR PRIOR YEARS.—The Secretary of Health and Human Services may request information under section 6013(l)(16) of the Social Security Act (as added by subsection (c)) for taxable years beginning after December 31, 1994.

SEC. 5543. DEMONSTRATION PROJECT ON INCOME-RELATED PART B DEDUCTIBLE.

(a) ESTABLISHMENT OF PROJECT.—

(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary of Health and Human Services (in this section referred to as the ''Secretary'') shall conduct a demonstration project (in this section referred to as the ''project'') in which individuals otherwise responsible for an income-related premium by reason of section 1839(h) of the Social Security Act (42 U.S.C. 1395r(h)) (as added by section 5542 of this Act) would instead be responsible for an income-related deductible using the same income limits and administrative procedures provided for in such section 1839(h).

(2) SITES.—The Secretary shall conduct the project in a representative number of sites and shall include a sufficient number of individuals in the project to ensure that the project produces statistically satisfactory findings.

(3) PARTICIPATION.—

(A) IN GENERAL.—Participation in the project shall be on a voluntary basis.

(B) MEDIGAP.—No individual shall be eligible to participate in the project if such individual is covered under a medicare supplemental policy under section 1882 of the Social Security Act (42 U.S.C. 1395ss).

(4) CONSULTATION.—In conducting the project, the Secretary shall consult with appropriate organizations and experts.

(5) DURATION.—The project shall be conducted for a period not to exceed 5 years.

(b) WAIVER AUTHORITY.—The Secretary shall waive compliance with the requirements of titles XI, XVIII, and XIX of the Social Security Act (42 U.S.C. 1301 et seq., 1395 et seq., 1396 et seq.) to such extent and for such period as the Secretary determines is necessary to conduct the project.

(c) REPORTS TO CONGRESS.—

(1) IN GENERAL.—Not later than 2 and 5 years after the date of enactment of this Act, and biannually thereafter, the Secretary shall submit to Congress a report regarding the project.

(2) CONTENTS OF REPORT.—The reports in paragraph (1) shall include the following:

(A) A description of the demonstration projects conducted under this section.

(B) A description of the utilization and health care status of individuals participating in the project.

(C) Any other information regarding the project that the Secretary determines to be appropriate.

SEC. 5544. LOW-INCOME MEDICARE BENEFICIARY BLOCK GRANT PROGRAM.

(a) IN GENERAL.—Title XVIII (42 U.S.C. 1395 et seq.), as amended by section 5047, is amended by adding at the end the following:

''LOW-INCOME MEDICARE BENEFICIARY BLOCK GRANT PROGRAM

''SEC. 1898. (a) ESTABLISHMENT.—The Secretary shall establish a program to award block grants to States for the payment of medicare cost sharing described in section 1905(p)(3)(A)(ii) on behalf of eligible low-income medicare beneficiaries.

''(b) APPLICATION.—To be eligible to receive a block grant under this section, a State shall prepare and submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require.

''(c) PAYMENTS.—

''(1) AMOUNT OF GRANT.—From amounts appropriated under subsection (d) for a fiscal year, the Secretary shall award a grant to each State with an application approved under subsection (b), in an amount that bears the same ratio to such amounts as the total number of eligible low-income medicare beneficiaries in the State bears to the total number of eligible low-income medicare beneficiaries in all States.

''(2) 100 PERCENT FMAP.—Notwithstanding section 1905(b), the Federal medical assistance percentage for any State that receives a grant under this section shall be 100 percent.

''(d) APPROPRIATIONS.—

''(1) IN GENERAL.—The Secretary is authorized to transfer from the Federal Supplementary Medical Insurance Trust Fund under section 1841 for the purpose of carrying out this section, an amount equal to $200 million in FY 1998, $250 million in FY 1999, $300 million in FY 2000, $350 million in FY 2001, and $400 million in FY 2002, to remain available without fiscal year limitation.

''(2) STATE ENTITLEMENT.—This section constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided in accordance with the provisions of this section.

''(e) DEFINITIONS.—In this section:

''(1) ELIGIBLE LOW-INCOME MEDICARE BENEFICIARY.—The term 'eligible low-income medicare beneficiary' means an individual who is described in 1902(a)(10)(E)(iii) but whose family income is greater than or equal to 120 percent of the poverty line and does not exceed 150 percent of the poverty line for a family of the size involved.

''(2) STATE.—The term 'State' means each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.''.

HUTCHINSON AMENDMENTS NOS. 435–439

(Ordered to lie on the table.)

Mr. HUTCHINSON submitted five amendments intended to be proposed by him to the bill, S. 947, supra; as follows:

AMENDMENT NO. 435

On page 889, line 1, strike ''90'' and insert ''50''.

AMENDMENT NO. 436

On page 888, strike line 23 and insert the following:

''(VI) Work experience and community service programs, including the costs of administration and operation of such programs and benefits provided to participants.

''(VII) Self-Sufficiency First programs or other programs designed to reduce dependence by reducing the number of future entrants into the Temporary Assistance to Needy Families program.

''(ii) REQUIRED BENEFICIARIES.—Except with regard to funds expended on activities described in subclauses (VI) and (VII) of clause (i), an''.

AMENDMENT NO. 437

On page 947, between lines 2 and 3, insert the following:

(n) ADJUSTING THE MATCHING REQUIREMENT.—Section 409(a)(7)(B)(ii) (42 U.S.C. 609(a)(7)(B)(ii)) is amended by—

(1) striking ''80'' and inserting ''70''; and

(2) striking ''75'' and inserting ''65''.

AMENDMENT NO. 438

Beginning on page 929, strike line 20 and all that follows through line 14, page 930 and insert the following:

(k) CLARIFICATION OF NUMBER OF INDIVIDUALS COUNTED AS PARTICIPATING IN WORK ACTIVITIES.—Section 407(c)(2) (42 U.S.C. 607(c)(2)) is amended—

(1) by striking subparagraph (C); and

(2) in subparagraph (D)—

(A) in the heading, by striking ''OR BEING A TEEN HEAD OF HOUSEHOLD WHO MAINTAINS SATISFACTORY SCHOOL ATTENDANCE''; and

(B) by striking ''or deemed to be engaged in work by reason of subparagraph (C) of this paragraph''.

AMENDMENT NO. 439

Beginning on page 929, strike line 20 and all that follows through page 930, line 14 and insert the following:

(i) CLARIFICATION OF NUMBER OF INDIVIDUALS COUNTED AS PARTICIPATING IN WORK ACTIVITIES.—Section 407 (42 U.S.C. 607) is amended—.

(1) in subsection (c)—

(A) in paragraph (1)(A), by striking ''(8)''; and

(B) in paragraph (2)(D)—

(i) in the heading, by striking ''PARTICIPATION IN VOCATIONAL EDUCATION ACTIVITIES''; and

(ii) by striking ''determined to be engaged in work in the State for a month by reason of participation in vocational educational training or''; and

(2) by striking subsection (d)(8).

KENNEDY (AND MIKULSKI) AMENDMENT NO. 440

Mr. KENNEDY (for himself and Ms. MIKULSKI) proposed an amendment to the bill, S. 947, supra; as follows:

On page 1047, between lines 5 and 6, insert the following:

SEC. 6004. MEDICARE MEANS TESTING STANDARD APPLICABLE TO SENATORS' HEALTH COVERAGE UNDER THE FEHBP.

(a) PURPOSE.—The purpose of this section is to apply the Medicare means testing requirements for part B premiums to individuals with adjusted gross incomes in excess of $100,000 as enacted under section 5542 of this Act, to United States Senators with respect to their employee contributions under the Federal Employees Health Benefits Program.

(b) IN GENERAL.—Section 8906 of title 5, United States Code, is amended by adding at the end the following:

''(j) Notwithstanding any other provision of this section, each employee who is a Senator and is paid at an annual rate of pay exceeding $100,000 shall pay the employee contribution and the full amount of the Government contribution which applies under this section. The Secretary of the Senate shall deduct and withhold the contributions required under this section and deposit such contributions in the Employees Health Benefits Fund.''.

(c) EFFECTIVE DATE.—This section shall take effect on the first day of the first pay period beginning on or after the date of enactment of this Act.

GRASSLEY AMENDMENT NO. 441

(Ordered to lie on the table.)

Mr. GRASSLEY submitted an amendment intended to be proposed by him to the bill, S. 947, supra; as follows:

On page 689, between lines 2 and 3, insert the following:

''(iii) RELIGIOUS CHOICE.—The State, in permitting an individual to choose a managed care entity under clause (i) shall permit the individual to have access to appropriate faith-based facilities. With respect to such access, the State shall permit an individual to select a facility that is not a part of the network of the managed care entity if such network does not provide access to appropriate faith-based facilities. A faith-based facility that provides care under this clause shall accept the terms and conditions offered by the managed care entity to other providers in the network.

THE CHINA SANCTIONS AND HUMAN RIGHTS ADVANCEMENT ACT

COVERDELL (AND ABRAHAM) AMENDMENT NO. 442

(Ordered referred to the Committee on Foreign Relations.)

Mr. COVERDELL (for himself and Mr. ABRAHAM) submitted an amendment intended to be proposed by them to the bill, S. 810, to impose certain sanctions on the People's Republic of China, and for other purposes; as follows:

On page 18, below line 2, add the following:

SEC. 8. TRANSFERS OF SENSITIVE EQUIPMENT AND TECHNOLOGY BY THE PEOPLE'S REPUBLIC OF CHINA.

(a) FINDINGS.—Congress makes the following findings:

(1) Credible allegations exist that the People's Republic of China has transferred equipment and technology as follows:

(A) Gyroscopes, accelerometers, and test equipment for missiles to Iran.

(B) Chemical weapons equipment and technology to Iran.

(C) Missile guidance systems and computerized machine tools to Iran.

(D) Industrial furnace equipment and high technology diagnostic equipment to a nuclear facility in Pakistan.

(E) Blueprints and equipment to manufacture M–11 missiles to Pakistan.

(F) M–11 missiles and components to Pakistan.

(2) The Department of State has failed to determine whether most such transfers violate provisions of relevant United States and Executive orders relating to the proliferation of sensitive equipment and technology, including the Arms Export Control Act, the Nuclear Proliferation Prevention Act of 1994, the Export Administration Act of 1979, the Export-Import Bank Act of 1945, and the Iran-Iraq Arms Non-Proliferation Act of 1992, and Executive Order 12938.

(3) Where the Department of State has made such determinations, it has imposed the least onerous form of sanction, which significantly weakens the intended deterrent effect of the sanctions provided for in such laws.

(4) The Clinton Administration decided not to impose sanctions on the People's Republic of China for its transfer of C–802 anti-ship cruise missiles to Iran, finding that the transfer was not ''destabilizing''.

(5) That finding is contrary to the judgment of the commander of the United States Fifth Fleet, elements of which are frequently deployed in and around the Persian Gulf.

(6) Despite the fact that officials of the People's Republic of China were responsible for the sale to Pakistan of specialized ring magnets, which are used to enrich uranium for use in nuclear weapons, the Clinton Administration did not impose sanctions on either the People's Republic of China or Pakistan for such sale, even though sanctions are required for such sale under law.

(b) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) the transfers of equipment and technology by the People's Republic of China described in subsection (a)(1) pose a threat to the national security interests of the United States;

(2) the failure of the Clinton Administration to initiate a formal process to determine whether to impose sanctions for such transfers under United States laws intended to halt the proliferation of sensitive equipment and technology contributes to the threat posed to the national security interests of the United States by the proliferation of such equipment and technology; and

(3) the President should immediately initiate the procedures necessary to determine whether sanctions should be imposed under United States law for such transfers.

(c) REPORT.—Not later than 60 days after the date of enactment of this Act, the President shall submit to Congress a report, in both classified and unclassified form, setting forth—

(1) the date, if any, of the commencement and of the conclusion of each formal process conducted by the Department of State to determine whether to impose sanctions for each transfer described in subsection (a)(1);

(2) the facts providing the basis for each determination not to impose sanctions on the Government of the People's Republic of China, or entities within or having a relationship with that government, for each transfer, and the legal analysis supporting such determinations; and

(3) a schedule for initiating a formal process described in paragraph (10 for each transfer not yet addressed by such formal process and an explanation for the failure to commence such formal process with respect to such transfer before the date of the report.

THE BALANCED BUDGET ACT OF 1997

JEFFORDS AMENDMENT NO. 443

(Ordered to lie on the table.)

Mr. JEFFORDS submitted an amendment intended to be proposed by him to the bill, S. 947, supra; as follows:

At the end of section 1839(h) of the Social Security Act, as added by section 5542(a) of the bill, strike the end quotation marks and insert the following:

''(7) UPDATE.—The Secretary shall adjust annually (after 1998) the dollar amount set forth—

''(A) in paragraph (5)(B)(i) under procedures providing for adjustments in the same

manner and to the same extent as adjustments are provided for under the procedures used to adjust benefit amounts under section 215(i)(2)(A), except that any amount so adjusted that is not a multiple of $100 shall be rounded to the nearest lowest multiple of $100; and

''(B) in paragraph (5)(B)(ii) to an amount that is equal to 150 percent of the dollar amount set forth in paragraph (5)(B)(i) after the adjustment made in subparagraph (A).''.

GRAMM AMENDMENT NO. 444

Mr. GRAMM proposed an amendment to the bill, S. 947, supra; as follows:

On page 947, between lines 2 and 3, insert the following:

(n) FAILURE TO SATISFY MINIMUM PARTICIPATION RATES.—Section 409(a)(3) (42 U.S.C. 609(a)(3)) is amended—

(1) in subparagraph (A), by striking ''not more than''; and

(2) in subparagraph (C), by inserting before the period the following: ''or in the noncompliance is due to extraordinary circumstances such as a natural disaster or regional recession. The Secretary shall provide a written report to Congress to justify any waiver or penalty reduction due to such extraordinary circumstances''.

REED AMENDMENT NO. 445

Mr. REED proposed an amendment to the bill, S. 947, supra; as follows:

Strike division 1 of title V and insert the following:

DIVISION 1—MEDICARE

Subtitle A—Medicare Choice Program

CHAPTER 1—MEDICARE CHOICE PROGRAM

SEC. 5001. ESTABLISHMENT OF MEDICARE CHOICE PROGRAM.

Title XVIII is amended by redesignating part C as part D and by inserting after part B the following new part:

''PART C—MEDICARE CHOICE PROGRAM

''ELIGIBILITY, ELECTION, AND ENROLLMENT

''SEC. 1851. (a) CHOICE OF MEDICARE BENEFITS THROUGH MEDICARE CHOICE PLANS.—

''(1) IN GENERAL.—Subject to the provisions of this section, each Medicare Choice eligible individual (as defined in paragraph (3)) is entitled to elect to receive benefits under this title—

''(A) through the traditional medicare fee-for-service program under parts A and B, or

''(B) through enrollment in a Medicare Choice plan under this part.

''(2) TYPES OF MEDICARE CHOICE PLANS THAT MAY BE AVAILABLE.—A Medicare Choice plan may be any of the following types of plans of health insurance:

''(A) FEE-FOR-SERVICE PLANS.—A plan that reimburses hospitals, physicians, and other providers on the basis of a privately determined fee schedule or other basis.

''(B) PLANS OFFERED BY PREFERRED PROVIDER ORGANIZATIONS.—A Medicare Choice plan offered by a preferred provider organization.

''(C) POINT OF SERVICE PLANS.—A point of service plan.

''(D) PLANS OFFERED BY PROVIDER-SPONSORED ORGANIZATION.—A Medicare Choice plan offered by a provider-sponsored organization, as defined in section 1855(e).

''(E) PLANS OFFERED BY HEALTH MAINTENANCE ORGANIZATIONS.—A Medicare Choice plan offered by a health maintenance organization.

''(F) OTHER HEALTH CARE PLANS.—Any other private plan for the delivery of health care items and services that is not described in a preceding subparagraph.

''(3) MEDICARE CHOICE ELIGIBLE INDIVIDUAL.—

''(A) IN GENERAL.—In this title, subject to subparagraph (B), the term 'Medicare Choice eligible individual' means an individual who is entitled to benefits under part A and enrolled under part B.

''(B) SPECIAL RULE FOR END-STAGE RENAL DISEASE.—Such term shall not include an individual medically determined to have end-stage renal disease, except that an individual who develops end-stage renal disease while enrolled in a Medicare Choice plan may continue to be enrolled in that plan.

''(b) Residence requirement.—

''(1) IN GENERAL.—Except as the Secretary may otherwise provide, an individual is eligible to elect a Medicare Choice plan offered by a Medicare Choice organization only if the plan serves the geographic area in which the individual resides.

''(2) CONTINUATION OF ENROLLMENT PERMITTED.—Pursuant to rules specified by the Secretary, the Secretary shall provide that an individual may continue enrollment in a plan, notwithstanding that the individual no longer resides in the service area of the plan, so long as the plan provides benefits for enrollees located in the area in which the individual resides.

''(c) PROCESS FOR EXERCISING CHOICE.—

''(1) IN GENERAL.—The Secretary shall establish a process through which elections described in subsection (a) are made and changed, including the form and manner in which such elections are made and changed. Such elections shall be made or changed as provided in subsection (e) and shall become effective as provided in subsection (f).

''(2) COORDINATION THROUGH MEDICARE CHOICE ORGANIZATIONS.—

''(A) ENROLLMENT.—Such process shall permit an individual who wishes to elect a Medicare Choice plan offered by a Medicare Choice organization to make such election through the filing of an appropriate election form with the organization.

''(B) DISENROLLMENT.—Such process shall permit an individual, who has elected a Medicare Choice plan offered by a Medicare Choice organization and who wishes to terminate such election, to terminate such election through the filing of an appropriate election form with the organization.

''(3) DEFAULT.—

''(A) INITIAL ELECTION.—

''(i) IN GENERAL.—Subject to clause (ii), an individual who fails to make an election during an initial election period under subsection (e)(1) is deemed to have chosen the traditional medicare fee-for-service program option.

''(ii) SEAMLESS CONTINUATION OF COVERAGE.—The Secretary may establish procedures under which an individual who is enrolled in a health plan (other than Medicare Choice plan) offered by a Medicare Choice organization at the time of the initial election period and who fails to elect to receive coverage other than through the organization is deemed to have elected the Medicare Choice plan offered by the organization (or, if the organization offers more than one such plan, such plan or plans as the Secretary identifies under such procedures).

''(B) CONTINUING PERIODS.—An individual who has made (or is deemed to have made) an election under this section is considered to have continued to make such election until such time as—

''(i) the individual changes the election under this section, or

''(ii) the Medicare Choice plan with respect to which such election is in effect is discontinued.

''(d) PROVIDING INFORMATION TO PROMOTE INFORMED CHOICE.—

''(1) IN GENERAL.—The Secretary shall provide for activities under this subsection to broadly disseminate information to medicare beneficiaries (and prospective medicare beneficiaries) on the coverage options provided under this section in order to promote an active, informed selection among such options.

''(2) PROVISION OF NOTICE.—

''(A) OPEN SEASON NOTIFICATION.—At least 15 days before the beginning of each annual, coordinated election period (as defined in subsection (e)(3)(B)), the Secretary shall mail to each Medicare Choice eligible individual residing in an area the following:

''(i) GENERAL INFORMATION.—The general information described in paragraph (3).

''(ii) LIST OF PLANS AND COMPARISON OF PLAN OPTIONS.—A list identifying the Medicare Choice plans that are (or will be) available to residents of the area and information described in paragraph (4) concerning such plans. Such information shall be presented in a comparative, chart-like form.

''(iii) ADDITIONAL INFORMATION.—Any other information that the Secretary determines will assist the individual in making the election under this section.

The mailing of such information shall be coordinated with the mailing of any annual notice under section 1804.

''(B) NOTIFICATION TO NEWLY MEDICARE CHOICE ELIGIBLE INDIVIDUALS.—To the extent practicable, the Secretary shall, not later than 30 days before the beginning of the initial Medicare Choice enrollment period for an individual described in subsection (e)(1)(A), mail to the individual the information described in subparagraph (A).

''(C) FORM.—The information disseminated under this paragraph shall be written and formatted using language that is easily understandable by medicare beneficiaries.

''(D) PERIODIC UPDATING.—The information described in subparagraph (A) shall be updated on at least an annual basis to reflect changes in the availability of Medicare Choice plans and the benefits and net monthly premiums for such plans.

''(3) GENERAL INFORMATION.—General information under this paragraph, with respect to coverage under this part during a year, shall include the following:

''(A) BENEFITS UNDER TRADITIONAL MEDICARE FEE-FOR-SERVICE PROGRAM OPTION.—A general description of the benefits covered under the traditional medicare fee-for-service program under parts A and B, including—

''(i) covered items and services,

''(ii) beneficiary cost sharing, such as deductibles, coinsurance, and copayment amounts, and

''(iii) any beneficiary liability for balance billing.

''(B) PART B PREMIUM.—The part B premium rates that will be charged for part B coverage.

''(C) ELECTION PROCEDURES.—Information and instructions on how to exercise election options under this section.

''(D) RIGHTS.—A general description of procedural rights (including grievance and appeals procedures) of beneficiaries under the traditional medicare fee-for-service program and the Medicare Choice program and the right to be protected against discrimination based on health status-related factors under section 1852(b).

''(E) INFORMATION ON MEDIGAP AND MEDICARE SELECT.—A general description of the benefits, enrollment rights, and other requirements applicable to medicare supplemental policies under section 1882 and provisions relating to medicare select policies described in section 1882(t).

''(F) POTENTIAL FOR CONTRACT TERMINATION.—The fact that a Medicare Choice organization may terminate or refuse to renew

its contract under this part and the effect the termination or nonrenewal of its contract may have on individuals enrolled with the Medicare Choice plan under this part.

''(4) INFORMATION COMPARING PLAN OPTIONS.—Information under this paragraph, with respect to a Medicare Choice plan for a year, shall include the following:

''(A) BENEFITS.—The benefits covered under the plan, including—

''(i) covered items and services beyond those provided under the traditional medicare fee-for-service program,

''(ii) any beneficiary cost sharing, and

''(iii) any maximum limitations on out-of-pocket expenses.

''(B) PREMIUMS.—The net monthly premium, if any, for the plan.

''(C) SERVICE AREA.—The service area of the plan.

''(D) QUALITY AND PERFORMANCE.—To the extent available, plan quality and performance indicators for the benefits under the plan (and how they compare to such indicators under the traditional medicare fee-for-service program under parts A and B in the area involved), including—

''(i) disenrollment rates for medicare enrollees electing to receive benefits through the plan for the previous 2 years (excluding disenrollment due to death or moving outside the plan's service area),

''(ii) information on medicare enrollee satisfaction,

''(iii) information on health outcomes,

''(iv) the extent to which a medicare enrollee may select the health care provider of their choice, including health care providers within the plan's network and out-of-network health care providers (if the plan covers out-of-network items and services), and

''(v) an indication of medicare enrollee exposure to balance billing and the restrictions on coverage of items and services provided to such enrollee by an out-of-network health care provider.

''(E) SUPPLEMENTAL BENEFITS OPTIONS.—Whether the organization offering the plan offers optional supplemental benefits and the terms and conditions (including premiums) for such coverage.

''(F) PHYSICIAN COMPENSATION.—An overall summary description as to the method of compensation of participating physicians.

''(5) MAINTAINING A TOLL-FREE NUMBER AND INTERNET SITE.—The Secretary shall maintain a toll-free number for inquiries regarding Medicare Choice options and the operation of this part in all areas in which Medicare Choice plans are offered and an Internet site through which individuals may electronically obtain information on such options and Medicare Choice plans.

''(6) USE OF NON-FEDERAL ENTITIES.—The Secretary may enter into contracts with non-Federal entities to carry out activities under this subsection.

''(7) PROVISION OF INFORMATION.—A Medicare Choice organization shall provide the Secretary with such information on the organization and each Medicare Choice plan it offers as may be required for the preparation of the information referred to in paragraph (2)(A).

''(8) COORDINATION WITH STATES.—The Secretary shall coordinate with States to the maximum extent feasible in developing and distributing information provided to beneficiaries.

''(e) COVERAGE ELECTION PERIODS.—

''(1) INITIAL CHOICE UPON ELIGIBILITY TO MAKE ELECTION IF MEDICARE CHOICE PLANS AVAILABLE TO INDIVIDUAL.—If, at the time an individual first becomes entitled to benefits under part A and enrolled under part B, there is one or more Medicare Choice plans offered in the area in which the individual resides, the individual shall make the election under this section during a period specified by the Secretary such that if the individual elects a Medicare Choice plan during the period, coverage under the plan becomes effective as of the first date on which the individual may receive such coverage.

''(2) OPEN ENROLLMENT AND DISENROLLMENT OPPORTUNITIES.—A Medicare Choice eligible individual may change the election under subsection (a)(1) at any time, except that such individual may only enroll in a Medicare Choice plan which has an open enrollment period in effect at that time.

''(3) ANNUAL, COORDINATED ELECTION PERIOD.—

''(A) IN GENERAL.—Subject to paragraph (5), a Medicare Choice eligible individual may change an election under subsection (a)(1) during an annual, coordinated election period.

''(B) ANNUAL, COORDINATED ELECTION PERIOD.—For purposes of this section, the term 'annual, coordinated election period' means, with respect to a calendar year (beginning with 1998), the month of November before such year.

''(C) MEDICARE CHOICE HEALTH INFORMATION FAIRS.—In the month of November of each year (beginning with 1997), the Secretary shall provide for a nationally coordinated educational and publicity campaign to inform Medicare Choice eligible individuals about Medicare Choice plans and the election process provided under this section.

''(4) SPECIAL ELECTION PERIODS.—A Medicare Choice individual may make a new election under this section if—

''(A) the organization's or plan's certification under this part has been terminated or the organization has terminated or otherwise discontinued providing the plan;

''(B) the individual is no longer eligible to elect the plan because of a change in the individual's place of residence or other change in circumstances (specified by the Secretary, but not including termination of the individual's enrollment on the basis described in clause (i) or (ii) subsection (g)(3)(B));

''(C) the individual demonstrates (in accordance with guidelines established by the Secretary) that—

''(i) the organization offering the plan substantially violated a material provision of the organization's contract under this part in relation to the individual (including the failure to provide an enrollee on a timely basis medically necessary care for which benefits are available under the plan or the failure to provide such covered care in accordance with applicable quality standards); or

''(ii) the organization (or an agent or other entity acting on the organization's behalf) materially misrepresented the plan's provisions in marketing the plan to the individual; or

''(D) the individual meets such other exceptional conditions as the Secretary may provide.

''(5) OPEN ENROLLMENT PERIODS.—A Medicare Choice organization—

''(A) shall accept elections or changes to elections described in paragraphs (1), (3), and (4) during the periods prescribed in such paragraphs, and

''(B) may accept other changes to elections at such other times as the organization provides.

''(f) EFFECTIVENESS OF ELECTIONS AND CHANGES OF ELECTIONS.—

''(1) DURING INITIAL COVERAGE ELECTION PERIOD.—An election of coverage made during the initial coverage election period under subsection (e)(1)(A) shall take effect upon the date the individual becomes entitled to benefits under part A and enrolled under part B, except as the Secretary may provide (consistent with section 1838) in order to prevent retroactive coverage.

''(2) DURING CONTINUOUS OPEN ENROLLMENT PERIODS.—An election or change of coverage made under subsection (e)(2) shall take effect with the first day of the first calendar month following the date on which the election is made.

''(3) ANNUAL, COORDINATED ELECTION PERIOD.—An election or change of coverage made during an annual, coordinated election period (as defined in subsection (e)(3)(B)) in a year shall take effect as of the first day of the following year unless the individual elects to have it take effect on December 1 of the election year.

''(4) OTHER PERIODS.—An election or change of coverage made during any other period under subsection (e)(4) shall take effect in such manner as the Secretary provides in a manner consistent (to the extent practicable) with protecting continuity of health benefit coverage.

''(g) GUARANTEED ISSUE AND RENEWAL.—

''(1) IN GENERAL.—Except as provided in this subsection, a Medicare Choice organization shall provide that at any time during which elections are accepted under this section with respect to a Medicare Choice plan offered by the organization, the organization will accept without restrictions individuals who are eligible to make such election.

''(2) PRIORITY.—If the Secretary determines that a Medicare Choice organization, in relation to a Medicare Choice plan it offers, has a capacity limit and the number of Medicare Choice eligible individuals who elect the plan under this section exceeds the capacity limit, the organization may limit the election of individuals of the plan under this section but only if priority in election is provided—

''(A) first to such individuals as have elected the plan at the time of the determination, and

''(B) then to other such individuals in such a manner that does not discriminate, on a basis described in section 1852(b), among the individuals (who seek to elect the plan).

The preceding sentence shall not apply if it would result in the enrollment of enrollees substantially nonrepresentative, as determined in accordance with regulations of the Secretary, of the medicare population in the service area of the plan.

''(3) LIMITATION ON TERMINATION OF ELECTION.—

''(A) IN GENERAL.—Subject to subparagraph (B), a Medicare Choice organization may not for any reason terminate the election of any individual under this section for a Medicare Choice plan it offers.

''(B) BASIS FOR TERMINATION OF ELECTION.—A Medicare Choice organization may terminate an individual's election under this section with respect to a Medicare Choice plan it offers if—

''(i) any net monthly premiums required with respect to such plan are not paid on a timely basis (consistent with standards under section 1856 that provide for a grace period for late payment of net monthly premiums),

''(ii) the individual has engaged in disruptive behavior (as specified in such standards), or

''(iii) the plan is terminated with respect to all individuals under this part in the area in which the individual resides.

''(C) CONSEQUENCE OF TERMINATION.—

''(i) TERMINATIONS FOR CAUSE.—Any individual whose election is terminated under clause (i) or (ii) of subparagraph (B) is deemed to have elected the traditional medicare fee-for-service program option described in subsection (a)(1)(A).

''(ii) TERMINATION BASED ON PLAN TERMINATION OR SERVICE AREA REDUCTION.—Any individual whose election is terminated under subparagraph (B)(iii) shall have a special election period under subsection (e)(4)(A) in which to change coverage to coverage under another Medicare Choice plan. Such an individual who fails to make an election during such period is deemed to have chosen to change coverage to the traditional medicare fee-for-service program option described in subsection (a)(1)(A).

''(D) ORGANIZATION OBLIGATION WITH RESPECT TO ELECTION FORMS.—Pursuant to a contract under section 1857, each Medicare Choice organization receiving an election form under subsection (c)(3) shall transmit to the Secretary (at such time and in such manner as the Secretary may specify) a copy of such form or such other information respecting the election as the Secretary may specify.

''(h) APPROVAL OF MARKETING MATERIAL AND APPLICATION FORMS.—

''(1) SUBMISSION.—No marketing material or application form may be distributed by a Medicare Choice organization to (or for the use of) Medicare Choice eligible individuals unless—

''(A) at least 45 days before the date of distribution the organization has submitted the material or form to the Secretary for review, and

''(B) the Secretary has not disapproved the distribution of such material or form.

''(2) REVIEW.—The standards established under section 1856 shall include guidelines for the review of any material or form submitted and under such guidelines the Secretary shall disapprove (or later require the correction of) such material or form if the material or form is materially inaccurate or misleading or otherwise makes a material misrepresentation.

''(3) DEEMED APPROVAL (1-STOP SHOPPING).—In the case of material or form that is submitted under paragraph (1)(A) to the Secretary or a regional office of the Department of Health and Human Services and the Secretary or the office has not disapproved the distribution of marketing material or form under paragraph (1)(B) with respect to a Medicare Choice plan in an area, the Secretary is deemed not to have disapproved such distribution in all other areas covered by the plan and organization except to the extent that such material or form is specific only to an area involved.

''(4) PROHIBITION OF CERTAIN MARKETING PRACTICES.—Each Medicare Choice organization shall conform to fair marketing standards, in relation to Medicare Choice plans offered under this part, included in the standards established under section 1856.

''(i) EFFECT OF ELECTION OF MEDICARE CHOICE PLAN OPTION.—Subject to sections 1852(a)(5) and 1857(f)(2)—

''(1) payments under a contract with a Medicare Choice organization under section 1853(a) with respect to an individual electing a Medicare Choice plan offered by the organization shall be instead of the amounts which (in the absence of the contract) would otherwise be payable under parts A and B for items and services furnished to the individual, and

''(2) subject to subsections (e) and (g) of section 1853, only the Medicare Choice organization shall be entitled to receive payments from the Secretary under this title for services furnished to the individual.

''BENEFITS AND BENEFICIARY PROTECTIONS

''SEC. 1852. (a) BASIC BENEFITS.—

''(1) IN GENERAL.—Each Medicare Choice plan shall provide to members enrolled under this part, through providers and other persons that meet the applicable requirements of this title and part A of title XI—

''(A) those items and services for which benefits are available under parts A and B to individuals residing in the area served by the plan, and

''(B) additional benefits required under section 1854(f)(1)(A).

''(2) SUPPLEMENTAL BENEFITS.—

''(A) BENEFITS INCLUDED SUBJECT TO SECRETARY'S APPROVAL.—Each Medicare Choice organization may provide to individuals enrolled under this part (without affording those individuals an option to decline the coverage) supplemental health care benefits that the Secretary may approve. The Secretary shall approve any such supplemental benefits unless the Secretary determines that including such supplemental benefits would substantially discourage enrollment by Medicare Choice eligible individuals with the organization.

''(B) AT ENROLLEES' OPTION.—A Medicare Choice organization may provide to individuals enrolled under this part supplemental health care benefits that the individuals may elect, at their option, to have covered.

''(3) ORGANIZATION AS SECONDARY PAYER.—Notwithstanding any other provision of law, a Medicare Choice organization may (in the case of the provision of items and services to an individual under a Medicare Choice plan under circumstances in which payment under this title is made secondary pursuant to section 1862(b)(2)) charge or authorize the provider of such services to charge, in accordance with the charges allowed under a law, plan, or policy described in such section—

''(A) the insurance carrier, employer, or other entity which under such law, plan, or policy is to pay for the provision of such services, or

''(B) such individual to the extent that the individual has been paid under such law, plan, or policy for such services.

''(4) NATIONAL COVERAGE DETERMINATIONS.—If there is a national coverage determination made in the period beginning on the date of an announcement under section 1853(b) and ending on the date of the next announcement under such section and the Secretary projects that the determination will result in a significant change in the costs to a Medicare Choice organization of providing the benefits that are the subject of such national coverage determination and that such change in costs was not incorporated in the determination of the annual Medicare Choice capitation rate under section 1853 included in the announcement made at the beginning of such period, then, unless otherwise required by law—

''(A) such determination shall not apply to contracts under this part until the first contract year that begins after the end of such period, and

''(B) if such coverage determination provides for coverage of additional benefits or coverage under additional circumstances, section 1851(i) shall not apply to payment for such additional benefits or benefits provided under such additional circumstances until the first contract year that begins after the end of such period.

''(b) ANTIDISCRIMINATION.—

''(1) BENEFICIARIES.—

''(A) IN GENERAL.—A Medicare Choice organization may not deny, limit, or condition the coverage or provision of benefits under this part, for individuals permitted to be enrolled with the organization under this part, based on any health status-related factor described in section 2702(a)(1) of the Public Health Service Act.

''(B) CONSTRUCTION.—Subparagraph (A) shall not be construed as requiring a Medicare Choice organization to enroll individuals who are determined to have end-stage renal disease, except as provided under section 1851(a)(3)(B).

''(2) PROVIDERS.—A Medicare Choice organization shall not discriminate with respect to participation, reimbursement, or indemnification as to any provider who is acting within the scope of the provider's license or certification under applicable State law, solely on the basis of such license or certification. This paragraph shall not be construed to prohibit a plan from including providers only to the extent necessary to meet the needs of the plan's enrollees or from establishing any measure designed to maintain quality and control costs consistent with the responsibilities of the plan.

''(c) DISCLOSURE REQUIREMENTS.—

''(1) DETAILED DESCRIPTION OF PLAN PROVISIONS.—A Medicare Choice organization shall disclose, in clear, accurate, and standardized form to each enrollee with a Medicare Choice plan offered by the organization under this part at the time of enrollment and at least annually thereafter, the following information regarding such plan:

''(A) SERVICE AREA.—The plan's service area.

''(B) BENEFITS.—Benefits offered under the plan, including information described in section 1851(d)(3)(A) and exclusions from coverage.

''(C) ACCESS.—The number, mix, and distribution of plan providers.

''(D) OUT-OF-AREA COVERAGE.—Out-of-area coverage provided by the plan.

''(E) EMERGENCY COVERAGE.—Coverage of emergency services and urgently needed care, including—

''(i) the appropriate use of emergency services, including use of the 911 telephone system or its local equivalent in emergency situations and an explanation of what constitutes an emergency situation;

''(ii) the process and procedures of the plan for obtaining emergency services; and

''(iii) the locations of (I) emergency departments, and (II) other settings, in which plan physicians and hospitals provide emergency services and post-stabilization care.

''(F) SUPPLEMENTAL BENEFITS.—Supplemental benefits available from the organization offering the plan, including—

''(i) whether the supplemental benefits are optional,

''(ii) the supplemental benefits covered, and

''(iii) the premium price for the supplemental benefits.

''(G) PRIOR AUTHORIZATION RULES.—Rules regarding prior authorization or other review requirements that could result in nonpayment.

''(H) PLAN GRIEVANCE AND APPEALS PROCEDURES.—All plan appeal or grievance rights and procedures.

''(I) QUALITY ASSURANCE PROGRAM.—A description of the organization's quality assurance program under subsection (e).

''(J) OUT-OF-NETWORK COVERAGE.—The out-of-network coverage (if any) provided by the plan.

''(2) DISCLOSURE UPON REQUEST.—Upon request of a Medicare Choice eligible individual, a Medicare Choice organization must provide the following information to such individual:

''(A) The information described in paragraphs (3) and (4) of section 1851(d).

''(B) Information on utilization review procedures.

''(d) ACCESS TO SERVICES.—

''(1) IN GENERAL.—A Medicare Choice organization offering a Medicare Choice plan, other than an unrestricted fee-for-service plan, may select the providers from whom the benefits under the plan are provided so long as—

''(A) the organization makes such benefits available and accessible to each individual electing the plan within the plan service area with reasonable promptness and in a manner which assures continuity in the provision of benefits;

''(B) when medically necessary the organization makes such benefits available and accessible 24 hours a day and 7 days a week;

''(C) the plan provides for reimbursement with respect to services which are covered under subparagraphs (A) and (B) and which are provided to such an individual other than through the organization, if—

''(i) the services were medically necessary and immediately required because of an unforeseen illness, injury, or condition, and it was not reasonable given the circumstances to obtain the services through the organization, or

''(ii) the services were renal dialysis services and were provided other than through the organization because the individual was temporarily out of the plan's service area;

''(D) the organization provides access to appropriate providers, including credentialed specialists, for medically necessary treatment and services;

''(E) coverage is provided for emergency services (as defined in paragraph (3)) without regard to prior authorization or the emergency care provider's contractual relationship with the organization; and

''(F) except as provided by the Secretary on a case-by-case basis, the organization provides primary care services within 30 minutes or 30 miles from an enrollee's place of residence if the enrollee resides in a rural area.

''(2) GUIDELINES RESPECTING COORDINATION OF POST-STABILIZATION CARE.—

''(A) IN GENERAL.—A Medicare Choice plan shall comply with such guidelines as the Secretary shall prescribe relating to promoting efficient and timely coordination of appropriate maintenance and post-stabilization care of an enrollee after the enrollee has been determined to be stable under section 1867.

''(B) CONTENT OF GUIDELINES.—The guidelines prescribed under subparagraph (A) shall provide that—

''(i) a provider of emergency services shall make a documented good faith effort to contact the plan in a timely fashion from the point at which the individual is stabilized to request approval for medically necessary post-stabilization care,

''(ii) the plan shall respond in a timely fashion to the initial contact with the plan with a decision as to whether the services for which approval is requested will be authorized, and

''(iii) if a denial of a request is communicated, the plan shall, upon request from the treating physician, arrange for a physician who is authorized by the plan to review the denial to communicate directly with the treating physician in a timely fashion.

''(3) DEFINITION OF EMERGENCY SERVICES.—In this subsection—

''(A) IN GENERAL.—The term 'emergency services' means, with respect to an individual enrolled with an organization, covered inpatient and outpatient services that—

''(i) are furnished by a provider that is qualified to furnish such services under this title, and

''(ii) are needed to evaluate or stabilize an emergency medical condition (as defined in subparagraph (B)).

''(B) EMERGENCY MEDICAL CONDITION BASED ON PRUDENT LAYPERSON.—The term 'emergency medical condition' means a medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) such that a prudent layperson, who possesses an average knowledge of health and medicine, could reasonably expect the absence of immediate medical attention to result in—

''(i) placing the health of the individual (or, with respect to a pregnant woman, the health of the woman or her unborn child) in serious jeopardy,

''(ii) serious impairment to bodily functions, or

''(iii) serious dysfunction of any bodily organ or part.

''(e) QUALITY ASSURANCE PROGRAM.—

''(1) IN GENERAL.—Each Medicare Choice organization must have arrangements, consistent with any regulation, for an ongoing quality assurance program for health care services it provides to individuals enrolled with Medicare Choice plans of the organization.

''(2) ELEMENTS OF PROGRAM.—The quality assurance program shall—

''(A) stress health outcomes and provide for the collection, analysis, and reporting of data (in accordance with a quality measurement system that the Secretary recognizes) that will permit measurement of outcomes and other indices of the quality of Medicare Choice plans and organizations;

''(B) provide for the establishment of written protocols for utilization review, based on current standards of medical practice;

''(C) provide review by physicians and other health care professionals of the process followed in the provision of such health care services;

''(D) monitor and evaluate high volume and high risk services and the care of acute and chronic conditions;

''(E) evaluate the continuity and coordination of care that enrollees receive;

''(F) have mechanisms to detect both underutilization and overutilization of services;

''(G) after identifying areas for improvement, establish or alter practice parameters;

''(H) take action to improve quality and assesses the effectiveness of such action through systematic followup;

''(I) make available information on quality and outcomes measures to facilitate beneficiary comparison and choice of health coverage options (in such form and on such quality and outcomes measures as the Secretary determines to be appropriate);

''(J) be evaluated on an ongoing basis as to its effectiveness;

''(K) include measures of consumer satisfaction; and

''(L) provide the Secretary with such access to information collected as may be appropriate to monitor and ensure the quality of care provided under this part.

''(3) EXTERNAL REVIEW.—Each Medicare Choice organization shall, for each Medicare Choice plan it operates, have an agreement with an independent quality review and improvement organization approved by the Secretary to perform functions of the type described in sections 1154(a)(4)(B) and 1154(a)(14) with respect to services furnished by Medicare Choice plans for which payment is made under this title.

''(4) EXCEPTION FOR MEDICARE CHOICE UNRESTRICTED FEE-FOR-SERVICE PLANS.—Paragraphs (1) through (3) of this subsection and subsection (h)(2) (relating to maintaining medical records) shall not apply in the case of a Medicare Choice organization in relation to a Medicare Choice unrestricted fee-for-service plan.

''(5) TREATMENT OF ACCREDITATION.—The Secretary shall provide that a Medicare Choice organization is deemed to meet requirements of paragraphs (1) and (2) of this subsection and subsection (h) (relating to confidentiality and accuracy of enrollee records) if the organization is accredited (and periodically reaccredited) by a private organization under a process that the Secretary has determined assures that the organization, as a condition of accreditation, applies and enforces standards with respect to the requirements involved that are no less stringent than the standards established under section 1856 to carry out the respective requirements.

''(f) COVERAGE DETERMINATIONS.—

''(1) DECISIONS ON NONEMERGENCY CARE.—A Medicare Choice organization shall make determinations regarding authorization requests for nonemergency care on a timely basis, depending on the urgency of the situation.

''(2) RECONSIDERATIONS.—

''(A) IN GENERAL.—Subject to subsection (g)(4), a reconsideration of a determination of an organization denying coverage shall be made within 30 days of the date of receipt of medical information, but not later than 60 days after the date of the determination.

''(B) PHYSICIAN DECISION ON CERTAIN RECONSIDERATIONS.—A reconsideration relating to a determination to deny coverage based on a lack of medical necessity shall be made only by a physician other than a physician involved in the initial determination.

''(g) GRIEVANCES AND APPEALS.—

''(1) GRIEVANCE MECHANISM.—Each Medicare Choice organization must provide meaningful procedures for hearing and resolving grievances between the organization (including any entity or individual through which the organization provides health care services) and enrollees with Medicare Choice plans of the organization under this part.

''(2) APPEALS.—An enrollee with a Medicare Choice plan of a Medicare Choice organization under this part who is dissatisfied by reason of the enrollee's failure to receive any health service to which the enrollee believes the enrollee is entitled and at no greater charge than the enrollee believes the enrollee is required to pay is entitled, if the amount in controversy is $100 or more, to a hearing before the Secretary to the same extent as is provided in section 205(b), and in any such hearing the Secretary shall make the organization a party. If the amount in controversy is $1,000 or more, the individual or organization shall, upon notifying the other party, be entitled to judicial review of the Secretary's final decision as provided in section 205(g), and both the individual and the organization shall be entitled to be parties to that judicial review. In applying subsections (b) and (g) of section 205 as provided in this paragraph, and in applying section 205(l) thereto, any reference therein to the Commissioner of Social Security or the Social Security Administration shall be considered a reference to the Secretary or the Department of Health and Human Services, respectively.

''(3) INDEPENDENT REVIEW OF CERTAIN COVERAGE DENIALS.—The Secretary shall contract with an independent, outside entity to review and resolve reconsiderations that affirm denial of coverage.

''(4) EXPEDITED DETERMINATIONS AND RECONSIDERATIONS.—

''(A) RECEIPT OF REQUESTS.—An enrollee in a Medicare Choice plan may request, either in writing or orally, an expedited determination or reconsideration by the Medicare Choice organization regarding a matter described in paragraph (2). The organization shall also permit the acceptance of such requests by physicians.

''(B) ORGANIZATION PROCEDURES.—

''(i) IN GENERAL.—The Medicare Choice organization shall maintain procedures for expediting organization determinations and reconsiderations when, upon request of an enrollee, the organization determines that the

application of normal time frames for making a determination (or a reconsideration involving a determination) could seriously jeopardize the life or health of the enrollee or the enrollee's ability to regain maximum function.

''(ii) TIMELY RESPONSE.—In an urgent case described in clause (i), the organization shall notify the enrollee (and the physician involved, as appropriate) of the determination (or determination on the reconsideration) as expeditiously as the enrollee's health condition requires, but not later than 72 hours (or 24 hours in the case of a reconsideration) of the time of receipt of the request for the determination or reconsideration (or receipt of the information necessary to make the determination or reconsideration), or such longer period as the Secretary may permit in specified cases.

''(h) CONFIDENTIALITY AND ACCURACY OF ENROLLEE RECORDS.—Each Medicare Choice organization shall establish procedures—

''(1) to safeguard the privacy of individually identifiable enrollee information,

''(2) to maintain accurate and timely medical records and other health information for enrollees, and

''(3) to assure timely access of enrollees to their medical information.

''(i) INFORMATION ON ADVANCE DIRECTIVES.—Each Medicare Choice organization shall meet the requirement of section 1866(f) (relating to maintaining written policies and procedures respecting advance directives).

''(j) RULES REGARDING PHYSICIAN PARTICIPATION.—

''(1) PROCEDURES.—Each Medicare Choice organization shall establish reasonable procedures relating to the participation (under an agreement between a physician and the organization) of physicians under Medicare Choice plans offered by the organization under this part. Such procedures shall include—

''(A) providing notice of the rules regarding participation,

''(B) providing written notice of participation decisions that are adverse to physicians, and

''(C) providing a process within the organization for appealing such adverse decisions, including the presentation of information and views of the physician regarding such decision.

''(2) CONSULTATION IN MEDICAL POLICIES.—A Medicare Choice organization shall consult with physicians who have entered into participation agreements with the organization regarding the organization's medical policy, quality, and medical management procedures.

''(3) LIMITATIONS ON PHYSICIAN INCENTIVE PLANS.—

''(A) IN GENERAL.—No Medicare Choice organization may operate any physician incentive plan (as defined in subparagraph (B)) unless the following requirements are met:

''(i) No specific payment is made directly or indirectly under the plan to a physician or physician group as an inducement to reduce or limit medically necessary services provided with respect to a specific individual enrolled with the organization.

''(ii) If the plan places a physician or physician group at substantial financial risk (as determined by the Secretary) for services not provided by the physician or physician group, the organization—

''(I) provides stop-loss protection for the physician or group that is adequate and appropriate, based on standards developed by the Secretary that take into account the number of physicians placed at such substantial financial risk in the group or under the plan and the number of individuals enrolled with the organization who receive services from the physician or group, and

''(II) conducts periodic surveys of both individuals enrolled and individuals previously enrolled with the organization to determine the degree of access of such individuals to services provided by the organization and satisfaction with the quality of such services.

''(iii) The organization provides the Secretary with descriptive information regarding the plan, sufficient to permit the Secretary to determine whether the plan is in compliance with the requirements of this subparagraph.

''(B) PHYSICIAN INCENTIVE PLAN DEFINED.—In this paragraph, the term 'physician incentive plan' means any compensation arrangement between a Medicare Choice organization and a physician or physician group that may directly or indirectly have the effect of reducing or limiting services provided with respect to individuals enrolled with the organization under this part.

''(4) LIMITATION ON PROVIDER INDEMNIFICATION.—A Medicare Choice organization may not provide (directly or indirectly) for a provider (or group of providers) to indemnify the organization against any liability resulting from a civil action brought for any damage caused to an enrollee with a Medicare Choice plan of the organization under this part by the organization's denial of medically necessary care.

''PAYMENTS TO MEDICARE CHOICE ORGANIZATIONS

''SEC. 1853. (a) PAYMENTS TO ORGANIZATIONS.—

''(1) MONTHLY PAYMENTS.—

''(A) IN GENERAL.—Under a contract under section 1857 and subject to subsections (e) and (f), the Secretary shall make monthly payments under this section in advance to each Medicare Choice organization, with respect to coverage of an individual under this part in a Medicare Choice payment area for a month, in an amount equal to 1/12 of the annual Medicare Choice capitation rate (as calculated under subsection (c)) with respect to that individual for that area, adjusted for such risk factors as age, disability status, gender, institutional status, and such other factors as the Secretary determines to be appropriate, so as to ensure actuarial equivalence. The Secretary may add to, modify, or substitute for such factors, if such changes will improve the determination of actuarial equivalence.

''(B) SPECIAL RULE FOR END-STAGE RENAL DISEASE.—The Secretary shall establish separate rates of payment to a Medicare Choice organization with respect to classes of individuals determined to have end-stage renal disease and enrolled in a Medicare Choice plan of the organization. Such rates of payment shall be actuarially equivalent to rates paid to other enrollees in the Medicare Choice payment area (or such other area as specified by the Secretary). In accordance with regulations, the Secretary shall provide for the application of the seventh sentence of section 1881(b)(7) to payments under this section covering the provision of renal dialysis treatment in the same manner as such sentence applies to composite rate payments described in such sentence.

''(2) ADJUSTMENT TO REFLECT NUMBER OF ENROLLEES.—

''(A) IN GENERAL.—The amount of payment under this subsection may be retroactively adjusted to take into account any difference between the actual number of individuals enrolled with an organization under this part and the number of such individuals estimated to be so enrolled in determining the amount of the advance payment.

''(B) SPECIAL RULE FOR CERTAIN ENROLLEES.—

''(i) IN GENERAL.—Subject to clause (ii), the Secretary may make retroactive adjustments under subparagraph (A) to take into account individuals enrolled during the period beginning on the date on which the individual enrolls with a Medicare Choice organization under a plan operated, sponsored, or contributed to by the individual's employer or former employer (or the employer or former employer of the individual's spouse) and ending on the date on which the individual is enrolled in the organization under this part, except that for purposes of making such retroactive adjustments under this subparagraph, such period may not exceed 90 days.

''(ii) EXCEPTION.—No adjustment may be made under clause (i) with respect to any individual who does not certify that the organization provided the individual with the disclosure statement described in section 1852(c) at the time the individual enrolled with the organization.

''(3) ESTABLISHMENT OF RISK ADJUSTMENT FACTORS.—

''(A) IN GENERAL.—The Secretary shall develop and implement a method of risk adjustment of payment rates under this section that accounts for variations in per capita costs based on health status. Such method shall not be implemented before the Secretary receives an evaluation by an outside, independent actuary of the actuarial soundness of such method.

''(B) DATA COLLECTION.—In order to carry out this paragraph, the Secretary shall require Medicare Choice organizations (and eligible organizations with risk-sharing contracts under section 1876) to submit, for periods beginning on or after January 1, 1998, data regarding inpatient hospital services and other services and other information the Secretary deems necessary.

''(4) INTERIM RISK ADJUSTMENT.—

''(A) IN GENERAL.—In the case of an applicable enrollee in a Medicare Choice plan, the payment to the Medicare Choice organization under this section shall be reduced by an amount equal to the applicable percentage of the amount of such payment (determined without regard to this paragraph).

''(B) APPLICABLE ENROLLEE.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'applicable enrollee' means, with respect to any month, a medicare eligible individual who—

''(I) is enrolled in a Medicare Choice plan, and

''(II) has not been enrolled in Medicare Choice plans and plans operated by eligible organizations with risk-sharing contracts under section 1876 for an aggregate number of months greater than 60 (including the month for which the determination is being made).

''(ii) EXCEPTION FOR BENEFICIARIES MAINTAINING ENROLLMENT IN CERTAIN PLANS.—The term 'applicable enrollee' shall not include any individual enrolled in a Medicare Choice plan offered by a Medicare Choice organization if such individual was enrolled in a health plan (other than a Medicare Choice plan) offered by such organization at the time of the individual's initial election period under section 1851(e)(1) and has been continuously enrolled in such Medicare Choice plan (or another Medicare Choice plan offered by such organization) since such election period.

''(C) APPLICABLE PERCENTAGE.—For purposes of this paragraph, the applicable percentage shall be determined in accordance with the following table:

''Months enrolled in HMOs:	Applicable percentage:
1–12	5
13–24	4
25–36	3

''Months enrolled in HMOs:	Applicable percentage:
37–48	2
49–60	1.

''(D) EXCEPTION FOR NEW PLANS.—This paragraph shall not apply to applicable enrollees in a Medicare Choice plan for any month if—

''(i) such month occurs during the first 12 months during which the plan enrolls Medicare Choice eligible individuals in the Medicare Choice payment area, and

''(ii) the annual Medicare Choice capitation rate for such area for the calendar year preceding the calendar year in which such 12-month period begins is less than the annual national Medicare Choice capitation rate (as determined under subsection (c)(4)) for such preceding calendar year.

In the case of 1998, clause (ii) shall be applied by using the adjusted average per capita cost under section 1876 for 1997 rather than such capitation rate.

''(E) TERMINATION.—This paragraph shall not apply to any month beginning on or after the first day of the first month to which the method for risk adjustment described in paragraph (3) applies.

''(b) ANNUAL ANNOUNCEMENT OF PAYMENT RATES.—

''(1) ANNUAL ANNOUNCEMENT.—The Secretary shall annually determine, and shall announce (in a manner intended to provide notice to interested parties) not later than August 1 before the calendar year concerned—

''(A) the annual Medicare Choice capitation rate for each Medicare Choice payment area for the year, and

''(B) the risk and other factors to be used in adjusting such rates under subsection (a)(1)(A) for payments for months in that year.

''(2) ADVANCE NOTICE OF METHODOLOGICAL CHANGES.—At least 45 days before making the announcement under paragraph (1) for a year, the Secretary shall provide for notice to Medicare Choice organizations of proposed changes to be made in the methodology from the methodology and assumptions used in the previous announcement and shall provide such organizations an opportunity to comment on such proposed changes.

''(3) EXPLANATION OF ASSUMPTIONS.—In each announcement made under paragraph (1), the Secretary shall include an explanation of the assumptions and changes in methodology used in the announcement in sufficient detail so that Medicare Choice organizations can compute monthly adjusted Medicare Choice capitation rates for individuals in each Medicare Choice payment area which is in whole or in part within the service area of such an organization.

''(c) CALCULATION OF ANNUAL MEDICARE CHOICE CAPITATION RATES.—

''(1) IN GENERAL.—For purposes of this part, each annual Medicare Choice capitation rate, for a Medicare Choice payment area for a contract year consisting of a calendar year, is equal to the largest of the amounts specified in the following subparagraph (A), (B), or (C):

''(A) BLENDED CAPITATION RATE.—The sum of—

''(i) the area-specific percentage for the year (as specified under paragraph (2) for the year) of the annual area-specific Medicare Choice capitation rate for the year for the Medicare Choice payment area, as determined under paragraph (3), and

''(ii) the national percentage (as specified under paragraph (2) for the year) of the annual national Medicare Choice capitation rate for the year, as determined under paragraph (4),

multiplied by the payment adjustment factors described in subparagraphs (A) and (B) of paragraph (5).

''(B) MINIMUM AMOUNT.—Subject to paragraph (8)—

''(i) For 1998, $4,200 (but not to exceed, in the case of an area outside the 50 States and the District of Columbia, 150 percent of the annual per capita rate of payment for 1997 determined under section 1876(a)(1)(C) for the area).

''(ii) For each subsequent year, 101 percent of the amount in effect under this subparagraph for the previous year.

''(C) MINIMUM PERCENTAGE INCREASE.—Subject to paragraph (8)—

''(i) For 1998, 101 percent of the annual per capita rate of payment for 1997 determined under section 1876(a)(1)(C) for the Medicare Choice payment area.

''(ii) For each subsequent year, 101 percent of the annual Medicare Choice capitation rate under this paragraph for the area for the previous year.

''(2) AREA-SPECIFIC AND NATIONAL PERCENTAGES.—For purposes of paragraph (1)(A)—

''(A) for 1998, the 'area-specific percentage' is 90 percent and the 'national percentage' is 10 percent,

''(B) for 1999, the 'area-specific percentage' is 80 percent and the 'national percentage' is 20 percent,

''(C) for 2000, the 'area-specific percentage' is 70 percent and the 'national percentage' is 30 percent,

''(D) for 2001, the 'area-specific percentage' is 60 percent and the 'national percentage' is 40 percent, and

''(E) for a year after 2001, the 'area-specific percentage' is 50 percent and the 'national percentage' is 50 percent.

''(3) ANNUAL AREA-SPECIFIC MEDICARE CHOICE CAPITATION RATE.—

''(A) IN GENERAL.—For purposes of paragraph (1)(A), the annual area-specific Medicare Choice capitation rate for a Medicare Choice payment area—

''(i) for 1998 is the modified annual per capita rate of payment for 1997 determined under section 1876(a)(1)(C) for the area, increased by the national average per capita growth percentage for 1998 (as defined in paragraph (6)); or

''(ii) for a subsequent year is the annual area-specific Medicare Choice capitation rate for the previous year determined under this paragraph for the area, increased by the national average per capita growth percentage for such subsequent year.

''(B) MODIFIED ANNUAL PER CAPITA RATE OF PAYMENT.—For purposes of subparagraph (A), the modified annual per capita rate of payment for a Medicare Choice payment area for 1997 shall be equal to the annual per capita rate of payment for such area for such year which would have been determined under section 1876(a)(1)(C) if 25 percent of any payments attributable to sections 1886(d)(5)(B), 1886(h), and 1886(d)(5)(F) (relating to IME, GME, and DSH payments) were not taken into account.

''(C) SPECIAL RULES FOR 1999, 2000, AND 2001.—In applying subparagraph (A)(ii) for 1999, 2000, and 2001, the annual area-specific Medicare Choice capitation rate for the preceding calendar year shall be the amount which would have been determined if subparagraph (B) had been applied by substituting the following percentages for '25 percent':

''(i) In 1999, 50 percent.

''(ii) In 2000, 75 percent.

''(iii) In 2001, 100 percent.

''(4) ANNUAL NATIONAL MEDICARE CHOICE CAPITATION RATE.—For purposes of paragraph (1)(A), the annual national Medicare Choice capitation rate for a Medicare Choice payment area for a year is equal to—

''(A) the sum (for all Medicare Choice payment areas) of the product of—

''(i) the annual area-specific Medicare Choice capitation rate for that year for the area under paragraph (3), and

''(ii) the average number of medicare beneficiaries residing in that area in the year; divided by

''(B) the sum of the amounts described in subparagraph (A)(ii) for all Medicare Choice payment areas for that year.

''(5) PAYMENT ADJUSTMENT BUDGET NEUTRALITY FACTORS.—For purposes of paragraph (1)(A)—

''(A) BLENDED RATE PAYMENT ADJUSTMENT FACTOR.—For each year, the Secretary shall compute a blended rate payment adjustment factor such that, not taking into account subparagraphs (B) and (C) of paragraph (1) and the application of the payment adjustment factor described in subparagraph (B) but taking into account paragraph (7), the aggregate of the payments that would be made under this part is equal to the aggregate payments that would have been made under this part (not taking into account such subparagraphs and such other adjustment factor) if the area-specific percentage under paragraph (1) for the year had been 100 percent and the national percentage had been 0 percent.

''(B) FLOOR-AND-MINIMUM-UPDATE PAYMENT ADJUSTMENT FACTOR.—For each year, the Secretary shall compute a floor-and-minimum-update payment adjustment factor so that, taking into account the application of the blended rate payment adjustment factor under subparagraph (A) and subparagraphs (B) and (C) of paragraph (1) and the application of the adjustment factor under this subparagraph, the aggregate of the payments under this part shall not exceed the aggregate payments that would have been made under this part if subparagraphs (B) and (C) of paragraph (1) did not apply and if the floor-and-minimum-update payment adjustment factor under this subparagraph was 1.

''(6) NATIONAL AVERAGE PER CAPITA GROWTH PERCENTAGE DEFINED.—In this part, the 'national average per capita growth percentage' for any year (beginning with 1998) is equal to the sum of—

''(A) the percentage increase in the gross domestic product per capita for the 12-month period ending on June 30 of the preceding year, plus

''(B) 0.5 percentage points.

''(7) TREATMENT OF AREAS WITH HIGHLY VARIABLE PAYMENT RATES.—In the case of a Medicare Choice payment area for which the annual per capita rate of payment determined under section 1876(a)(1)(C) for 1997 varies by more than 20 percent from such rate for 1996, for purposes of this subsection the Secretary may substitute for such rate for 1997 a rate that is more representative of the costs of the enrollees in the area.

''(8) ADJUSTMENTS TO MINIMUM AMOUNTS AND MINIMUM PERCENTAGE INCREASES.—

''(A) IN GENERAL.—After computing all amounts under this subsection (without regard to this paragraph) for any year, the Secretary shall—

''(i) redetermine the amount under paragraph (1)(C) for such year by substituting '100 percent' for '101 percent' each place it appears, and

''(ii) subject to subparagraph (B), increase the amount determined under paragraph (1)(B) for such year to the amount equal to 85 percent of the annual national Medicare Choice capitation rate.

''(B) LIMITATION ON INCREASE IN MINIMUM AMOUNT.—The Secretary shall not under subparagraph (A)(ii) increase the minimum amount under paragraph (1)(B) to an amount

that is greater than the amount the Secretary estimates will result in increased payments under such paragraph equal to the decrease in payments by reason of the redetermination under subparagraph (A)(i).

''(9) STUDY OF LOCAL PRICE INDICATORS.—The Secretary and the Medicare Payment Advisory Commission shall each conduct a study with respect to appropriate measures for adjusting the annual Medicare Choice capitation rates determined under this section to reflect local price indicators, including the medicare hospital wage index and the case-mix of a geographic region. The Secretary and the Advisory Commission shall report the results of such study to the appropriate committees of Congress, including recommendations (if any) for legislation.

''(d) MEDICARE CHOICE PAYMENT AREA DEFINED.—

''(1) IN GENERAL.—In this part, except as provided in paragraph (3), the term 'Medicare Choice payment area' means a county, or equivalent area specified by the Secretary.

''(2) RULE FOR ESRD BENEFICIARIES.—In the case of individuals who are determined to have end stage renal disease, the Medicare Choice payment area shall be a State or such other payment area as the Secretary specifies.

''(3) GEOGRAPHIC ADJUSTMENT.—

''(A) IN GENERAL.—Upon written request of the chief executive officer of a State for a contract year (beginning after 1998) made at least 7 months before the beginning of the year, the Secretary shall make a geographic adjustment to a Medicare Choice payment area in the State otherwise determined under paragraph (1)—

''(i) to a single statewide Medicare Choice payment area,

''(ii) to the metropolitan based system described in subparagraph (C), or

''(iii) to consolidating into a single Medicare Choice payment area noncontiguous counties (or equivalent areas described in paragraph (1)) within a State.

Such adjustment shall be effective for payments for months beginning with January of the year following the year in which the request is received.

''(B) BUDGET NEUTRALITY ADJUSTMENT.—In the case of a State requesting an adjustment under this paragraph, the Secretary shall adjust the payment rates otherwise established under this section for Medicare Choice payment areas in the State in a manner so that the aggregate of the payments under this section in the State shall not exceed the aggregate payments that would have been made under this section for Medicare Choice payment areas in the State in the absence of the adjustment under this paragraph.

''(C) METROPOLITAN BASED SYSTEM.—The metropolitan based system described in this subparagraph is one in which—

''(i) all the portions of each metropolitan statistical area in the State or in the case of a consolidated metropolitan statistical area, all of the portions of each primary metropolitan statistical area within the consolidated area within the State, are treated as a single Medicare Choice payment area, and

''(ii) all areas in the State that do not fall within a metropolitan statistical area are treated as a single Medicare Choice payment area.

''(D) AREAS.—In subparagraph (C), the terms 'metropolitan statistical area', 'consolidated metropolitan statistical area', and 'primary metropolitan statistical area' mean any area designated as such by the Secretary of Commerce.

''(e) PAYMENTS FROM TRUST FUND.—The payment to a Medicare Choice organization under this section for individuals enrolled under this part with the organization shall be made from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund in such proportion as the Secretary determines reflects the relative weight that benefits under part A and under part B represents of the actuarial value of the total benefits under this title. Monthly payments otherwise payable under this section for October 2001 shall be paid on the last business day of September 2001. Monthly payments otherwise payable under this section for October 2006 shall be paid on the first business day of October 2006.

''(f) SPECIAL RULE FOR CERTAIN INPATIENT HOSPITAL STAYS.—In the case of an individual who is receiving inpatient hospital services from a subsection (d) hospital (as defined in section 1886(d)(1)(B)) as of the effective date of the individual's—

''(1) election under this part of a Medicare Choice plan offered by a Medicare Choice organization—

''(A) payment for such services until the date of the individual's discharge shall be made under this title through the Medicare Choice plan or the traditional medicare fee-for-service program option described in section 1851(a)(1)(A) (as the case may be) elected before the election with such organization,

''(B) the elected organization shall not be financially responsible for payment for such services until the date after the date of the individual's discharge, and

''(C) the organization shall nonetheless be paid the full amount otherwise payable to the organization under this part; or

''(2) termination of election with respect to a Medicare Choice organization under this part—

''(A) the organization shall be financially responsible for payment for such services after such date and until the date of the individual's discharge,

''(B) payment for such services during the stay shall not be made under section 1886(d) or by any succeeding Medicare Choice organization, and

''(C) the terminated organization shall not receive any payment with respect to the individual under this part during the period the individual is not enrolled.

''PREMIUMS

''SEC. 1854. (a) SUBMISSION AND CHARGING OF PREMIUMS.—

''(1) IN GENERAL.—Subject to paragraph (3), each Medicare Choice organization shall file with the Secretary each year, in a form and manner and at a time specified by the Secretary—

''(A) the amount of the monthly premium for coverage for services under section 1852(a) under each Medicare Choice plan it offers under this part in each Medicare Choice payment area (as defined in section 1853(d)) in which the plan is being offered; and

''(B) the enrollment capacity in relation to the plan in each such area.

''(2) TERMINOLOGY.—In this part—

''(A) the term 'monthly premium' means, with respect to a Medicare Choice plan offered by a Medicare Choice organization, the monthly premium filed under paragraph (1), not taking into account the amount of any payment made toward the premium under section 1853; and

''(B) the term 'net monthly premium' means, with respect to such a plan and an individual enrolled with the plan, the premium (as defined in subparagraph (A)) for the plan reduced by the amount of payment made toward such premium under section 1853.

''(b) MONTHLY PREMIUM CHARGED.—The monthly amount of the premium charged by a Medicare Choice organization for a Medicare Choice plan offered in a Medicare Choice payment area to an individual under this part shall be equal to the net monthly premium plus any monthly premium charged in accordance with subsection (e)(2) for supplemental benefits.

''(c) UNIFORM PREMIUM.—The monthly premium and monthly amount charged under subsection (b) of a Medicare Choice organization under this part may not vary among individuals who reside in the same Medicare Choice payment area.

''(d) TERMS AND CONDITIONS OF IMPOSING PREMIUMS.—Each Medicare Choice organization shall permit the payment of net monthly premiums on a monthly basis and may terminate election of individuals for a Medicare Choice plan for failure to make premium payments only in accordance with section 1851(g)(3)(B)(i). A Medicare Choice organization is not authorized to provide for cash or other monetary rebates as an inducement for enrollment or otherwise.

''(e) LIMITATION ON ENROLLEE COST-SHARING.—

''(1) FOR BASIC AND ADDITIONAL BENEFITS.—Except as provided in paragraph (2), in no event may—

''(A) the net monthly premium (multiplied by 12) and the actuarial value of the deductibles, coinsurance, and copayments applicable on average to individuals enrolled under this part with a Medicare Choice plan of an organization with respect to required benefits described in section 1852(a)(1) and additional benefits (if any) required under subsection (f)(1) for a year, exceed

''(B) the actuarial value of the deductibles, coinsurance, and copayments that would be applicable on average to individuals entitled to benefits under part A and enrolled under part B if they were not members of a Medicare Choice organization for the year.

''(2) FOR SUPPLEMENTAL BENEFITS.—If the Medicare Choice organization provides to its members enrolled under this part supplemental benefits described in section 1852(a)(3), the sum of the monthly premium rate (multiplied by 12) charged for such supplemental benefits and the actuarial value of its deductibles, coinsurance, and copayments charged with respect to such benefits may not exceed the adjusted community rate for such benefits (as defined in subsection (f)(4)).

''(3) EXCEPTION FOR UNRESTRICTED FEE-FOR-SERVICE PLANS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraphs (1) and (2) do not apply to an unrestricted fee-for-service plan.

''(B) APPLICATION OF BALANCE BILLING FOR PHYSICIAN SERVICES.—Section 1848(g) shall apply to the provision of physician services (as defined in section 1848(j)(3)) to an individual enrolled in an unrestricted fee-for-service plan under this title in the same manner as such section applies to such services that are provided to an individual who is not enrolled in a Medicare Choice plan under this title.

''(4) DETERMINATION ON OTHER BASIS.—If the Secretary determines that adequate data are not available to determine the actuarial value under paragraph (1)(A) or (2), the Secretary may determine such amount with respect to all individuals in the Medicare Choice payment area, the State, or in the United States, eligible to enroll in the Medicare Choice plan involved under this part or on the basis of other appropriate data.

''(f) REQUIREMENT FOR ADDITIONAL BENEFITS.—

''(1) REQUIREMENT.—

''(A) IN GENERAL.—Each Medicare Choice organization (in relation to a Medicare Choice plan it offers) shall provide that if there is an excess amount (as defined in subparagraph (B)) for the plan for a contract year, subject to the succeeding provisions of

this subsection, the organization shall provide to individuals such additional benefits (as the organization may specify) in a value which is at least equal to the adjusted excess amount (as defined in subparagraph (C)).

''(B) EXCESS AMOUNT.—For purposes of this paragraph, the 'excess amount', for an organization for a plan, is the amount (if any) by which—

''(i) the average of the capitation payments made to the organization under section 1853 for the plan at the beginning of contract year, exceeds

''(ii) the actuarial value of the required benefits described in section 1852(a)(1) under the plan for individuals under this part, as determined based upon an adjusted community rate described in paragraph (4) (as reduced for the actuarial value of the coinsurance and deductibles under parts A and B).

''(C) ADJUSTED EXCESS AMOUNT.—For purposes of this paragraph, the 'adjusted excess amount', for an organization for a plan, is the excess amount reduced to reflect any amount withheld and reserved for the organization for the year under paragraph (3).

''(D) UNIFORM APPLICATION.—This paragraph shall be applied uniformly for all enrollees for a plan in a Medicare Choice payment area.

''(E) CONSTRUCTION.—Nothing in this subsection shall be construed as preventing a Medicare Choice organization from providing health care benefits that are in addition to the benefits otherwise required to be provided under this paragraph and from imposing a premium for such additional benefits.

''(2) STABILIZATION FUND.—A Medicare Choice organization may provide that a part of the value of an excess amount described in paragraph (1) be withheld and reserved in the Federal Hospital Insurance Trust Fund and in the Federal Supplementary Medical Insurance Trust Fund (in such proportions as the Secretary determines to be appropriate) by the Secretary for subsequent annual contract periods, to the extent required to stabilize and prevent undue fluctuations in the additional benefits offered in those subsequent periods by the organization in accordance with such paragraph. Any of such value of the amount reserved which is not provided as additional benefits described in paragraph (1)(A) to individuals electing the Medicare Choice plan of the organization in accordance with such paragraph prior to the end of such periods, shall revert for the use of such trust funds.

''(3) DETERMINATION BASED ON INSUFFICIENT DATA.—For purposes of this subsection, if the Secretary finds that there is insufficient enrollment experience to determine an average of the capitation payments to be made under this part at the beginning of a contract period, the Secretary may determine such an average based on the enrollment experience of other contracts entered into under this part.

''(4) ADJUSTED COMMUNITY RATE.—

''(A) IN GENERAL.—For purposes of this subsection, subject to subparagraph (B), the term 'adjusted community rate' for a service or services means, at the election of a Medicare Choice organization, either—

''(i) the rate of payment for that service or services which the Secretary annually determines would apply to an individual electing a Medicare Choice plan under this part if the rate of payment were determined under a 'community rating system' (as defined in section 1302(8) of the Public Health Service Act, other than subparagraph (C)), or

''(ii) such portion of the weighted aggregate premium, which the Secretary annually estimates would apply to such an individual, as the Secretary annually estimates is attributable to that service or services,

but adjusted for differences between the utilization characteristics of the individuals electing coverage under this part and the utilization characteristics of the other enrollees with the plan (or, if the Secretary finds that adequate data are not available to adjust for those differences, the differences between the utilization characteristics of individuals selecting other Medicare Choice coverage, or Medicare Choice eligible individuals in the area, in the State, or in the United States, eligible to elect Medicare Choice coverage under this part and the utilization characteristics of the rest of the population in the area, in the State, or in the United States, respectively).

''(B) SPECIAL RULE FOR PROVIDER-SPONSORED ORGANIZATIONS.—In the case of a Medicare Choice organization that is a provider-sponsored organization, the adjusted community rate under subparagraph (A) for a Medicare Choice plan of the organization may be computed (in a manner specified by the Secretary) using data in the general commercial marketplace or (during a transition period) based on the costs incurred by the organization in providing such a plan.

''(g) PERIODIC AUDITING.—The Secretary shall provide for the annual auditing of the financial records (including data relating to medicare utilization, costs, and computation of the adjusted community rate) of at least one-third of the Medicare Choice organizations offering Medicare Choice plans under this part. The Comptroller General shall monitor auditing activities conducted under this subsection.

''(h) PROHIBITION OF STATE IMPOSITION OF PREMIUM TAXES.—No State may impose a premium tax or similar tax with respect to payments on Medicare Choice plans or the offering of such plans.

''ORGANIZATIONAL AND FINANCIAL REQUIREMENTS FOR MEDICARE CHOICE ORGANIZATIONS; PROVIDER-SPONSORED ORGANIZATIONS

''SEC. 1855. (a) ORGANIZED AND LICENSED UNDER STATE LAW.—

''(1) IN GENERAL.—Subject to paragraphs (2) and (3), a Medicare Choice organization shall be organized and licensed under State law as a risk-bearing entity eligible to offer health insurance or health benefits coverage in each State in which it offers a Medicare Choice plan.

''(2) SPECIAL EXCEPTION BEFORE 2001 FOR PROVIDER-SPONSORED ORGANIZATIONS.—

''(A) IN GENERAL.—In the case of a provider-sponsored organization that seeks to offer a Medicare Choice plan in a State, the Secretary shall waive the requirement of paragraph (1) that the organization be licensed in that State for any year before 2001 if—

''(i) the organization files an application for such waiver with the Secretary, and

''(ii) the contract with the organization under section 1857 requires the organization to meet all requirements of State law which relate to the licensing of the organization (other than solvency requirements or a prohibition on licensure for such organization).

''(B) TREATMENT OF WAIVER.—

''(i) IN GENERAL.—In the case of a waiver granted under this paragraph for a provider-sponsored organization—

''(I) the waiver shall be effective for the years specified in the waiver, except it may be renewed based on a subsequent application, and

''(II) subject to subparagraph (A)(ii), any provisions of State law which would otherwise prohibit the organization from providing coverage pursuant to a contract under this part shall be superseded.

''(ii) TERMINATION.—A waiver granted under this paragraph shall in no event extend beyond the earlier of—

''(I) December 31, 2000; or

''(II) the date on which the Secretary determines that the State has in effect solvency standards described in subsection (d)(1)(B).

''(C) PROMPT ACTION ON APPLICATION.—The Secretary shall grant or deny such a waiver application within 60 days after the date the Secretary determines that a substantially complete application has been filed.

''(D) ENFORCEMENT OF STATE STANDARDS.—

''(i) IN GENERAL.—The Secretary shall enter into agreements with States subject to a waiver under this paragraph to ensure the adequate enforcement of standards incorporated into the contract under subparagraph (A)(ii). Such agreements shall provide methods by which States may notify the Secretary of any failure by an organization to comply with such standards.

''(ii) ENFORCEMENT.—If the Secretary determines that an organization is not in compliance with the standards described in clause (i), the Secretary shall take appropriate actions under subsections (g) and (h) with respect to civil penalties and termination of the contract. The Secretary shall allow an organization 60 days to comply with the standards after notification of failure.

''(E) REPORT.—The Secretary shall, not later than December 31, 1998, report to Congress on the waiver procedure in effect under this paragraph. Such report shall include an analysis of State efforts to adopt regulatory standards that take into account health plan sponsors that provide services directly to enrollees through affiliated providers.

''(3) EXCEPTION IF REQUIRED TO OFFER MORE THAN MEDICARE CHOICE PLANS.—Paragraph (1) shall not apply to a Medicare Choice organization in a State if the State requires the organization, as a condition of licensure, to offer any product or plan other than a Medicare Choice plan.

''(4) LICENSURE DOES NOT SUBSTITUTE FOR OR CONSTITUTE CERTIFICATION.—The fact that an organization is licensed in accordance with paragraph (1) does not deem the organization to meet other requirements imposed under this part.

''(b) PREPAID PAYMENT.—A Medicare Choice organization shall be compensated (except for premiums, deductibles, coinsurance, and copayments) for the provision of health care services to enrolled members under the contract under this part by a payment which is paid on a periodic basis without regard to the date the health care services are provided and which is fixed without regard to the frequency, extent, or kind of health care service actually provided to a member.

''(c) ASSUMPTION OF FULL FINANCIAL RISK.—The Medicare Choice organization shall assume full financial risk on a prospective basis for the provision of the health care services (except, at the election of the organization, hospice care) for which benefits are required to be provided under section 1852(a)(1), except that the organization—

''(1) may obtain insurance or make other arrangements for the cost of providing to any enrolled member such services the aggregate value of which for any year exceeds the applicable amount determined under the last sentence of this subsection for the year,

''(2) may obtain insurance or make other arrangements for the cost of such services provided to its enrolled members other than through the organization because medical necessity required their provision before they could be secured through the organization,

''(3) may obtain insurance or make other arrangements for not more than 90 percent of the amount by which its costs for any of its fiscal years exceed 115 percent of its income for such fiscal year, and

''(4) may make arrangements with physicians or other health professionals, health care institutions, or any combination of such individuals or institutions to assume all or part of the financial risk on a prospective basis for the provision of basic health services by the physicians or other health professionals or through the institutions.

For purposes of paragraph (1), the applicable amount for 1998 is the amount established by the Secretary, and for 1999 and any succeeding year is the amount in effect for the previous year increased by the percentage change in the Consumer Price Index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year.

''(d) CERTIFICATION OF PROVISION AGAINST RISK OF INSOLVENCY FOR PSOs.—

''(1) IN GENERAL.—Each Medicare Choice organization that is a provider-sponsored organization shall—

''(A) meet standards established under section 1856(a) relating to the financial solvency and capital adequacy of the organization, or

''(B) meet solvency standards established by the State that are no less stringent than the standards described in subparagraph (A).

''(2) CERTIFICATION PROCESS FOR SOLVENCY STANDARDS FOR PSOS.—The Secretary shall establish a process for the receipt and approval of applications of a provider-sponsored organization for certification (and periodic recertification) of the organization as meeting such solvency standards. Under such process, the Secretary shall act upon such an application not later than 60 days after the date the application has been received.

''(e) PROVIDER-SPONSORED ORGANIZATION DEFINED.—

''(1) IN GENERAL.—In this part, the term 'provider-sponsored organization' means a public or private entity—

''(A) that is established or organized and operated by a local health care provider, or local group of affiliated health care providers,

''(B) that provides a substantial proportion (as defined by the Secretary in accordance with paragraph (2)) of the health care items and services under the contract under this part directly through the provider or affiliated group of providers, and

''(C) with respect to which those affiliated providers that share, directly or indirectly, substantial financial risk with respect to the provision of such items and services have at least a majority financial interest in the entity.

''(2) SUBSTANTIAL PROPORTION.—In defining what is a 'substantial proportion' for purposes of paragraph (1)(B), the Secretary—

''(A) shall take into account the need for such an organization to assume responsibility for providing—

''(i) significantly more than the majority of the items and services under the contract under this section through its own affiliated providers; and

''(ii) most of the remainder of the items and services under the contract through providers with which the organization has an agreement to provide such items and services,

in order to assure financial stability and to address the practical considerations involved in integrating the delivery of a wide range of service providers;

''(B) shall take into account the need for such an organization to provide a limited proportion of the items and services under the contract through providers that are neither affiliated with nor have an agreement with the organization; and

''(C) may allow for variation in the definition of substantial proportion among such organizations based on relevant differences among the organizations, such as their location in an urban or rural area.

''(3) AFFILIATION.—For purposes of this subsection, a provider is 'affiliated' with another provider if, through contract, ownership, or otherwise—

''(A) one provider, directly or indirectly, controls, is controlled by, or is under common control with the other,

''(B) both providers are part of a controlled group of corporations under section 1563 of the Internal Revenue Code of 1986,

''(C) each provider is a participant in a lawful combination under which each provider shares substantial financial risk in connection with the organization's operations, or

''(D) both providers are part of an affiliated service group under section 414 of such Code.

''(4) CONTROL.—For purposes of paragraph (3), control is presumed to exist if one party, directly or indirectly, owns, controls, or holds the power to vote, or proxies for, not less than 51 percent of the voting rights or governance rights of another.

''(5) HEALTH CARE PROVIDER DEFINED.—In this subsection, the term 'health care provider' means—

''(A) any individual who is engaged in the delivery of health care services in a State and who is required by State law or regulation to be licensed or certified by the State to engage in the delivery of such services in the State, and

''(B) any entity that is engaged in the delivery of health care services in a State and that, if it is required by State law or regulation to be licensed or certified by the State to engage in the delivery of such services in the State, is so licensed.

''(6) REGULATIONS.—The Secretary shall issue regulations to carry out this subsection.

''ESTABLISHMENT OF STANDARDS

''SEC. 1856. (a) ESTABLISHMENT OF SOLVENCY STANDARDS FOR PROVIDER-SPONSORED ORGANIZATIONS.—

''(1) ESTABLISHMENT.—

''(A) IN GENERAL.—The Secretary shall establish, on an expedited basis and using a negotiated rulemaking process under subchapter III of chapter 5 of title 5, United States Code, standards described in section 1855(d)(1) (relating to the financial solvency and capital adequacy of the organization) that entities must meet to qualify as provider-sponsored organizations under this part.

''(B) FACTORS TO CONSIDER FOR SOLVENCY STANDARDS.—In establishing solvency standards under subparagraph (A) for provider-sponsored organizations, the Secretary shall consult with interested parties and shall take into account—

''(i) the delivery system assets of such an organization and ability of such an organization to provide services directly to enrollees through affiliated providers,

''(ii) alternative means of protecting against insolvency, including reinsurance, unrestricted surplus, letters of credit, guarantees, organizational insurance coverage, partnerships with other licensed entities, and valuation attributable to the ability of such an organization to meet its service obligations through direct delivery of care, and

''(iii) any standards developed by the National Association of Insurance Commissioners specifically for risk-based health care delivery organizations.

''(C) ENROLLEE PROTECTION AGAINST INSOLVENCY.—Such standards shall include provisions to prevent enrollees from being held liable to any person or entity for the Medicare Choice organization's debts in the event of the organization's insolvency.

''(2) PUBLICATION OF NOTICE.—In carrying out the rulemaking process under this subsection, the Secretary, after consultation with the National Association of Insurance Commissioners, the American Academy of Actuaries, organizations representative of medicare beneficiaries, and other interested parties, shall publish the notice provided for under section 564(a) of title 5, United States Code, by not later than 45 days after the date of the enactment of this section.

''(3) TARGET DATE FOR PUBLICATION OF RULE.—As part of the notice under paragraph (2), and for purposes of this subsection, the 'target date for publication' (referred to in section 564(a)(5) of such title) shall be April 1, 1998.

''(4) ABBREVIATED PERIOD FOR SUBMISSION OF COMMENTS.—In applying section 564(c) of such title under this subsection, '15 days' shall be substituted for '30 days'.

''(5) APPOINTMENT OF NEGOTIATED RULEMAKING COMMITTEE AND FACILITATOR.—The Secretary shall provide for—

''(A) the appointment of a negotiated rulemaking committee under section 565(a) of such title by not later than 30 days after the end of the comment period provided for under section 564(c) of such title (as shortened under paragraph (4)), and

''(B) the nomination of a facilitator under section 566(c) of such title by not later than 10 days after the date of appointment of the committee.

''(6) PRELIMINARY COMMITTEE REPORT.—The negotiated rulemaking committee appointed under paragraph (5) shall report to the Secretary, by not later than January 1, 1998, regarding the committee's progress on achieving a consensus with regard to the rulemaking proceeding and whether such consensus is likely to occur before 1 month before the target date for publication of the rule. If the committee reports that the committee has failed to make significant progress towards such consensus or is unlikely to reach such consensus by the target date, the Secretary may terminate such process and provide for the publication of a rule under this subsection through such other methods as the Secretary may provide.

''(7) FINAL COMMITTEE REPORT.—If the committee is not terminated under paragraph (6), the rulemaking committee shall submit a report containing a proposed rule by not later than 1 month before the target date of publication.

''(8) INTERIM, FINAL EFFECT.—The Secretary shall publish a rule under this subsection in the Federal Register by not later than the target date of publication. Such rule shall be effective and final immediately on an interim basis, but is subject to change and revision after public notice and opportunity for a period (of not less than 60 days) for public comment. In connection with such rule, the Secretary shall specify the process for the timely review and approval of applications of entities to be certified as provider-sponsored organizations pursuant to such rules and consistent with this subsection.

''(9) PUBLICATION OF RULE AFTER PUBLIC COMMENT.—The Secretary shall provide for consideration of such comments and republication of such rule by not later than 1 year after the target date of publication.

''(b) ESTABLISHMENT OF OTHER STANDARDS.—

''(1) IN GENERAL.—The Secretary shall establish by regulation other standards (not described in subsection (a)) for Medicare Choice organizations and plans consistent with, and to carry out, this part.

''(2) USE OF CURRENT STANDARDS.—Consistent with the requirements of this part, standards established under this subsection shall be based on standards established under

section 1876 to carry out analogous provisions of such section.

''(3) USE OF INTERIM STANDARDS.—For the period in which this part is in effect and standards are being developed and established under the preceding provisions of this subsection, the Secretary shall provide by not later than June 1, 1998, for the application of such interim standards (without regard to any requirements for notice and public comment) as may be appropriate to provide for the expedited implementation of this part. Such interim standards shall not apply after the date standards are established under the preceding provisions of this subsection.

''(4) APPLICATION OF NEW STANDARDS TO ENTITIES WITH A CONTRACT.—In the case of a Medicare Choice organization with a contract in effect under this part at the time standards applicable to the organization under this section are changed, the organization may elect not to have such changes apply to the organization until the end of the current contract year (or, if there is less than 6 months remaining in the contract year, until 1 year after the end of the current contract year).

''(5) RELATION TO STATE LAWS.—The standards established under this subsection shall supersede any State law or regulation with respect to Medicare Choice plans which are offered by Medicare Choice organizations under this part to the extent such law or regulation is inconsistent with such standards.

''CONTRACTS WITH MEDICARE CHOICE ORGANIZATIONS

''SEC. 1857. (a) IN GENERAL.—The Secretary shall not permit the election under section 1851 of a Medicare Choice plan offered by a Medicare Choice organization under this part, and no payment shall be made under section 1853 to an organization, unless the Secretary has entered into a contract under this section with the organization with respect to the offering of such plan. Such a contract with an organization may cover more than 1 Medicare Choice plan. Such contract shall provide that the organization agrees to comply with the applicable requirements and standards of this part and the terms and conditions of payment as provided for in this part.

''(b) MINIMUM ENROLLMENT REQUIREMENTS.—

''(1) IN GENERAL.—Subject to paragraph (2), the Secretary may not enter into a contract under this section with a Medicare Choice organization unless the organization has at least 1,500 individuals who are receiving health benefits through the organization (500 such individuals if the organization primarily serves individuals residing outside of urbanized areas).

''(2) ALLOWING TRANSITION.—The Secretary may waive the requirement of paragraph (1) during the first 2 contract years with respect to an organization.

''(3) SPECIAL RULE FOR PSO.—In the case of a Medicare Choice organization which is a provider-sponsored organization, paragraph (1) shall be applied by taking into account individuals for whom the organization has assumed substantial financial risk.

''(c) CONTRACT PERIOD AND EFFECTIVENESS.—

''(1) PERIOD.—Each contract under this section shall be for a term of at least 1 year, as determined by the Secretary, and may be made automatically renewable from term to term in the absence of notice by either party of intention to terminate at the end of the current term.

''(2) TERMINATION AUTHORITY.—In accordance with procedures established under subsection (h), the Secretary may at any time terminate any such contract, or may impose the intermediate sanctions described in an applicable paragraph of subsection (g)(3) on the Medicare Choice organization, if the Secretary determines that the organization—

''(A) has failed substantially to carry out the contract;

''(B) is carrying out the contract in a manner inconsistent with the efficient and effective administration of this part; or

''(C) no longer substantially meets the applicable conditions of this part.

''(3) EFFECTIVE DATE OF CONTRACTS.—The effective date of any contract executed pursuant to this section shall be specified in the contract.

''(4) PREVIOUS TERMINATIONS.—The Secretary may not enter into a contract with a Medicare Choice organization if a previous contract with that organization under this section was terminated at the request of the organization within the preceding 5-year period, except in circumstances which warrant special consideration, as determined by the Secretary.

''(5) NO CONTRACTING AUTHORITY.—The authority vested in the Secretary by this part may be performed without regard to such provisions of law or regulations relating to the making, performance, amendment, or modification of contracts of the United States as the Secretary may determine to be inconsistent with the furtherance of the purpose of this title.

''(d) PROTECTIONS AGAINST FRAUD AND BENEFICIARY PROTECTIONS.—

''(1) INSPECTION AND AUDIT.—Each contract under this section shall provide that the Secretary, or any person or organization designated by the Secretary—

''(A) shall have the right to inspect or otherwise evaluate (i) the quality, appropriateness, and timeliness of services performed under the contract and (ii) the facilities of the organization when there is reasonable evidence of some need for such inspection, and

''(B) shall have the right to audit and inspect any books and records of the Medicare Choice organization that pertain (i) to the ability of the organization to bear the risk of potential financial losses, or (ii) to services performed or determinations of amounts payable under the contract.

''(2) ENROLLEE NOTICE AT TIME OF TERMINATION.—Each contract under this section shall require the organization to provide (and pay for) written notice in advance of the contract's termination, as well as a description of alternatives for obtaining benefits under this title, to each individual enrolled with the organization under this part.

''(3) DISCLOSURE.—

''(A) IN GENERAL.—Each Medicare Choice organization shall, in accordance with regulations of the Secretary, report to the Secretary financial information which shall include the following:

''(i) Such information as the Secretary may require demonstrating that the organization has a fiscally sound operation.

''(ii) A copy of the report, if any, filed with the Health Care Financing Administration containing the information required to be reported under section 1124 by disclosing entities.

''(iii) A description of transactions, as specified by the Secretary, between the organization and a party in interest. Such transactions shall include—

''(I) any sale or exchange, or leasing of any property between the organization and a party in interest;

''(II) any furnishing for consideration of goods, services (including management services), or facilities between the organization and a party in interest, but not including salaries paid to employees for services provided in the normal course of their employment and health services provided to members by hospitals and other providers and by staff, medical group (or groups), individual practice association (or associations), or any combination thereof; and

''(III) any lending of money or other extension of credit between an organization and a party in interest.

The Secretary may require that information reported respecting an organization which controls, is controlled by, or is under common control with, another entity be in the form of a consolidated financial statement for the organization and such entity.

''(B) PARTY IN INTEREST DEFINED.—For the purposes of this paragraph, the term 'party in interest' means—

''(i) any director, officer, partner, or employee responsible for management or administration of a Medicare Choice organization, any person who is directly or indirectly the beneficial owner of more than 5 percent of the equity of the organization, any person who is the beneficial owner of a mortgage, deed of trust, note, or other interest secured by, and valuing more than 5 percent of the organization, and, in the case of a Medicare Choice organization organized as a nonprofit corporation, an incorporator or member of such corporation under applicable State corporation law;

''(ii) any entity in which a person described in clause (i)—

''(I) is an officer or director;

''(II) is a partner (if such entity is organized as a partnership);

''(III) has directly or indirectly a beneficial interest of more than 5 percent of the equity; or

''(IV) has a mortgage, deed of trust, note, or other interest valuing more than 5 percent of the assets of such entity;

''(iii) any person directly or indirectly controlling, controlled by, or under common control with an organization; and

''(iv) any spouse, child, or parent of an individual described in clause (i).

''(C) ACCESS TO INFORMATION.—Each Medicare Choice organization shall make the information reported pursuant to subparagraph (A) available to its enrollees upon reasonable request.

''(4) LOAN INFORMATION.—The contract shall require the organization to notify the Secretary of loans and other special financial arrangements which are made between the organization and subcontractors, affiliates, and related parties.

''(e) ADDITIONAL CONTRACT TERMS.—

''(1) IN GENERAL.—The contract shall contain such other terms and conditions not inconsistent with this part (including requiring the organization to provide the Secretary with such information) as the Secretary may find necessary and appropriate.

''(2) COST-SHARING IN ENROLLMENT-RELATED COSTS.—The contract with a Medicare Choice organization shall require the payment to the Secretary for the organization's pro rata share (as determined by the Secretary) of the estimated costs to be incurred by the Secretary in carrying out section 1851 (relating to enrollment and dissemination of information). Such payments are appropriated to defray the costs described in the preceding sentence, to remain available until expended.

''(3) NOTICE TO ENROLLEES IN CASE OF DECERTIFICATION.—If a contract with a Medicare Choice organization is terminated under this section, the organization shall notify each enrollee with the organization under this part of such termination.

''(f) PROMPT PAYMENT BY MEDICARE CHOICE ORGANIZATION.—

''(1) REQUIREMENT.—A contract under this part shall require a Medicare Choice organization to provide prompt payment (consistent with the provisions of sections 1816(c)(2)

and 1842(c)(2)) of claims submitted for services and supplies furnished to individuals pursuant to the contract, if the services or supplies are not furnished under a contract between the organization and the provider or supplier.

''(2) SECRETARY'S OPTION TO BYPASS NONCOMPLYING ORGANIZATION.—In the case of a Medicare Choice eligible organization which the Secretary determines, after notice and opportunity for a hearing, has failed to make payments of amounts in compliance with paragraph (1), the Secretary may provide for direct payment of the amounts owed to providers and suppliers for covered services and supplies furnished to individuals enrolled under this part under the contract. If the Secretary provides for the direct payments, the Secretary shall provide for an appropriate reduction in the amount of payments otherwise made to the organization under this part to reflect the amount of the Secretary's payments (and the Secretary's costs in making the payments).

''(g) INTERMEDIATE SANCTIONS.—

''(1) IN GENERAL.—If the Secretary determines that a Medicare Choice organization with a contract under this section—

''(A) fails substantially to provide medically necessary items and services that are required (under law or under the contract) to be provided to an individual covered under the contract, if the failure has adversely affected (or has substantial likelihood of adversely affecting) the individual;

''(B) imposes net monthly premiums on individuals enrolled under this part in excess of the net monthly premiums permitted;

''(C) acts to expel or to refuse to re-enroll an individual in violation of the provisions of this part;

''(D) engages in any practice that would reasonably be expected to have the effect of denying or discouraging enrollment (except as permitted by this part) by eligible individuals with the organization whose medical condition or history indicates a need for substantial future medical services;

''(E) misrepresents or falsifies information that is furnished—

''(i) to the Secretary under this part, or

''(ii) to an individual or to any other entity under this part;

''(F) fails to comply with the requirements of section 1852(j)(3); or

''(G) employs or contracts with any individual or entity that is excluded from participation under this title under section 1128 or 1128A for the provision of health care, utilization review, medical social work, or administrative services or employs or contracts with any entity for the provision (directly or indirectly) through such an excluded individual or entity of such services; the Secretary may provide, in addition to any other remedies authorized by law, for any of the remedies described in paragraph (2).

''(2) REMEDIES.—The remedies described in this paragraph are—

''(A) civil money penalties of not more than $25,000 for each determination under paragraph (1) or, with respect to a determination under subparagraph (D) or (E)(i) of such paragraph, of not more than $100,000 for each such determination, plus, with respect to a determination under paragraph (1)(B), double the excess amount charged in violation of such paragraph (and the excess amount charged shall be deducted from the penalty and returned to the individual concerned), and plus, with respect to a determination under paragraph (1)(D), $15,000 for each individual not enrolled as a result of the practice involved,

''(B) suspension of enrollment of individuals under this part after the date the Secretary notifies the organization of a determination under paragraph (1) and until the Secretary is satisfied that the basis for such determination has been corrected and is not likely to recur, or

''(C) suspension of payment to the organization under this part for individuals enrolled after the date the Secretary notifies the organization of a determination under paragraph (1) and until the Secretary is satisfied that the basis for such determination has been corrected and is not likely to recur.

''(3) OTHER INTERMEDIATE SANCTIONS.—In the case of a Medicare Choice organization for which the Secretary makes a determination under subsection (c)(2) the basis of which is not described in paragraph (1), the Secretary may apply the following intermediate sanctions:

''(A) Civil money penalties of not more than $25,000 for each determination under subsection (c)(2) if the deficiency that is the basis of the determination has directly adversely affected (or has the substantial likelihood of adversely affecting) an individual covered under the organization's contract.

''(B) Civil money penalties of not more than $10,000 for each week beginning after the initiation of procedures by the Secretary under subsection (g) during which the deficiency that is the basis of a determination under subsection (c)(2) exists.

''(C) Suspension of enrollment of individuals under this part after the date the Secretary notifies the organization of a determination under subsection (c)(2) and until the Secretary is satisfied that the deficiency that is the basis for the determination has been corrected and is not likely to recur.

''(4) CIVIL MONEY PENALTIES.—The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under subsection (f) or under paragraph (2) or (3) of this subsection in the same manner as they apply to a civil money penalty or proceeding under section 1128A(a).

''(h) PROCEDURES FOR TERMINATION.—

''(1) IN GENERAL.—The Secretary may terminate a contract with a Medicare Choice organization under this section in accordance with formal investigation and compliance procedures established by the Secretary under which—

''(A) the Secretary provides the organization with the reasonable opportunity to develop and implement a corrective action plan to correct the deficiencies that were the basis of the Secretary's determination under subsection (c)(2);

''(B) the Secretary shall impose more severe sanctions on an organization that has a history of deficiencies or that has not taken steps to correct deficiencies the Secretary has brought to the organization's attention;

''(C) there are no unreasonable or unnecessary delays between the finding of a deficiency and the imposition of sanctions; and

''(D) the Secretary provides the organization with reasonable notice and opportunity for hearing (including the right to appeal an initial decision) before terminating the contract.

''(2) EXCEPTION FOR IMMINENT AND SERIOUS RISK TO HEALTH.—Paragraph (1) shall not apply if the Secretary determines that a delay in termination, resulting from compliance with the procedures specified in such paragraph prior to termination, would pose an imminent and serious risk to the health of individuals enrolled under this part with the organization.

''DEFINITIONS; MISCELLANEOUS PROVISIONS

''SEC. 1859. (a) DEFINITIONS RELATING TO MEDICARE CHOICE ORGANIZATIONS.—In this part—

''(1) MEDICARE CHOICE ORGANIZATION.—The term 'Medicare Choice organization' means a public or private entity that is certified under section 1856 as meeting the requirements and standards of this part for such an organization.

''(2) PROVIDER-SPONSORED ORGANIZATION.—The term 'provider-sponsored organization' is defined in section 1855(e)(1).

''(b) DEFINITIONS RELATING TO MEDICARE CHOICE PLANS.—

''(1) MEDICARE CHOICE PLAN.—The term 'Medicare Choice plan' means health benefits coverage offered under a policy, contract, or plan by a Medicare Choice organization pursuant to and in accordance with a contract under section 1857.

''(2) MEDICARE CHOICE UNRESTRICTED FEE-FOR-SERVICE PLAN.—The term 'Medicare Choice unrestricted fee-for-service plan' means a Medicare Choice plan that provides for coverage of benefits without restrictions relating to utilization and without regard to whether the provider has a contract or other arrangement with the organization offering the plan for the provision of such benefits.

''(c) OTHER REFERENCES TO OTHER TERMS.—

''(1) MEDICARE CHOICE ELIGIBLE INDIVIDUAL.—The term 'Medicare Choice eligible individual' is defined in section 1851(a)(3).

''(2) MEDICARE CHOICE PAYMENT AREA.—The term 'Medicare Choice payment area' is defined in section 1853(d).

''(3) NATIONAL AVERAGE PER CAPITA GROWTH PERCENTAGE.—The 'national average per capita growth percentage' is defined in section 1853(c)(6).

''(4) MONTHLY PREMIUM; NET MONTHLY PREMIUM.—The terms 'monthly premium' and 'net monthly premium' are defined in section 1854(a)(2).

''(d) COORDINATED ACUTE AND LONG-TERM CARE BENEFITS UNDER A MEDICARE CHOICE PLAN.—Nothing in this part shall be construed as preventing a State from coordinating benefits under a medicaid plan under title XIX with those provided under a Medicare Choice plan in a manner that assures continuity of a full-range of acute care and long-term care services to poor elderly or disabled individuals eligible for benefits under this title and under such plan.

''(e) RESTRICTION ON ENROLLMENT FOR CERTAIN MEDICARE CHOICE PLANS.—

''(1) IN GENERAL.—In the case of a Medicare Choice religious fraternal benefit society plan described in paragraph (2), notwithstanding any other provision of this part to the contrary and in accordance with regulations of the Secretary, the society offering the plan may restrict the enrollment of individuals under this part to individuals who are members of the church, convention, or group described in paragraph (3)(B) with which the society is affiliated.

''(2) MEDICARE CHOICE RELIGIOUS FRATERNAL BENEFIT SOCIETY PLAN DESCRIBED.—For purposes of this subsection, a Medicare Choice religious fraternal benefit society plan described in this paragraph is a Medicare Choice plan described in section 1851(a)(2)(A) that—

''(A) is offered by a religious fraternal benefit society described in paragraph (3) only to members of the church, convention, or group described in paragraph (3)(B); and

''(B) permits all such members to enroll under the plan without regard to health status-related factors.

Nothing in this subsection shall be construed as waiving any plan requirements relating to financial solvency. In developing solvency standards under section 1856, the Secretary shall take into account open contract and assessment features characteristic of fraternal insurance certificates.

''(3) RELIGIOUS FRATERNAL BENEFIT SOCIETY DEFINED.—For purposes of paragraph (2)(A), a 'religious fraternal benefit society' described in this section is an organization that—

''(A) is exempt from Federal income taxation under section 501(c)(8) of the Internal Revenue Code of 1986;

''(B) is affiliated with, carries out the tenets of, and shares a religious bond with, a church or convention or association of churches or an affiliated group of churches;

''(C) offers, in addition to a Medicare Choice religious fraternal benefit society plan, at least the same level of health coverage to individuals not entitled to benefits under this title who are members of such church, convention, or group; and

''(D) does not impose any limitation on membership in the society based on any health status-related factor.

''(4) PAYMENT ADJUSTMENT.—Under regulations of the Secretary, in the case of individuals enrolled under this part under a Medicare Choice religious fraternal benefit society plan described in paragraph (2), the Secretary shall provide for such adjustment to the payment amounts otherwise established under section 1854 as may be appropriate to assure an appropriate payment level, taking into account the actuarial characteristics and experience of such individuals.''.

SEC. 5002. TRANSITIONAL RULES FOR CURRENT MEDICARE HMO PROGRAM.

(a) AUTHORIZING TRANSITIONAL WAIVER OF 50:50 RULE.—Section 1876(f) (42 U.S.C. 1395mm(f)) is amended—

(1) in paragraph (1)—

(A) by striking ''Each'' and inserting ''For contract periods beginning before January 1, 1999, each''; and

(B) by striking ''or under a State plan approved under title XIX'';

(2) in paragraph (2), by striking ''The Secretary'' and inserting ''Subject to paragraph (4), the Secretary'', and

(3) by adding at the end the following:

''(4) The Secretary may waive the requirement imposed by paragraph (1) if the Secretary determines that the plan meets all other beneficiary protections and quality standards under this section.''.

(b) TRANSITION.—Section 1876 (42 U.S.C. 1395mm) is amended by adding at the end the following new subsection:

''(k)(1) Except as provided in paragraph (2) or (3), the Secretary shall not enter into, renew, or continue any risk-sharing contract under this section with an eligible organization for any contract year beginning on or after—

''(A) the date standards for Medicare Choice organizations and plans are first established under section 1856 with respect to Medicare Choice organizations that are insurers or health maintenance organizations, or

''(B) in the case of such an organization with such a contract in effect as of the date such standards were first established, 1 year after such date.

''(2) The Secretary shall not enter into, renew, or continue any risk-sharing contract under this section with an eligible organization for any contract year beginning on or after January 1, 2000.

''(3) An individual who is enrolled in part B only and is enrolled in an eligible organization with a risk-sharing contract under this section on December 31, 1998, may continue enrollment in such organization in accordance with regulations issued by not later than July 1, 1998.

''(4) Notwithstanding subsection (a), the Secretary shall provide that payment amounts under risk-sharing contracts under this section for months in a year (beginning with January 1998) shall be computed—

''(A) with respect to individuals entitled to benefits under both parts A and B, by substituting payment rates under section 1853(a) for the payment rates otherwise established under section 1876(a), and

''(B) with respect to individuals only entitled to benefits under part B, by substituting an appropriate proportion of such rates (reflecting the relative proportion of payments under this title attributable to such part) for the payment rates otherwise established under subsection (a).

For purposes of carrying out this paragraph for payments for months in 1998, the Secretary shall compute, announce, and apply the payment rates under section 1853(a) (notwithstanding any deadlines specified in such section) in as timely a manner as possible and may (to the extent necessary) provide for retroactive adjustment in payments made under this section not in accordance with such rates.''.

(c) ENROLLMENT TRANSITION RULE.—An individual who is enrolled on December 31, 1998, with an eligible organization under section 1876 of the Social Security Act (42 U.S.C. 1395mm) shall be considered to be enrolled with that organization on January 1, 1999, under part C of title XVIII of such Act if that organization has a contract under that part for providing services on January 1, 1999 (unless the individual has disenrolled effective on that date).

(d) ADVANCE DIRECTIVES.—Section 1866(f) (42 U.S.C. 1395cc(f)) is amended—

(1) in paragraph (1)—

(A) by inserting ''1855(i),'' after ''1833(s),'', and

(B) by inserting '', Medicare Choice organization,'' after ''provider of services''; and

(2) in paragraph (2)(E), by inserting ''or a Medicare Choice organization'' after ''section 1833(a)(1)(A)''.

(e) EXTENSION OF PROVIDER REQUIREMENT.—Section 1866(a)(1)(O) (42 U.S.C. 1395cc(a)(1)(O)) is amended—

(1) by striking ''in the case of hospitals and skilled nursing facilities,'';

(2) by striking ''inpatient hospital and extended care'';

(3) by inserting ''with a Medicare Choice organization under part C or'' after ''any individual enrolled''; and

(4) by striking ''(in the case of hospitals) or limits (in the case of skilled nursing facilities)''.

(f) ADDITIONAL CONFORMING CHANGES.—

(1) CONFORMING REFERENCES TO PREVIOUS PART C.—Any reference in law (in effect before the date of the enactment of this Act) to part C of title XVIII of the Social Security Act is deemed a reference to part D of such title (as in effect after such date).

(2) SECRETARIAL SUBMISSION OF LEGISLATIVE PROPOSAL.—Not later than 90 days after the date of the enactment of this Act, the Secretary of Health and Human Services shall submit to the appropriate committees of Congress a legislative proposal providing for such technical and conforming amendments in the law as are required by the provisions of this chapter.

(g) IMMEDIATE EFFECTIVE DATE FOR CERTAIN REQUIREMENTS FOR DEMONSTRATIONS.—Section 1857(e)(2) of the Social Security Act (requiring contribution to certain costs related to the enrollment process comparative materials) applies to demonstrations with respect to which enrollment is effected or coordinated under section 1851 of such Act.

(h) USE OF INTERIM, FINAL REGULATIONS.—In order to carry out the amendments made by this chapter in a timely manner, the Secretary of Health and Human Services may promulgate regulations that take effect on an interim basis, after notice and pending opportunity for public comment.

(i) TRANSITION RULE FOR PSO ENROLLMENT.—In applying subsection (g)(1) of section 1876 of the Social Security Act (42 U.S.C. 1395mm) to a risk-sharing contract entered into with an eligible organization that is a provider-sponsored organization (as defined in section 1855(e)(1) of such Act, as inserted by section 5001) for a contract year beginning on or after January 1, 1998, there shall be substituted for the minimum number of enrollees provided under such section the minimum number of enrollees permitted under section 1857(b)(1) of such Act (as so inserted).

SEC. 5003. CONFORMING CHANGES IN MEDIGAP PROGRAM.

(a) CONFORMING AMENDMENTS TO MEDICARE CHOICE CHANGES.—Section 1882(d)(3)(A)(i) (42 U.S.C. 1395ss(d)(3)(A)(i)) is amended—

(1) in the matter before subclause (I), by inserting ''(including an individual electing a Medicare Choice plan under section 1851)'' after ''of this title''; and

(2) in subclause (II)—

(A) by inserting ''in the case of an individual not electing a Medicare Choice plan'' after ''(II)'', and

(B) by inserting before the comma at the end the following: ''or in the case of an individual electing a Medicare Choice plan, a medicare supplemental policy with knowledge that the policy duplicates health benefits to which the individual is otherwise entitled under the Medicare Choice plan or under another medicare supplemental policy''.

(b) CONFORMING AMENDMENTS.—Section 1882(d)(3)(B)(i)(I) (42 U.S.C. 1395ss(d)(3)(B)(i)(I)) is amended by inserting ''(including any Medicare Choice plan)'' after ''health insurance policies''.

(c) MEDICARE CHOICE PLANS NOT TREATED AS MEDICARE SUPPLEMENTARY POLICIES.—Section 1882(g)(1) (42 U.S.C. 1395ss(g)(1)) is amended by inserting ''or a Medicare Choice plan or'' after ''does not include''

CHAPTER 2—INTEGRATED LONG-TERM CARE PROGRAMS

Subchapter A—Programs of All-Inclusive Care for the Elderly (PACE)

SEC. 5011. COVERAGE OF PACE UNDER THE MEDICARE PROGRAM.

Title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by adding at the end the following new section:

''PAYMENTS TO, AND COVERAGE OF BENEFITS UNDER, PROGRAMS OF ALL-INCLUSIVE CARE FOR THE ELDERLY (PACE)

''SEC. 1894. (a) RECEIPT OF BENEFITS THROUGH ENROLLMENT IN PACE PROGRAM; DEFINITIONS FOR PACE PROGRAM RELATED TERMS.—

''(1) BENEFITS THROUGH ENROLLMENT IN A PACE PROGRAM.—In accordance with this section, in the case of an individual who is entitled to benefits under part A or enrolled under part B and who is a PACE program eligible individual (as defined in paragraph (5)) with respect to a PACE program offered by a PACE provider under a PACE program agreement—

''(A) the individual may enroll in the program under this section; and

''(B) so long as the individual is so enrolled and in accordance with regulations—

''(i) the individual shall receive benefits under this title solely through such program; and

''(ii) the PACE provider is entitled to payment under and in accordance with this section and such agreement for provision of such benefits.

''(2) PACE PROGRAM DEFINED.—For purposes of this section and section 1932, the term 'PACE program' means a program of all-inclusive care for the elderly that meets the following requirements:

''(A) OPERATION.—The entity operating the program is a PACE provider (as defined in paragraph (3)).

''(B) COMPREHENSIVE BENEFITS.—The program provides comprehensive health care

services to PACE program eligible individuals in accordance with the PACE program agreement and regulations under this section.

''(C) TRANSITION.—In the case of an individual who is enrolled under the program under this section and whose enrollment ceases for any reason (including that the individual no longer qualifies as a PACE program eligible individual, the termination of a PACE program agreement, or otherwise), the program provides assistance to the individual in obtaining necessary transitional care through appropriate referrals and making the individual's medical records available to new providers.

''(3) PACE PROVIDER DEFINED.—

''(A) IN GENERAL.—For purposes of this section, the term 'PACE provider' means an entity that—

''(i) subject to subparagraph (B), is (or is a distinct part of) a public entity or a private, nonprofit entity organized for charitable purposes under section 501(c)(3) of the Internal Revenue Code of 1986; and

''(ii) has entered into a PACE program agreement with respect to its operation of a PACE program.

''(B) TREATMENT OF PRIVATE, FOR-PROFIT PROVIDERS.—Clause (i) of subparagraph (A) shall not apply—

''(i) to entities subject to a demonstration project waiver under subsection (h); and

''(ii) after the date the report under section 5013(b) of the Balanced Budget Act of 1997 is submitted, unless the Secretary determines that any of the findings described in subparagraph (A), (B), (C), or (D) of paragraph (2) of such section are true.

''(4) PACE PROGRAM AGREEMENT DEFINED.—For purposes of this section, the term 'PACE program agreement' means, with respect to a PACE provider, an agreement, consistent with this section, section 1932 (if applicable), and regulations promulgated to carry out such sections, between the PACE provider and the Secretary, or an agreement between the PACE provider and a State administering agency for the operation of a PACE program by the provider under such sections.

''(5) PACE PROGRAM ELIGIBLE INDIVIDUAL DEFINED.—For purposes of this section, the term 'PACE program eligible individual' means, with respect to a PACE program, an individual who—

''(A) is 55 years of age or older;

''(B) subject to subsection (c)(4), is determined under subsection (c) to require the level of care required under the State medicaid plan for coverage of nursing facility services;

''(C) resides in the service area of the PACE program; and

''(D) meets such other eligibility conditions as may be imposed under the PACE program agreement for the program under subsection (e)(2)(A)(ii).

''(6) PACE PROTOCOL.—For purposes of this section, the term 'PACE protocol' means the Protocol for the Program of All-inclusive Care for the Elderly (PACE), as published by On Lok, Inc., as of April 14, 1995, or any successor protocol that may be agreed upon between the Secretary and On Lok, Inc.

''(7) PACE DEMONSTRATION WAIVER PROGRAM DEFINED.—For purposes of this section, the term 'PACE demonstration waiver program' means a demonstration program under either of the following sections (as in effect before the date of their repeal):

''(A) Section 603(c) of the Social Security Amendments of 1983 (Public Law 98–21), as extended by section 9220 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99–272).

''(B) Section 9412(b) of the Omnibus Budget Reconciliation Act of 1986 (Public Law 99–509).

''(8) STATE ADMINISTERING AGENCY DEFINED.—For purposes of this section, the term 'State administering agency' means, with respect to the operation of a PACE program in a State, the agency of that State (which may be the single agency responsible for administration of the State plan under title XIX in the State) responsible for administering PACE program agreements under this section and section 1932 in the State.

''(9) TRIAL PERIOD DEFINED.—

''(A) IN GENERAL.—For purposes of this section, the term 'trial period' means, with respect to a PACE program operated by a PACE provider under a PACE program agreement, the first 3 contract years under such agreement with respect to such program.

''(B) TREATMENT OF ENTITIES PREVIOUSLY OPERATING PACE DEMONSTRATION WAIVER PROGRAMS.—Each contract year (including a year occurring before the effective date of this section) during which an entity has operated a PACE demonstration waiver program shall be counted under subparagraph (A) as a contract year during which the entity operated a PACE program as a PACE provider under a PACE program agreement.

''(10) REGULATIONS.—For purposes of this section, the term 'regulations' refers to interim final or final regulations promulgated under subsection (f) to carry out this section and section 1932.

''(b) SCOPE OF BENEFITS; BENEFICIARY SAFEGUARDS.—

''(1) IN GENERAL.—Under a PACE program agreement, a PACE provider shall—

''(A) provide to PACE program eligible individuals, regardless of source of payment and directly or under contracts with other entities, at a minimum—

''(i) all items and services covered under this title (for individuals enrolled under this section) and all items and services covered under title XIX, but without any limitation or condition as to amount, duration, or scope and without application of deductibles, copayments, coinsurance, or other cost-sharing that would otherwise apply under this title or such title, respectively; and

''(ii) all additional items and services specified in regulations, based upon those required under the PACE protocol;

''(B) provide such enrollees access to necessary covered items and services 24 hours per day, every day of the year;

''(C) provide services to such enrollees through a comprehensive, multidisciplinary health and social services delivery system which integrates acute and long-term care services pursuant to regulations; and

''(D) specify the covered items and services that will not be provided directly by the entity, and to arrange for delivery of those items and services through contracts meeting the requirements of regulations.

''(2) QUALITY ASSURANCE; PATIENT SAFEGUARDS.—The PACE program agreement shall require the PACE provider to have in effect at a minimum—

''(A) a written plan of quality assurance and improvement, and procedures implementing such plan, in accordance with regulations; and

''(B) written safeguards of the rights of enrolled participants (including a patient bill of rights and procedures for grievances and appeals) in accordance with regulations and with other requirements of this title and Federal and State law that are designed for the protection of patients.

''(c) ELIGIBILITY DETERMINATIONS.—

''(1) IN GENERAL.—The determination of whether an individual is a PACE program eligible individual—

''(A) shall be made under and in accordance with the PACE program agreement; and

''(B) who is entitled to medical assistance under title XIX, shall be made (or who is not so entitled, may be made) by the State administering agency.

''(2) CONDITION.—An individual is not a PACE program eligible individual (with respect to payment under this section) unless the individual's health status has been determined by the Secretary or the State administering agency, in accordance with regulations, to be comparable to the health status of individuals who have participated in the PACE demonstration waiver programs. Such determination shall be based upon information on health status and related indicators (such as medical diagnoses and measures of activities of daily living, instrumental activities of daily living, and cognitive impairment) that are part of a uniform minimum data set collected by PACE providers on potential eligible individuals.

''(3) ANNUAL ELIGIBILITY RECERTIFICATIONS.—

''(A) IN GENERAL.—Subject to subparagraph (B), the determination described in subsection (a)(5)(B) for an individual shall be reevaluated at least annually.

''(B) EXCEPTION.—The requirement of annual reevaluation under subparagraph (A) may be waived during a period in accordance with regulations in those cases where the State administering agency determines that there is no reasonable expectation of improvement or significant change in an individual's condition during the period because of the advanced age, severity of the advanced age, severity of chronic condition, or degree of impairment of functional capacity of the individual involved.

''(4) CONTINUATION OF ELIGIBILITY.—An individual who is a PACE program eligible individual may be deemed to continue to be such an individual notwithstanding a determination that the individual no longer meets the requirement of subsection (a)(5)(B) if, in accordance with regulations, in the absence of continued coverage under a PACE program the individual reasonably would be expected to meet such requirement within the succeeding 6-month period.

''(5) ENROLLMENT; DISENROLLMENT.—The enrollment and disenrollment of PACE program eligible individuals in a PACE program shall be pursuant to regulations and the PACE program agreement and shall permit enrollees to voluntarily disenroll without cause at any time. Such regulations and agreement shall provide that the PACE program may not disenroll a PACE program eligible individual on the ground that the individual has engaged in noncompliant behavior if such behavior is related to a mental or physical condition of the individual. For purposes of the preceding sentence, the term 'noncompliant behavior' includes repeated noncompliance with medical advice and repeated failure to appear for appointments.

''(d) PAYMENTS TO PACE PROVIDERS ON A CAPITATED BASIS.—

''(1) IN GENERAL.—In the case of a PACE provider with a PACE program agreement under this section, except as provided in this subsection or by regulations, the Secretary shall make prospective monthly payments of a capitation amount for each PACE program eligible individual enrolled under the agreement under this section in the same manner and from the same sources as payments are made to an eligible organization under a risk-sharing contract under section 1876. Such payments shall be subject to adjustment in the manner described in section 1876(a)(1)(E).

''(2) CAPITATION AMOUNT.—The capitation amount to be applied under this subsection for a provider for a contract year shall be an amount specified in the PACE program agreement for the year. Such amount shall be based upon payment rates established under section 1876 for risk-sharing contracts

and shall be adjusted to take into account the comparative frailty of PACE enrollees and such other factors as the Secretary determines to be appropriate. Such amount under such an agreement shall be computed in a manner so that the total payment level for all PACE program eligible individuals enrolled under a program is less than the projected payment under this title for a comparable population not enrolled under a PACE program.

''(e) PACE PROGRAM AGREEMENT.—

''(1) REQUIREMENT.—

''(A) IN GENERAL.—The Secretary, in close cooperation with the State administering agency, shall establish procedures for entering into, extending, and terminating PACE program agreements for the operation of PACE programs by entities that meet the requirements for a PACE provider under this section, section 1932, and regulations.

''(B) NUMERICAL LIMITATION.—

''(i) IN GENERAL.—The Secretary shall not permit the number of PACE providers with which agreements are in effect under this section or under section 9412(b) of the Omnibus Budget Reconciliation Act of 1986 to exceed—

''(I) 40 as of the date of the enactment of this section; or

''(II) as of each succeeding anniversary of such date, the numerical limitation under this subparagraph for the preceding year plus 20.

Subclause (II) shall apply without regard to the actual number of agreements in effect as of a previous anniversary date.

''(ii) TREATMENT OF CERTAIN PRIVATE, FOR-PROFIT PROVIDERS.—The numerical limitation in clause (i) shall not apply to a PACE provider that—

''(I) is operating under a demonstration project waiver under subsection (h); or

''(II) was operating under such a waiver and subsequently qualifies for PACE provider status pursuant to subsection (a)(3)(B)(ii).

''(2) SERVICE AREA AND ELIGIBILITY.—

''(A) IN GENERAL.—A PACE program agreement for a PACE program—

''(i) shall designate the service area of the program;

''(ii) may provide additional requirements for individuals to qualify as PACE program eligible individuals with respect to the program;

''(iii) shall be effective for a contract year, but may be extended for additional contract years in the absence of a notice by a party to terminate and is subject to termination by the Secretary and the State administering agency at any time for cause (as provided under the agreement);

''(iv) shall require a PACE provider to meet all applicable State and local laws and requirements; and

''(v) shall have such additional terms and conditions as the parties may agree to, provided that such terms and conditions are consistent with this section and regulations.

''(B) SERVICE AREA OVERLAP.—In designating a service area under a PACE program agreement under subparagraph (A)(i), the Secretary (in consultation with the State administering agency) may exclude from designation an area that is already covered under another PACE program agreement, in order to avoid unnecessary duplication of services and avoid impairing the financial and service viability of an existing program.

''(3) DATA COLLECTION; DEVELOPMENT OF OUTCOME MEASURES.—

''(A) DATA COLLECTION.—

''(i) IN GENERAL.—Under a PACE program agreement, the PACE provider shall—

''(I) collect data;

''(II) maintain, and afford the Secretary and the State administering agency access to, the records relating to the program, including pertinent financial, medical, and personnel records; and

''(III) make to the Secretary and the State administering agency reports that the Secretary finds (in consultation with State administering agencies) necessary to monitor the operation, cost, and effectiveness of the PACE program under this Act.

''(ii) REQUIREMENTS DURING TRIAL PERIOD.—During the first 3 years of operation of a PACE program (either under this section or under a PACE demonstration waiver program), the PACE provider shall provide such additional data as the Secretary specifies in regulations in order to perform the oversight required under paragraph (4)(A).

''(B) DEVELOPMENT OF OUTCOME MEASURES.—Under a PACE program agreement, the PACE provider, the Secretary, and the State administering agency shall jointly cooperate in the development and implementation of health status and quality of life outcome measures with respect to PACE program eligible individuals.

''(4) OVERSIGHT.—

''(A) ANNUAL, CLOSE OVERSIGHT DURING TRIAL PERIOD.—During the trial period (as defined in subsection (a)(9)) with respect to a PACE program operated by a PACE provider, the Secretary (in cooperation with the State administering agency) shall conduct a comprehensive annual review of the operation of the PACE program by the provider in order to assure compliance with the requirements of this section and regulations. Such a review shall include—

''(i) an on-site visit to the program site;

''(ii) comprehensive assessment of a provider's fiscal soundness;

''(iii) comprehensive assessment of the provider's capacity to provide all PACE services to all enrolled participants;

''(iv) detailed analysis of the entity's substantial compliance with all significant requirements of this section and regulations; and

''(v) any other elements the Secretary or State agency considers necessary or appropriate.

''(B) CONTINUING OVERSIGHT.—After the trial period, the Secretary (in cooperation with the State administering agency) shall continue to conduct such review of the operation of PACE providers and PACE programs as may be appropriate, taking into account the performance level of a provider and compliance of a provider with all significant requirements of this section and regulations.

''(C) DISCLOSURE.—The results of reviews under this paragraph shall be reported promptly to the PACE provider, along with any recommendations for changes to the provider's program, and shall be made available to the public upon request.

''(5) TERMINATION OF PACE PROVIDER AGREEMENTS.—

''(A) IN GENERAL.—Under regulations—

''(i) the Secretary or a State administering agency may terminate a PACE program agreement for cause; and

''(ii) a PACE provider may terminate an agreement after appropriate notice to the Secretary, the State agency, and enrollees.

''(B) CAUSES FOR TERMINATION.—In accordance with regulations establishing procedures for termination of PACE program agreements, the Secretary or a State administering agency may terminate a PACE program agreement with a PACE provider for, among other reasons, the fact that—

''(i) the Secretary or State administering agency determines that—

''(I) there are significant deficiencies in the quality of care provided to enrolled participants; or

''(II) the provider has failed to comply substantially with conditions for a program or provider under this section or section 1932; and

''(ii) the entity has failed to develop and successfully initiate, within 30 days of the receipt of written notice of such a determination, a plan to correct the deficiencies, or has failed to continue implementation of such a plan.

''(C) TERMINATION AND TRANSITION PROCEDURES.—An entity whose PACE provider agreement is terminated under this paragraph shall implement the transition procedures required under subsection (a)(2)(C).

''(6) SECRETARY'S OVERSIGHT; ENFORCEMENT AUTHORITY.—

''(A) IN GENERAL.—Under regulations, if the Secretary determines (after consultation with the State administering agency) that a PACE provider is failing substantially to comply with the requirements of this section and regulations, the Secretary (and the State administering agency) may take any or all of the following actions:

''(i) Condition the continuation of the PACE program agreement upon timely execution of a corrective action plan.

''(ii) Withhold some or all further payments under the PACE program agreement under this section or section 1932 with respect to PACE program services furnished by such provider until the deficiencies have been corrected.

''(iii) Terminate such agreement.

''(B) APPLICATION OF INTERMEDIATE SANCTIONS.—Under regulations, the Secretary may provide for the application against a PACE provider of remedies described in section 1876(i)(6)(B) or 1903(m)(5)(B) in the case of violations by the provider of the type described in section 1876(i)(6)(A) or 1903(m)(5)(A), respectively (in relation to agreements, enrollees, and requirements under this section or section 1932, respectively).

''(7) PROCEDURES FOR TERMINATION OR IMPOSITION OF SANCTIONS.—Under regulations, the provisions of section 1876(i)(9) shall apply to termination and sanctions respecting a PACE program agreement and PACE provider under this subsection in the same manner as they apply to a termination and sanctions with respect to a contract and an eligible organization under section 1876.

''(8) TIMELY CONSIDERATION OF APPLICATIONS FOR PACE PROGRAM PROVIDER STATUS.—In considering an application for PACE provider program status, the application shall be deemed approved unless the Secretary, within 90 days after the date of the submission of the application to the Secretary, either denies such request in writing or informs the applicant in writing with respect to any additional information that is needed in order to make a final determination with respect to the application. After the date the Secretary receives such additional information, the application shall be deemed approved unless the Secretary, within 90 days of such date, denies such request.

''(f) REGULATIONS.—

''(1) IN GENERAL.—The Secretary shall issue interim final or final regulations to carry out this section and section 1932.

''(2) USE OF PACE PROTOCOL.—

''(A) IN GENERAL.—In issuing such regulations, the Secretary shall, to the extent consistent with the provisions of this section, incorporate the requirements applied to PACE demonstration waiver programs under the PACE protocol.

''(B) FLEXIBILITY.—In order to provide for reasonable flexibility in adapting the PACE service delivery model to the needs of particular organizations (such as those in rural areas or those that may determine it appropriate to use nonstaff physicians according to State licensing law requirements) under this section and section 1932, the Secretary

(in close consultation with State administering agencies) may modify or waive provisions of the PACE protocol so long as any such modification or waiver is not inconsistent with and would not impair the essential elements, objectives, and requirements of this section, but may not modify or waive any of the following provisions:

''(i) The focus on frail elderly qualifying individuals who require the level of care provided in a nursing facility.

''(ii) The delivery of comprehensive, integrated acute and long-term care services.

''(iii) The interdisciplinary team approach to care management and service delivery.

''(iv) Capitated, integrated financing that allows the provider to pool payments received from public and private programs and individuals.

''(v) The assumption by the provider of full financial risk.

''(3) APPLICATION OF CERTAIN ADDITIONAL BENEFICIARY AND PROGRAM PROTECTIONS.—

''(A) IN GENERAL.—In issuing such regulations and subject to subparagraph (B), the Secretary may apply with respect to PACE programs, providers, and agreements such requirements of sections 1876 and 1903(m) relating to protection of beneficiaries and program integrity as would apply to eligible organizations under risk-sharing contracts under section 1876 and to health maintenance organizations under prepaid capitation agreements under section 1903(m).

''(B) CONSIDERATIONS.—In issuing such regulations, the Secretary shall—

''(i) take into account the differences between populations served and benefits provided under this section and under sections 1876 and 1903(m);

''(ii) not include any requirement that conflicts with carrying out PACE programs under this section; and

''(iii) not include any requirement restricting the proportion of enrollees who are eligible for benefits under this title or title XIX.

''(g) WAIVERS OF REQUIREMENTS.—With respect to carrying out a PACE program under this section, the following requirements of this title (and regulations relating to such requirements) are waived and shall not apply:

''(1) Section 1812, insofar as it limits coverage of institutional services.

''(2) Sections 1813, 1814, 1833, and 1886, insofar as such sections relate to rules for payment for benefits.

''(3) Sections 1814(a)(2)(B), 1814(a)(2)(C), and 1835(a)(2)(A), insofar as they limit coverage of extended care services or home health services.

''(4) Section 1861(i), insofar as it imposes a 3-day prior hospitalization requirement for coverage of extended care services.

''(5) Paragraphs (1) and (9) of section 1862(a), insofar as they may prevent payment for PACE program services to individuals enrolled under PACE programs.

''(h) DEMONSTRATION PROJECT FOR FOR-PROFIT ENTITIES.—

''(1) IN GENERAL.—In order to demonstrate the operation of a PACE program by a private, for-profit entity, the Secretary (in close consultation with State administering agencies) shall grant waivers from the requirement under subsection (a)(3) that a PACE provider may not be a for-profit, private entity.

''(2) SIMILAR TERMS AND CONDITIONS.—

''(A) IN GENERAL.—Except as provided under subparagraph (B), and paragraph (1), the terms and conditions for operation of a PACE program by a provider under this subsection shall be the same as those for PACE providers that are nonprofit, private organizations.

''(B) NUMERICAL LIMITATION.—The number of programs for which waivers are granted under this subsection shall not exceed 10. Programs with waivers granted under this subsection shall not be counted against the numerical limitation specified in subsection (e)(1)(B).

''(i) MISCELLANEOUS PROVISIONS.—Nothing in this section or section 1932 shall be construed as preventing a PACE provider from entering into contracts with other governmental or nongovernmental payers for the care of PACE program eligible individuals who are not eligible for benefits under part A, or enrolled under part B, or eligible for medical assistance under title XIX.''.

SEC. 5012. EFFECTIVE DATE; TRANSITION.

(a) TIMELY ISSUANCE OF REGULATIONS; EFFECTIVE DATE.—The Secretary of Health and Human Services shall promulgate regulations to carry out this subtitle in a timely manner. Such regulations shall be designed so that entities may establish and operate PACE programs under sections 1894 and 1932 of the Social Security Act (as added by sections 5011 and 5751 of this Act) for periods beginning not later than 1 year after the date of the enactment of this Act.

(b) EXPANSION AND TRANSITION FOR PACE DEMONSTRATION PROJECT WAIVERS.—

(1) EXPANSION IN CURRENT NUMBER OF DEMONSTRATION PROJECTS.—Section 9412(b) of the Omnibus Budget Reconciliation Act of 1986, as amended by section 4118(g) of the Omnibus Budget Reconciliation Act of 1987, is amended—

(A) in paragraph (1), by inserting before the period at the end the following: '', except that the Secretary shall grant waivers of such requirements up to the applicable numerical limitation specified in section 1894(e)(1)(B) of the Social Security Act''; and

(B) in paragraph (2)—

(i) in subparagraph (A), by striking '', including permitting the organization to assume progressively (over the initial 3-year period of the waiver) the full financial risk''; and

(ii) in subparagraph (C), by adding at the end the following: ''In granting further extensions, an organization shall not be required to provide for reporting of information which is only required because of the demonstration nature of the project.''.

(2) ELIMINATION OF REPLICATION REQUIREMENT.—Subparagraph (B) of paragraph (2) of such section shall not apply to waivers granted under such section after the date of the enactment of this Act.

(3) TIMELY CONSIDERATION OF APPLICATIONS.—In considering an application for waivers under such section before the effective date of repeals made under subsection (d), subject to the numerical limitation under the amendment made by paragraph (1), the application shall be deemed approved unless the Secretary of Health and Human Services, within 90 days after the date of its submission to the Secretary, either denies such request in writing or informs the applicant in writing with respect to any additional information which is needed in order to make a final determination with respect to the application. After the date the Secretary receives such additional information, the application shall be deemed approved unless the Secretary, within 90 days of such date, denies such request.

(c) PRIORITY AND SPECIAL CONSIDERATION IN APPLICATION.—During the 3-year period beginning on the date of enactment of this Act:

(1) PROVIDER STATUS.—The Secretary of Health and Human Services shall give priority, in processing applications of entities to qualify as PACE programs under section 1894 or 1932 of the Social Security Act—

(A) first, to entities that are operating a PACE demonstration waiver program (as defined in section 1894(a)(7) of such Act); and

(B) then entities that have applied to operate such a program as of May 1, 1997.

(2) NEW WAIVERS.—The Secretary shall give priority, in the awarding of additional waivers under section 9412(b) of the Omnibus Budget Reconciliation Act of 1986—

(A) to any entities that have applied for such waivers under such section as of May 1, 1997; and

(B) to any entity that, as of May 1, 1997, has formally contracted with a State to provide services for which payment is made on a capitated basis with an understanding that the entity was seeking to become a PACE provider.

(3) SPECIAL CONSIDERATION.—The Secretary shall give special consideration, in the processing of applications described in paragraph (1) and the awarding of waivers described in paragraph (2), to an entity which as of May 1, 1997 through formal activities (such as entering into contracts for feasibility studies) has indicated a specific intent to become a PACE provider.

(d) REPEAL OF CURRENT PACE DEMONSTRATION PROJECT WAIVER AUTHORITY.—

(1) IN GENERAL.—Subject to paragraph (2), the following provisions of law are repealed:

(A) Section 603(c) of the Social Security Amendments of 1983 (Public Law 98–21).

(B) Section 9220 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99–272).

(C) Section 9412(b) of the Omnibus Budget Reconciliation Act of 1986 (Public Law 99–509).

(2) DELAY IN APPLICATION.—

(A) IN GENERAL.—Subject to subparagraph (B), the repeals made by paragraph (1) shall not apply to waivers granted before the initial effective date of regulations described in subsection (a).

(B) APPLICATION TO APPROVED WAIVERS.—Such repeals shall apply to waivers granted before such date only after allowing such organizations a transition period (of up to 24 months) in order to permit sufficient time for an orderly transition from demonstration project authority to general authority provided under the amendments made by this subtitle.

SEC. 5013. STUDY AND REPORTS.

(a) STUDY.—

(1) IN GENERAL.—The Secretary of Health and Human Services (in close consultation with State administering agencies, as defined in section 1894(a)(8) of the Social Security Act) shall conduct a study of the quality and cost of providing PACE program services under the medicare and medicaid programs under the amendments made by this subtitle.

(2) STUDY OF PRIVATE, FOR-PROFIT PROVIDERS.—Such study shall specifically compare the costs, quality, and access to services by entities that are private, for-profit entities operating under demonstration projects waivers granted under section 1894(h) of the Social Security Act with the costs, quality, and access to services of other PACE providers.

(b) REPORT.—

(1) IN GENERAL.—Not later than 4 years after the date of enactment of this Act, the Secretary shall provide for a report to Congress on the impact of such amendments on quality and cost of services. The Secretary shall include in such report such recommendations for changes in the operation of such amendments as the Secretary deems appropriate.

(2) TREATMENT OF PRIVATE, FOR-PROFIT PROVIDERS.—The report shall include specific findings on whether any of the following findings is true:

(A) The number of covered lives enrolled with entities operating under demonstration

project waivers under section 1894(h) of the Social Security Act is fewer than 800 (or such lesser number as the Secretary may find statistically sufficient to make determinations respecting findings described in the succeeding subparagraphs).

(B) The population enrolled with such entities is less frail than the population enrolled with other PACE providers.

(C) Access to or quality of care for individuals enrolled with such entities is lower than such access or quality for individuals enrolled with other PACE providers.

(D) The application of such section has resulted in an increase in expenditures under the medicare or medicaid programs above the expenditures that would have been made if such section did not apply.

(c) INFORMATION INCLUDED IN ANNUAL RECOMMENDATIONS.—The Physician Payment Review Commission shall include in its annual recommendations under section 1845(b) of the Social Security Act (42 U.S.C. 1395w–1), and the Prospective Payment Review Commission shall include in its annual recommendations reported under section 1886(e)(3)(A) of such Act (42 U.S.C. 1395ww(e)(3)(A)), recommendations on the methodology and level of payments made to PACE providers under section 1894(d) of such Act and on the treatment of private, for-profit entities as PACE providers. References in the preceding sentence to the Physician Payment Review Commission and the Prospective Payment Review Commission shall be deemed to be references to the Medicare Payment Advisory Commission (MedPAC) established under section 5022(a) after the termination of the Physician Payment Review Commission and the Prospective Payment Review Commission provided for in section 5022(c)(2).

Subchapter B—Social Health Maintenance Organizations

SEC. 5015. SOCIAL HEALTH MAINTENANCE ORGANIZATIONS (SHMOS).

(a) EXTENSION OF DEMONSTRATION PROJECT AUTHORITIES.—Section 4018(b) of the Omnibus Budget Reconciliation Act of 1987 is amended—

(1) in paragraph (1), by striking ''1997'' and inserting ''2000'', and

(2) in paragraph (4), by striking ''1998'' and inserting ''2001''.

(b) EXPANSION OF CAP.—Section 13567(c) of the Omnibus Budget Reconciliation Act of 1993 is amended by striking ''12,000'' and inserting ''36,000''.

(c) REPORT ON INTEGRATION AND TRANSITION.—

(1) IN GENERAL.—The Secretary of Health and Human Services shall submit to Congress, by not later than January 1, 1999, a plan for the integration of health plans offered by social health maintenance organizations (including SHMO I and SHMO II sites developed under section 2355 of the Deficit Reduction Act of 1984 and under the amendment made by section 4207(b)(3)(B)(i) of OBRA–1990, respectively) and similar plans as an option under the Medicare Choice program under part C of title XVIII of the Social Security Act.

(2) PROVISION FOR TRANSITION.—Such plan shall include a transition for social health maintenance organizations operating under demonstration project authority under such section.

(3) PAYMENT POLICY.—The report shall also include recommendations on appropriate payment levels for plans offered by such organizations, including an analysis of the application of risk adjustment factors appropriate to the population served by such organizations.

Subchapter C—Other Programs

SEC. 5018. EXTENSION OF CERTAIN MEDICARE COMMUNITY NURSING ORGANIZATION DEMONSTRATION PROJECTS.

Notwithstanding any other provision of law, demonstration projects conducted under section 4079 of the Omnibus Budget Reconciliation Act of 1987 may be conducted for an additional period of 2 years, and the deadline for any report required relating to the results of such projects shall be not later than 6 months before the end of such additional period.

CHAPTER 3—COMMISSIONS

SEC. 5021. NATIONAL BIPARTISAN COMMISSION ON THE FUTURE OF MEDICARE.

(a) ESTABLISHMENT.—There is established a commission to be known as the National Bipartisan Commission on the Future of Medicare (in this section referred to as the ''Commission'').

(b) FINDINGS.—Congress finds that—

(1) the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) provides essential health care coverage to this Nation's senior citizens and to individuals with disabilities;

(2) the Federal Hospital Insurance Trust Fund established under that Act has been spending more than it receives since 1995, and will be bankrupt in the year 2001;

(3) the Federal Hospital Insurance Trust Fund faces even greater solvency problems in the long run with the aging of the baby boom generation and the continuing decline in the number of workers paying into the medicare program for each medicare beneficiary;

(4) the trustees of the trust funds of the medicare program have reported that growth in spending within the Federal Supplementary Medical Insurance Trust Fund established under that Act is unsustainable; and

(5) expeditious action is needed in order to restore the financial integrity of the medicare program and to maintain this Nation's commitment to senior citizens and to individuals with disabilities.

(c) DUTIES OF THE COMMISSION.—The Commission shall—

(1) review and analyze the long-term financial condition of the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.);

(2) identify problems that threaten the financial integrity of the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund established under that title (42 U.S.C. 1395i, 1395t);

(3) analyze potential solutions to the problems identified under paragraph (2) that will ensure both the financial integrity of the medicare program and the provision of appropriate benefits under such program, including the extent to which current medicare update indexes do not accurately reflect inflation;

(4) make recommendations to restore the solvency of the Federal Hospital Insurance Trust Fund and the financial integrity of the Federal Supplementary Medical Insurance Trust Fund through the year 2030, when the last of the baby boomers reaches age 65;

(5) make recommendations for establishing the appropriate financial structure of the medicare program as a whole;

(6) make recommendations for establishing the appropriate balance of benefits covered and beneficiary contributions to the medicare program;

(7) make recommendations for the time periods during which the recommendations described in paragraphs (4), (5), and (6) should be implemented;

(8) make recommendations regarding the financing of graduate medical education (GME), including consideration of alternative broad-based sources of funding for such education and funding for institutions not currently eligible for such GME support under the medicare program that conduct approved graduate medical residency programs, such as children's hospitals;

(9) make recommendations on the feasibility of allowing individuals between the age of 62 and the medicare eligibility age to buy into the medicare program;

(10) make recommendations on the impact of chronic disease and disability trends on future costs and quality of services under the current benefit, financing, and delivery system structure of the medicare program; and

(11) review and analyze such other matters as the Commission deems appropriate.

(d) MEMBERSHIP.—

(1) NUMBER AND APPOINTMENT.—The Commission shall be composed of 15 members, of whom—

(A) three shall be appointed by the President;

(B) six shall be appointed by the Majority Leader of the Senate, in consultation with the Minority Leader of the Senate, of whom not more than 4 shall be of the same political party; and

(C) six shall be appointed by the Speaker of the House of Representatives, in consultation with the Minority Leader of the House of Representatives, of whom not more than 4 shall be of the same political party.

(2) COMPTROLLER GENERAL.—The Comptroller General of the United States shall advise the Commission on the methodology to be used in identifying problems and analyzing potential solutions in accordance with the duties of the Commission described in subsection (c).

(3) TERMS OF APPOINTMENT.—The members shall serve on the Commission for the life of the Commission.

(4) MEETINGS.—The Commission shall locate its headquarters in the District of Columbia, and shall meet at the call of the Chairperson.

(5) QUORUM.—Ten members of the Commission shall constitute a quorum, but a lesser number may hold hearings.

(6) CHAIRPERSON.—The Speaker of the House of Representatives, in consultation with the Majority Leader of the Senate, shall designate 1 of the members appointed under paragraph (1) as Chairperson of the Commission.

(7) VACANCIES.—A vacancy on the Commission shall be filled in the same manner in which the original appointment was made not later than 30 days after the Commission is given notice of the vacancy.

(8) COMPENSATION.—Members of the Commission shall receive no additional pay, allowances, or benefits by reason of their service on the Commission.

(9) EXPENSES.—Each member of the Commission shall receive travel expenses and per diem in lieu of subsistence in accordance with sections 5702 and 5703 of title 5, United States Code.

(e) STAFF AND SUPPORT SERVICES.—

(1) EXECUTIVE DIRECTOR.—

(A) APPOINTMENT.—The Chairperson shall appoint an executive director of the Commission.

(B) COMPENSATION.—The executive director shall be paid the rate of basic pay for level V of the Executive Schedule.

(2) STAFF.—With the approval of the Commission, the executive director may appoint such personnel as the executive director considers appropriate.

(3) APPLICABILITY OF CIVIL SERVICE LAWS.—The staff of the Commission shall be appointed without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and

shall be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title (relating to classification and General Schedule pay rates).

(4) EXPERTS AND CONSULTANTS.—With the approval of the Commission, the executive director may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

(5) STAFF OF FEDERAL AGENCIES.—Upon the request of the Commission, the head of any Federal agency may detail any of the personnel of such agency to the Commission to assist in carrying out the duties of the Commission.

(6) OTHER RESOURCES.—The Commission shall have reasonable access to materials, resources, statistical data, and other information from the Library of Congress and agencies and elected representatives of the executive and legislative branches of the Federal Government. The Chairperson of the Commission shall make requests for such access in writing when necessary.

(7) PHYSICAL FACILITIES.—The Administrator of the General Services Administration shall locate suitable office space for the operation of the Commission. The facilities shall serve as the headquarters of the Commission and shall include all necessary equipment and incidentals required for the proper functioning of the Commission.

(f) POWERS OF COMMISSION.—

(1) HEARINGS.—The Commission may conduct public hearings or forums at the discretion of the Commission, at any time and place the Commission is able to secure facilities and witnesses, for the purpose of carrying out the duties of the Commission.

(2) GIFTS.—The Commission may accept, use, and dispose of gifts or donations of services or property.

(3) MAILS.—The Commission may use the United States mails in the same manner and under the same conditions as other Federal agencies.

(g) REPORT.—Not later than 1 year after the date of the enactment of this Act, the Commission shall submit a report to the President and Congress which shall contain a detailed statement of the recommendations, findings, and conclusions of the Commission.

(h) TERMINATION.—The Commission shall terminate on the date which is 30 days after the date the Commission submits its report to the President and to Congress under subsection (g).

(i) FUNDING.—There is authorized to be appropriated to the Commission such sums as are necessary to carry out the purposes of this section. Sums appropriated under this subsection shall be paid equally from the Federal Hospital Insurance Trust Fund and from the Federal Supplementary Medical Insurance Trust Fund under title XVIII of the Social Security Act (42 U.S.C. 1395i, 1395t).

SEC. 5022. MEDICARE PAYMENT ADVISORY COMMISSION.

(a) IN GENERAL.—Title XVIII is amended by inserting after section 1804 the following new section:

''MEDICARE PAYMENT ADVISORY COMMISSION

''SEC. 1805. (a) ESTABLISHMENT.—There is hereby established the Medicare Payment Advisory Commission (in this section referred to as the 'Commission').

''(b) DUTIES.—

''(1) REVIEW OF PAYMENT POLICIES AND ANNUAL REPORTS.—The Commission shall—

''(A) review payment policies under this title, including the topics described in paragraph (2);

''(B) make recommendations to Congress concerning such payment policies;

''(C) by not later than March 1 of each year (beginning with 1998), submit a report to Congress containing the results of such reviews and its recommendations concerning such policies; and

''(D) by not later than June 1 of each year (beginning with 1998), submit a report to Congress containing an examination of issues affecting the medicare program, including the implications of changes in health care delivery in the United States and in the market for health care services on the medicare program.

''(2) SPECIFIC TOPICS TO BE REVIEWED.—

''(A) MEDICARE CHOICE PROGRAM.—Specifically, the Commission shall review, with respect to the Medicare Choice program under part C, the following:

''(i) The methodology for making payment to plans under such program, including the making of differential payments and the distribution of differential updates among different payment areas.

''(ii) The mechanisms used to adjust payments for risk and the need to adjust such mechanisms to take into account health status of beneficiaries.

''(iii) The implications of risk selection both among Medicare Choice organizations and between the Medicare Choice option and the traditional medicare fee-for-service option.

''(iv) The development and implementation of mechanisms to assure the quality of care for those enrolled with Medicare Choice organizations.

''(v) The impact of the Medicare Choice program on access to care for medicare beneficiaries.

''(vi) Other major issues in implementation and further development of the Medicare Choice program.

''(B) TRADITIONAL MEDICARE FEE-FOR-SERVICE SYSTEM.—Specifically, the Commission shall review payment policies under parts A and B, including—

''(i) the factors affecting expenditures for services in different sectors, including the process for updating hospital, skilled nursing facility, physician, and other fees,

''(ii) payment methodologies, and

''(iii) their relationship to access and quality of care for medicare beneficiaries.

''(C) INTERACTION OF MEDICARE PAYMENT POLICIES WITH HEALTH CARE DELIVERY GENERALLY.—Specifically, the Commission shall review the effect of payment policies under this title on the delivery of health care services other than under this title and assess the implications of changes in health care delivery in the United States and in the general market for health care services on the medicare program.

''(3) COMMENTS ON CERTAIN SECRETARIAL REPORTS.—If the Secretary submits to Congress (or a committee of Congress) a report that is required by law and that relates to payment policies under this title, the Secretary shall transmit a copy of the report to the Commission. The Commission shall review the report and, not later than 6 months after the date of submittal of the Secretary's report to Congress, shall submit to the appropriate committees of Congress written comments on such report. Such comments may include such recommendations as the Commission deems appropriate.

''(4) AGENDA AND ADDITIONAL REVIEWS.—The Commission shall consult periodically with the chairmen and ranking minority members of the appropriate committees of Congress regarding the Commission's agenda and progress towards achieving the agenda. The Commission may conduct additional reviews, and submit additional reports to the appropriate committees of Congress, from time to time on such topics relating to the program under this title as may be requested by such chairmen and members and as the Commission deems appropriate.

''(5) AVAILABILITY OF REPORTS.—The Commission shall transmit to the Secretary a copy of each report submitted under this subsection and shall make such reports available to the public.

''(6) APPROPRIATE COMMITTEES OF CONGRESS.—For purposes of this section, the term 'appropriate committees of Congress' means the Committees on Ways and Means and Commerce of the House of Representatives and the Committee on Finance of the Senate.

''(c) MEMBERSHIP.—

''(1) NUMBER AND APPOINTMENT.—The Commission shall be composed of 15 members appointed by the Comptroller General.

''(2) QUALIFICATIONS.—

''(A) IN GENERAL.—The membership of the Commission shall include individuals with national recognition for their expertise in health finance and economics, actuarial science, health facility management, health plans and integrated delivery systems, reimbursement of health facilities, allopathic and osteopathic physicians, and other providers of health services, and other related fields, who provide a mix of different professionals, broad geographic representation, and a balance between urban and rural representatives.

''(B) INCLUSION.—The membership of the Commission shall include (but not be limited to) physicians and other health professionals, employers, third-party payers, individuals skilled in the conduct and interpretation of biomedical, health services, and health economics research and expertise in outcomes and effectiveness research and technology assessment. Such membership shall also include representatives of consumers and the elderly.

''(C) MAJORITY NONPROVIDERS.—Individuals who are directly involved in the provision, or management of the delivery, of items and services covered under this title shall not constitute a majority of the membership of the Commission.

''(D) ETHICAL DISCLOSURE.—The Comptroller General shall establish a system for public disclosure by members of the Commission of financial and other potential conflicts of interest relating to such members.

''(3) TERMS.—

''(A) IN GENERAL.—The terms of members of the Commission shall be for 3 years except that the Comptroller General shall designate staggered terms for the members first appointed.

''(B) VACANCIES.—Any member appointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall be appointed only for the remainder of that term. A member may serve after the expiration of that member's term until a successor has taken office. A vacancy in the Commission shall be filled in the manner in which the original appointment was made.

''(4) COMPENSATION.—While serving on the business of the Commission (including traveltime), a member of the Commission shall be entitled to compensation at the per diem equivalent of the rate provided for level IV of the Executive Schedule under section 5315 of title 5, United States Code; and while so serving away from home and the member's regular place of business, a member may be allowed travel expenses, as authorized by the Chairman of the Commission. Physicians serving as personnel of the Commission may be provided a physician comparability allowance by the Commission in the same manner as Government physicians may be provided such an allowance by an agency under section 5948 of title 5, United States Code, and for such purpose subsection (i) of such section shall apply to the Commission in the same manner as it applies to the Tennessee

Valley Authority. For purposes of pay (other than pay of members of the Commission) and employment benefits, rights, and privileges, all personnel of the Commission shall be treated as if they were employees of the United States Senate.

''(5) CHAIRMAN; VICE CHAIRMAN.—The Comptroller General shall designate a member of the Commission, at the time of appointment of the member, as Chairman and a member as Vice Chairman for that term of appointment.

''(6) MEETINGS.—The Commission shall meet at the call of the Chairman.

''(d) DIRECTOR AND STAFF; EXPERTS AND CONSULTANTS.—Subject to such review as the Comptroller General deems necessary to assure the efficient administration of the Commission, the Commission may—

''(1) employ and fix the compensation of an Executive Director (subject to the approval of the Comptroller General) and such other personnel as may be necessary to carry out its duties (without regard to the provisions of title 5, United States Code, governing appointments in the competitive service);

''(2) seek such assistance and support as may be required in the performance of its duties from appropriate Federal departments and agencies;

''(3) enter into contracts or make other arrangements, as may be necessary for the conduct of the work of the Commission (without regard to section 3709 of the Revised Statutes (41 U.S.C. 5));

''(4) make advance, progress, and other payments which relate to the work of the Commission;

''(5) provide transportation and subsistence for persons serving without compensation; and

''(6) prescribe such rules and regulations as it deems necessary with respect to the internal organization and operation of the Commission.

''(e) POWERS.—

''(1) OBTAINING OFFICIAL DATA.—The Commission may secure directly from any department or agency of the United States information necessary to enable it to carry out this section. Upon request of the Chairman, the head of that department or agency shall furnish that information to the Commission on an agreed upon schedule.

''(2) DATA COLLECTION.—In order to carry out its functions, the Commission shall—

''(A) utilize existing information, both published and unpublished, where possible, collected and assessed either by its own staff or under other arrangements made in accordance with this section,

''(B) carry out, or award grants or contracts for, original research and experimentation, where existing information is inadequate, and

''(C) adopt procedures allowing any interested party to submit information for the Commission's use in making reports and recommendations.

''(3) ACCESS OF GAO TO INFORMATION.—The Comptroller General shall have unrestricted access to all deliberations, records, and nonproprietary data of the Commission, immediately upon request.

''(4) PERIODIC AUDIT.—The Commission shall be subject to periodic audit by the Comptroller General.

''(f) AUTHORIZATION OF APPROPRIATIONS.—

''(1) REQUEST FOR APPROPRIATIONS.—The Commission shall submit requests for appropriations in the same manner as the Comptroller General submits requests for appropriations, but amounts appropriated for the Commission shall be separate from amounts appropriated for the Comptroller General.

''(2) AUTHORIZATION.—There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section. Sixty percent of such appropriation shall be payable from the Federal Hospital Insurance Trust Fund, and 40 percent of such appropriation shall be payable from the Federal Supplementary Medical Insurance Trust Fund.''.

(b) ABOLITION OF PROPAC AND PPRC.—

(1) PROPAC.—

(A) IN GENERAL.—Section 1886(e) (42 U.S.C. 1395ww(e)) is amended—

(i) by striking paragraphs (2) and (6); and

(ii) in paragraph (3), by striking ''(A) The Commission'' and all that follows through ''(B)''.

(B) CONFORMING AMENDMENT.—Section 1862 (42 U.S.C. 1395y) is amended by striking ''Prospective Payment Assessment Commission'' each place it appears in subsection (a)(1)(D) and subsection (i) and inserting ''Medicare Payment Advisory Commission''.

(2) PPRC.—

(A) IN GENERAL.—Title XVIII is amended by striking section 1845 (42 U.S.C. 1395w–1).

(B) ELIMINATION OF CERTAIN REPORTS.—Section 1848 (42 U.S.C. 1395w–4) is amended—

(i) by striking subparagraph (F) of subsection (d)(2),

(ii) by striking subparagraph (B) of subsection (f)(1), and

(iii) in subsection (f)(3), by striking ''Physician Payment Review Commission,''.

(C) CONFORMING AMENDMENTS.—Section 1848 (42 U.S.C. 1395w–4) is amended by striking ''Physician Payment Review Commission'' and inserting ''Medicare Payment Advisory Commission'' each place it appears in subsections (c)(2)(B)(iii), (g)(6)(C), and (g)(7)(C).

(c) EFFECTIVE DATE; TRANSITION.—

(1) IN GENERAL.—The Comptroller General shall first provide for appointment of members to the Medicare Payment Advisory Commission (in this subsection referred to as ''MedPAC'') by not later than September 30, 1997.

(2) TRANSITION.—As quickly as possible after the date a majority of members of MedPAC are first appointed, the Comptroller General, in consultation with the Prospective Payment Assessment Commission (in this subsection referred to as ''ProPAC'') and the Physician Payment Review Commission (in this subsection referred to as ''PPRC''), shall provide for the termination of the ProPAC and the PPRC. As of the date of termination of the respective Commissions, the amendments made by paragraphs (1) and (2), respectively, of subsection (b) become effective. The Comptroller General, to the extent feasible, shall provide for the transfer to the MedPAC of assets and staff of the ProPAC and the PPRC, without any loss of benefits or seniority by virtue of such transfers. Fund balances available to the ProPAC or the PPRC for any period shall be available to the MedPAC for such period for like purposes.

(3) CONTINUING RESPONSIBILITY FOR REPORTS.—The MedPAC shall be responsible for the preparation and submission of reports required by law to be submitted (and which have not been submitted by the date of establishment of the MedPAC) by the ProPAC and the PPRC, and, for this purpose, any reference in law to either such Commission is deemed, after the appointment of the MedPAC, to refer to the MedPAC.

CHAPTER 4—MEDIGAP PROTECTIONS

SEC. 5031. MEDIGAP PROTECTIONS.

(a) GUARANTEEING ISSUE WITHOUT PREEXISTING CONDITIONS FOR CONTINUOUSLY COVERED INDIVIDUALS.—Section 1882(s) (42 U.S.C. 1395ss(s)) is amended—

(1) in paragraph (3), by striking ''paragraphs (1) and (2)'' and inserting ''this subsection'',

(2) by redesignating paragraph (3) as paragraph (4), and

(3) by inserting after paragraph (2) the following new paragraph:

''(3)(A) The issuer of a medicare supplemental policy—

''(i) may not deny or condition the issuance or effectiveness of a medicare supplemental policy described in subparagraph (C) that is offered and is available for issuance to new enrollees by such issuer;

''(ii) may not discriminate in the pricing of such policy, because of health status, claims experience, receipt of health care, or medical condition; and

''(iii) may not impose an exclusion of benefits based on a pre-existing condition under such policy,

in the case of an individual described in subparagraph (B) who seeks to enroll under the policy not later than 63 days after the date of the termination of enrollment described in such subparagraph and who submits evidence of the date of termination or disenrollment along with the application for such medicare supplemental policy.

''(B) An individual described in this subparagraph is an individual described in any of the following clauses:

''(i) The individual is enrolled under an employee welfare benefit plan that provides health benefits that supplement the benefits under this title and the plan terminates or ceases to provide all such supplemental health benefits to the individual.

''(ii) The individual is enrolled with a Medicare Choice organization under a Medicare Choice plan under part C, and there are circumstances permitting discontinuance of the individual's election of the plan under section 1851(e)(4).

''(iii) The individual is enrolled with an eligible organization under a contract under section 1876, a similar organization operating under demonstration project authority, with an organization under an agreement under section 1833(a)(1)(A), or with an organization under a policy described in subsection (t), and such enrollment ceases under the same circumstances that would permit discontinuance of an individual's election of coverage under section 1851(c)(4) and, in the case of a policy described in subsection (t), there is no provision under applicable State law for the continuation of coverage under such policy.

''(iv) The individual is enrolled under a medicare supplemental policy under this section and such enrollment ceases because—

''(I) of the bankruptcy or insolvency of the issuer or because of other involuntary termination of coverage or enrollment under such policy and there is no provision under applicable State law for the continuation of such coverage;

''(II) the issuer of the policy substantially violated a material provision of the policy; or

''(III) the issuer (or an agent or other entity acting on the issuer's behalf) materially misrepresented the policy's provisions in marketing the policy to the individual.

''(v) The individual—

''(I) was enrolled under a medicare supplemental policy under this section,

''(II) subsequently terminates such enrollment and enrolls, for the first time, with any Medicare Choice organization under a Medicare Choice plan under part C, any eligible organization under a contract under section 1876, any similar organization operating under demonstration project authority, any organization under an agreement under section 1833(a)(1)(A), or any policy described in subsection (t), and

''(III) the subsequent enrollment under subclause (II) is terminated by the enrollee during the first 12 months of such enrollment.

''(vi) The individual, upon first becoming eligible for medicare at age 65, enrolls in a

Medicare Choice plan and within 12 months of such enrollment, disenrolls from such plan.

''(C)(i) Subject to clauses (ii), a medicare supplemental policy described in this subparagraph is a policy the benefits under which are comparable or lessor in relation to the benefits under the plan, policy, or contract described in the applicable clause of subparagraph (B).

''(ii) Only for purposes of an individual described in subparagraph (B)(vi), a medicare supplemental policy described in this subparagraph shall include any medicare supplemental policy.

''(D) At the time of an event described in subparagraph (B) because of which an individual ceases enrollment or loses coverage or benefits under a contract or agreement, policy, or plan, the organization that offers the contract or agreement, the insurer offering the policy, or the administrator of the plan, respectively, shall notify the individual of the rights of the individual, and obligations of issuers of medicare supplemental policies, under subparagraph (A).''.

(b) LIMITATION ON IMPOSITION OF PREEXISTING CONDITION EXCLUSION DURING INITIAL OPEN ENROLLMENT PERIOD.—Section 1882(s)(2) (42 U.S.C. 1395ss(s)(2)) is amended—

(1) in subparagraph (B), by striking ''subparagraph (C)'' and inserting ''subparagraphs (C) and (D)'', and

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

''(D) In the case of a policy issued during the 6-month period described in subparagraph (A) to an individual who is 65 years of age or older as of the date of issuance and who as of the date of the application for enrollment has a continuous period of creditable coverage (as defined in section 2701(c) of the Public Health Service Act) of—

''(i) at least 6 months, the policy may not exclude benefits based on a pre-existing condition; or

''(ii) less than 6 months, if the policy excludes benefits based on a preexisting condition, the policy shall reduce the period of any preexisting condition exclusion by the aggregate of the periods of creditable coverage (if any, as so defined) applicable to the individual as of the enrollment date.

The Secretary shall specify the manner of the reduction under clause (ii), based upon the rules used by the Secretary in carrying out section 2701(a)(3) of such Act.''.

(c) EXTENDING 6-MONTH INITIAL ENROLLMENT PERIOD TO NON-ELDERLY MEDICARE BENEFICIARIES.—Section 1882(s)(2)(A)(ii) of (42 U.S.C. 1395ss(s)(2)(A)) is amended by striking ''is submitted'' and all that follows and inserting the following: ''is submitted—

''(I) before the end of the 6-month period beginning with the first month as of the first day on which the individual is 65 years of age or older and is enrolled for benefits under part B; and

''(II) at the time the individual first becomes eligible for benefits under part A pursuant to section 226(b) and is enrolled for benefits under part B, before the end of the 6-month period beginning with the first month as of the first day on which the individual is so eligible and so enrolled.''.

(d) EFFECTIVE DATES.—

(1) GUARANTEED ISSUE.—The amendment made by subsection (a) shall take effect on July 1, 1998.

(2) LIMIT ON PREEXISTING CONDITION EXCLUSIONS.—The amendment made by subsection (b) shall apply to policies issued on or after July 1, 1998.

(3) NON-ELDERLY MEDICARE BENEFICIARIES.—The amendment made by subsection (c) shall apply to policies issued on or after July 1, 1998.

(e) TRANSITION PROVISIONS.—

(1) IN GENERAL.—If the Secretary of Health and Human Services identifies a State as requiring a change to its statutes or regulations to conform its regulatory program to the changes made by this section, the State regulatory program shall not be considered to be out of compliance with the requirements of section 1882 of the Social Security Act due solely to failure to make such change until the date specified in paragraph (4).

(2) NAIC STANDARDS.—If, within 9 months after the date of the enactment of this Act, the National Association of Insurance Commissioners (in this subsection referred to as the ''NAIC'') modifies its NAIC Model regulation relating to section 1882 of the Social Security Act (referred to in such section as the 1991 NAIC Model Regulation, as modified pursuant to section 171(m)(2) of the Social Security Act Amendments of 1994 (Public Law 103–432) and as modified pursuant to section 1882(d)(3)(A)(vi)(IV) of the Social Security Act, as added by section 271(a) of the Health Insurance Portability and Accountability Act of 1996 (Public Law 104–191) to conform to the amendments made by this section, such revised regulation incorporating the modifications shall be considered to be the applicable NAIC model regulation (including the revised NAIC model regulation and the 1991 NAIC Model Regulation) for the purposes of such section.

(3) SECRETARY STANDARDS.—If the NAIC does not make the modifications described in paragraph (2) within the period specified in such paragraph, the Secretary of Health and Human Services shall make the modifications described in such paragraph and such revised regulation incorporating the modifications shall be considered to be the appropriate Regulation for the purposes of such section.

(4) DATE SPECIFIED.—

(A) IN GENERAL.—Subject to subparagraph (B), the date specified in this paragraph for a State is the earlier of—

(i) the date the State changes its statutes or regulations to conform its regulatory program to the changes made by this section, or

(ii) 1 year after the date the NAIC or the Secretary first makes the modifications under paragraph (2) or (3), respectively.

(B) ADDITIONAL LEGISLATIVE ACTION REQUIRED.—In the case of a State which the Secretary identifies as—

(i) requiring State legislation (other than legislation appropriating funds) to conform its regulatory program to the changes made in this section, but

(ii) having a legislature which is not scheduled to meet in 1999 in a legislative session in which such legislation may be considered,

the date specified in this paragraph is the first day of the first calendar quarter beginning after the close of the first legislative session of the State legislature that begins on or after July 1, 1999. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 5032. ADDITION OF HIGH DEDUCTIBLE MEDIGAP POLICY.

(a) IN GENERAL.—Section 1882(p) (42 U.S.C. 1395ss(p)) is amended by adding at the end the following:

''(11)(A) On and after the date specified in subparagraph (C)—

''(i) each State with an approved regulatory program, and

''(ii) in the case of a State without an approved regulatory program, the Secretary,

shall, in addition to the 10 policies allowed under paragraph (2)(C), allow at least 1 other policy described in subparagraph (B).

''(B)(i) A policy is described in this subparagraph if it consists of—

''(I) one of the 10 benefit packages described in paragraph (2)(C), and

''(II) a high deductible feature.

''(ii) For purposes of clause (i), a high deductible feature is one which requires the beneficiary of the policy to pay annual out-of-pocket expenses (other than premiums) of $1,500 before the policy begins payment of benefits.

''(C)(i) Subject to clause (ii), the date described in this subparagraph is one year after the date of the enactment of this paragraph.

''(ii) In the case of a State which the Secretary identifies as—

''(I) requiring State legislation (other than legislation appropriating funds) in order to meet the requirements of this paragraph, but

''(II) having a legislature which is not scheduled to meet in 1997 in a legislative session in which such legislation may be considered,

the date specified in this subparagraph is the first day of the first calendar quarter beginning after the close of the first legislative session of the State legislature that begins on or after January 1, 1998. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.''.

(b) CONFORMING AMENDMENT.—Section 1882(p)(2)(C) (42 U.S.C. 1395ss(p)(2)(C)) is amended by inserting ''or (11)'' after ''paragraph (4)(B)''.

CHAPTER 5—DEMONSTRATIONS

Subchapter A—Medicare Choice Competitive Pricing Demonstration Project

SEC. 5041. MEDICARE CHOICE COMPETITIVE PRICING DEMONSTRATION PROJECT.

(a) ESTABLISHMENT.—The Secretary of Health and Human Services (in this subchapter referred to as the ''Secretary'') shall, beginning January 1, 1999, conduct demonstration projects in applicable areas (in this section referred to as the ''project'') for the purpose of—

(1) applying a pricing methodology for payments to Medicare Choice organizations under part C of title XVIII of the Social Security Act (as amended by section 5001 of this Act) that uses the competitive market approach described in section 5042;

(2) applying a benefit structure and beneficiary premium structure described in section 5043; and

(3) evaluating the effects of the methodology and structures described in the preceding paragraphs on medicare fee-for-service spending under parts A and B of the Social Security Act in the project area.

(b) APPLICABLE AREA DEFINED.—

(1) IN GENERAL.—In subsection (a), the term ''applicable area'' means, as determined by the Secretary—

(A) 10 urban areas with respect to which less than 25 percent of medicare beneficiaries are enrolled with an eligible organization under section 1876 of the Social Security Act (42 U.S.C. 1395mm); and

(B) 3 rural areas not described in paragraph (1).

(2) TREATMENT AS MEDICARE CHOICE PAYMENT AREA.—For purposes of this subchapter and part C of title XVIII of the Social Security Act, any applicable area shall be treated as a Medicare Choice payment area (hereinafter referred to as the ''applicable Medicare Choice payment area'').

(c) TECHNICAL ADVISORY GROUP.—Upon the selection of an area for inclusion in the project, the Secretary shall appoint a technical advisory group, composed of representatives of Medicare Choice organizations,

medicare beneficiaries, employers, and other persons in the area affected by the project who have technical expertise relative to the design and implementation of the project to advise the Secretary concerning how the project will be implemented in the area.

(d) EVALUATION.—

(1) IN GENERAL.—Not later than December 31, 2001, the Secretary shall submit to the President a report regarding the demonstration projects conducted under this section.

(2) CONTENTS OF REPORT.—The report described in paragraph (1) shall include the following:

(A) A description of the demonstration projects conducted under this section.

(B) An evaluation of the effectiveness of the demonstration projects conducted under this section and any legislative recommendations determined appropriate by the Secretary.

(C) Any other information regarding the demonstration projects conducted under this section that the Secretary determines to be appropriate.

(D) An evaluation as to whether the method of payment under section 5042 which was used in the demonstration projects for payment to Medicare Choice plans should be extended to the entire medicare population and if such evaluation determines that such method should not be extended, legislative recommendations to modify such method so that it may be applied to the entire medicare population.

(3) SUBMISSION TO CONGRESS.—The President shall submit the report under paragraph (2) to the Congress and if the President determines appropriate, any legislative recommendations for extending the project to the entire medicare population.

(e) WAIVER AUTHORITY.—The Secretary shall waive compliance with the requirements of titles XI, XVIII, and XIX of the Social Security Act (42 U.S.C. 1301 et seq., 1395 et seq., 1396 et seq.) to such extent and for such period as the Secretary determines is necessary to conduct demonstration projects.

SEC. 5042. DETERMINATION OF ANNUAL MEDICARE CHOICE CAPITATION RATES.

(a) IN GENERAL.—In the case of an applicable Medicare Choice payment area within which a project is being conducted under section 5041, the annual Medicare Choice capitation rate under part C of title XVIII of the Social Security Act for Medicare Choice plans within such area shall be the standardized payment amount determined under this section rather than the amount determined under section 1853 of such Act.

(b) DETERMINATION OF STANDARDIZED PAYMENT AMOUNT.—

(1) SUBMISSION AND CHARGING OF PREMIUMS.—

(A) IN GENERAL.—Not later than June 1 of each calendar year, each Medicare Choice organization offering one or more Medicare Choice plans in an applicable Medicare Choice payment area shall file with the Secretary, in a form and manner and at a time specified by the Secretary, a bid which contains the amount of the monthly premium for coverage under each such Medicare Choice plan.

(B) UNIFORM PREMIUM.—The premiums charged by a Medicare Choice plan sponsor under this part may not vary among individuals who reside in the same applicable Medicare Choice payment area.

(C) TERMS AND CONDITIONS OF IMPOSING PREMIUMS.—Each Medicare Choice organization shall permit the payment of premiums on a monthly basis.

(2) ANNOUNCEMENT OF STANDARDIZED PAYMENT AMOUNT.—

(A) AUTHORITY TO NEGOTIATE.—After bids are submitted under paragraph (1), the Secretary may negotiate with Medicare Choice organizations in order to modify such bids if the Secretary determined that the bids do not provide enough revenues to ensure the plan's actuarial soundness, are too high relative to the applicable Medicare Choice payment area, foster adverse selection, or otherwise require renegotiation under this paragraph.

(B) IN GENERAL.—Not later than July 31 of each calendar year (beginning with 1998), the Secretary shall determine, and announce in a manner intended to provide notice to interested parties, a standardized payment amount determined in accordance with this paragraph for the following calendar year for each applicable Medicare Choice payment area.

(3) CALCULATION OF PAYMENT AMOUNTS.—

(A) IN GENERAL.—The standardized payment amount for a calendar year after 1998 for any applicable Medicare Choice payment area shall be equal to the maximum premium determined for such area under subparagraph (B).

(B) MAXIMUM PREMIUM.—The maximum premium for any applicable Medicare Choice payment area shall be equal to the amount determined under subparagraph (C) for the payment area, but in no case shall such amount be greater than the sum of—

(i) the average per capita amount, as determined by the Secretary as appropriate for the population eligible to enroll in Medicare Choice plans in such payment area, for such calendar year that the Secretary would have expended for an individual in such payment area enrolled under the medicare fee-for-service program under parts A and B, plus

(ii) the amount equal to the actuarial value of deductibles, coinsurance, and copayments charged an individual for services provided under the medicare fee-for-service program (as determined by the Secretary).

(C) DETERMINATION OF AMOUNT.—

(i) IN GENERAL.—The Secretary shall determine for each applicable Medicare Choice payment area for each calendar year an amount equal to the average of the bids (weighted based on capacity) submitted to the Secretary under paragraph (1)(A) for that payment area.

(ii) DISREGARD CERTAIN PLANS.—In determining the amount under clause (i), the Secretary may disregard any plan that the Secretary determines would unreasonably distort the amount determined under such subparagraph.

(4) ADJUSTMENTS FOR PAYMENTS TO PLAN SPONSORS.—

(A) IN GENERAL.—For purposes of determining the amount of payment under part C of title XVIII of the Social Security Act to a Medicare Choice organization with respect to any Medicare Choice eligible individual enrolled in a Medicare Choice plan of the sponsor, the standardized payment amount for the applicable Medicare Choice payment area and the premium charged by the plan sponsor shall be adjusted with respect to such individual for such risk factors as age, disability status, gender, institutional status, health status, and such other factors as the Secretary determines to be appropriate, so as to ensure actuarial equivalence. The Secretary may add to, modify, or substitute for such classes, if such changes will improve the determination of actuarial equivalence.

(B) RECOMMENDATIONS.—

(i) IN GENERAL.—In addition to any other duties required by law, the Physician Payment Review Commission and the Prospective Payment Assessment Commission (or their successors) shall each develop recommendations on—

(I) the risk factors that the Secretary should use in adjusting the standardized payment amount and premium under subparagraph (A), and

(II) the methodology that the Secretary should use in determining the risk factors to be used in adjusting the standardized payment amount and premium under subparagraph (A).

(ii) TIME.—The recommendations described in clause (i) shall be developed not later than January 1, 1999.

(iii) ANNUAL REPORT.—The Physician Payment Review Commission and the Prospective Payment Assessment Commission (or their successors) shall include the recommendations described in clause (i) in their respective annual reports to Congress.

(c) PAYMENTS TO PLAN SPONSORS.—

(1) MONTHLY PAYMENTS.—

(A) IN GENERAL.—Subject to paragraph (4), for each individual enrolled with a plan under this subchapter, the Secretary shall make monthly payments in advance to the Medicare Choice organization of the Medicare Choice plan with which the individual is enrolled in an amount equal to 1/12 of the amount determined under paragraph (2).

(B) RETROACTIVE ADJUSTMENTS.—The amount of payment under this paragraph may be retroactively adjusted to take into account any difference between the actual number of individuals enrolled in the plan under this section and the number of such individuals estimated to be so enrolled in determining the amount of the advance payment.

(2) AMOUNT OF PAYMENT TO MEDICARE CHOICE PLANS.—The amount determined under this paragraph with respect to any individual shall be equal to the sum of—

(A) the lesser of—

(i) the standardized payment amount for the applicable Medicare Choice payment area, as adjusted for such individual under subsection (a)(4), or

(ii) the premium charged by the plan for such individual, as adjusted for such individual under section (a)(4), minus

(B) the amount such individual paid to the plan pursuant to section 5043 (relating to 10 percent of the premium).

(3) PAYMENTS FROM TRUST FUNDS.—The payment to a Medicare Choice organization or to a Medicare Choice account under this section for a medicare-eligible individual shall be made from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund in such proportion as the Secretary determines reflects the relative weight that benefits under parts A and B are representative of the actuarial value of the total benefits under this part.

(4) LIMITATION ON AMOUNTS AN OUT-OF-PLAN PHYSICIAN OR OTHER ENTITY MAY COLLECT.—A physician or other entity (other than a provider of services) that does not have a contract establishing payment amounts for services furnished to an individual enrolled under this subchapter with a Medicare Choice organization shall accept as payment in full for services that are furnished to such an individual the amounts that the physician or other entity could collect if the individual were not so enrolled. Any penalty or other provision of law that applies to such a payment with respect to an individual entitled to benefits under this title (but not enrolled with a Medicare Choice organization under this part) also applies with respect to an individual so enrolled.

(d) OFFICE OF COMPETITION.—

(1) ESTABLISHMENT.—There is established within the Department of Health and Human Services an office to be known as the 'Office of Competition'.

(2) DIRECTOR.—The Secretary shall appoint the Director of the Office of Competition.

(3) DUTIES.—

(A) IN GENERAL.—The Director shall administer this subchapter and so much of part C of title XVIII of the Social Security Act as relates to this subchapter.

(B) TRANSFER AUTHORITY.—The Secretary shall transfer such personnel, administrative support systems, assets, records, funds, and other resources in the Health Care Financing Administration to the Office of Competition as are used in the administration of section 1876 and as may be required to implement the provisions of this part promptly and efficiently.

(4) USE OF NON-FEDERAL ENTITIES.—The Secretary shall, to the maximum extent feasible, enter into contracts with appropriate non-Federal entities to carry out activities under this subchapter.

SEC. 5043. BENEFITS AND BENEFICIARY PREMIUMS.

(a) BENEFITS PROVIDED TO INDIVIDUALS.—

(1) BASIC BENEFIT PLAN.—Each Medicare Choice plan in an applicable Medicare Choice payment area shall provide to members enrolled under this subchapter, through providers and other persons that meet the applicable requirements of title XVIII of the Social Security Act and part A of title XI of such Act—

(A) those items and services covered under parts A and B of title XVIII of such Act which are available to individuals residing in such area, subject to nominal copayments as determined by the Secretary,

(B) prescription drugs, subject to such limits as established by the Secretary, and

(C) additional health services as the Secretary may approve.

(2) SUPPLEMENTAL BENEFITS.—

(A) IN GENERAL.—Each Medicare Choice plan may offer any of the optional supplemental benefit plans described in subparagraph (B) to an individual enrolled in the basic benefit plan offered by such organization under this subchapter for an additional premium amount. If the supplemental benefits are offered only to individuals enrolled in the sponsor's plan under this subchapter, the additional premium amount shall be the same for all enrolled individuals in the applicable Medicare Choice payment area. Such benefits may be marketed and sold by the Medicare Choice organization outside of the enrollment process described in part C of title XVIII of the Social Security Act.

(B) OPTIONAL SUPPLEMENTAL BENEFIT PLANS DESCRIBED.—The Secretary shall provide for 2 optional supplemental benefit plans. Such plans shall include such standardized items and services that the Secretary determines must be provided to enrollees of such plans described in order to offer the plans to Medicare Choice eligible individuals.

(C) LIMITATION.—A Medicare Choice organization may not offer an optional benefit plan to a Medicare Choice eligible individual unless such individual is enrolled in a basic benefit plan offered by such organization.

(D) LIMITATION ON PREMIUM.—If a Medicare Choice organization provides to individuals enrolled in a Medicare Choice plan supplemental benefits described in subparagraph (A), the sum of—

(i) the annual premiums for such benefits, plus

(ii) the actuarial value of any deductibles, coinsurance, and copayments charged with respect to such benefits for the year,

shall not exceed the amount that would have been charged for a plan in the applicable Medicare Choice payment area which is not a Medicare Choice plan (adjusted in such manner as the Secretary may prescribe to reflect that only medicare beneficiaries are enrolled in such plan). The Secretary shall negotiate the limitation under this subparagraph with each plan to which this paragraph applies.

(3) OTHER RULES.—Rules similar to rules of paragraphs (3) and (4) of section 1852 of the Social Security Act (relating to national coverage determinations and secondary payor provisions) shall apply for purposes of this subchapter.

(b) PREMIUM REQUIREMENTS FOR BENEFICIARIES.—

(1) PREMIUM DIFFERENTIALS.—If a Medicare Choice eligible individual enrolls in a Medicare Choice plan under this subchapter, the individual shall be required to pay—

(A) 10 percent of the plan's premium;

(B) if the premium of the plan is higher than the standardized payment amount (as determined under section 5042), 100 percent of such difference; and

(C) an amount equal to cost-sharing under the medicare fee-for-service program, except that such amount shall not exceed the actuarial value of the deductibles and coinsurance under such program less the actual value of nominal copayments for benefits under such plan for basic benefits described in subsection (a)(1).

(2) PART B PREMIUM.—An individual enrolled in a Medicare Choice plan under this subchapter shall not be required to pay the premium amount (determined under section 1839 of the Social Security Act) under part B of title XVIII of such Act for so long as such individual is so enrolled.

Subchapter B—Other Projects

SEC. 5045. MEDICARE ENROLLMENT DEMONSTRATION PROJECT.

(a) DEMONSTRATION PROJECT.—

(1) ESTABLISHMENT.—The Secretary of Health and Human Services (in this section referred to as the ''Secretary'') shall implement a demonstration project (in this section referred to as the ''project'') for the purpose of evaluating the use of a third-party contractor to conduct the Medicare Choice plan enrollment and disenrollment functions, as described in part C of the Social Security Act (as added by section 5001 of this Act), in an area.

(2) CONSULTATION.—Before implementing the project under this section, the Secretary shall consult with affected parties on—

(A) the design of the project;

(B) the selection criteria for the third-party contractor; and

(C) the establishment of performance standards, as described in paragraph (3).

(3) PERFORMANCE STANDARDS.—

(A) IN GENERAL.—The Secretary shall establish performance standards for the accuracy and timeliness of the Medicare Choice plan enrollment and disenrollment functions performed by the third-party contractor.

(B) NONCOMPLIANCE.—If the Secretary determines that a third-party contractor is out of compliance with the performance standards established under subparagraph (A), such enrollment and disenrollment functions shall be performed by the Medicare Choice plan until the Secretary appoints a new third-party contractor.

(C) DISPUTE.—In the event that there is a dispute between the Secretary and a Medicare Choice plan regarding whether or not the third-party contractor is in compliance with the performance standards, such enrollment and disenrollment functions shall be performed by the Medicare Choice plan.

(b) REPORT TO CONGRESS.—The Secretary shall periodically report to Congress on the progress of the project conducted pursuant to this section.

(c) WAIVER AUTHORITY.—The Secretary shall waive compliance with the requirements of part C of the Social Security Act (as amended by section 5001 of this Act) to such extent and for such period as the Secretary determines is necessary to conduct the project.

(d) DURATION.—A demonstration project under this section shall be conducted for a 3-year period.

(e) SEPARATE FROM OTHER DEMONSTRATION PROJECTS.—A project implemented by the Secretary under this section shall not be conducted in conjunction with any other demonstration project.

SEC. 5046. MEDICARE COORDINATED CARE DEMONSTRATION PROJECT.

(a) DEMONSTRATION PROJECTS.—

(1) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the ''Secretary'') shall conduct demonstration projects for the purpose of evaluating methods, such as case management and other models of coordinated care, that—

(A) improve the quality of items and services provided to target individuals; and

(B) reduce expenditures under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) for items and services provided to target individuals.

(2) TARGET INDIVIDUAL DEFINED.—In this section, the term ''target individual'' means an individual that has a chronic illness, as defined and identified by the Secretary, and is enrolled under the fee-for-service program under parts A and B of title XVIII of the Social Security Act (42 U.S.C. 1395c et seq.; 1395j et seq.).

(b) PROGRAM DESIGN.—

(1) INITIAL DESIGN.—The Secretary shall evaluate best practices in the private sector of methods of coordinated care for a period of 1 year and design the demonstration project based on such evaluation.

(2) NUMBER AND PROJECT AREAS.—Not later than 2 years after the date of enactment of this Act, the Secretary shall implement at least 9 demonstration projects, including—

(A) 6 projects in urban areas; and

(B) 3 projects in rural areas.

(3) EXPANSION OF PROJECTS; IMPLEMENTATION OF DEMONSTRATION PROJECT RESULTS.—

(A) EXPANSION OF PROJECTS.—If the initial report under subsection (c) contains an evaluation that demonstration projects—

(i) reduce expenditures under the medicare program; or

(ii) do not increase expenditures under the medicare program and increase the quality of health care services provided to target individuals and satisfaction of beneficiaries and health care providers;

the Secretary shall continue the existing demonstration projects and may expand the number of demonstration projects.

(B) IMPLEMENTATION OF DEMONSTRATION PROJECT RESULTS.—If a report under subsection (c) contains an evaluation as described in subparagraph (A), the Secretary may issue regulations to implement, on a permanent basis, the components of the demonstration project that are beneficial to the medicare program.

(c) REPORT TO CONGRESS.—

(1) IN GENERAL.—Not later than 2 years after the Secretary implements the initial demonstration projects under this section, and biannually thereafter, the Secretary shall submit to Congress a report regarding the demonstration projects conducted under this section.

(2) CONTENTS OF REPORT.—The report in paragraph (1) shall include the following:

(A) A description of the demonstration projects conducted under this section.

(B) An evaluation of—

(i) the cost-effectiveness of the demonstration projects;

(ii) the quality of the health care services provided to target individuals under the demonstration projects; and

(iii) beneficiary and health care provider satisfaction under the demonstration project.

(C) Any other information regarding the demonstration projects conducted under this section that the Secretary determines to be appropriate.

(d) WAIVER AUTHORITY.—The Secretary shall waive compliance with the requirements of titles XI, XVIII, and XIX of the Social Security Act (42 U.S.C. 1301 et seq., 1395 et seq., 1396 et seq.) to such extent and for such period as the Secretary determines is necessary to conduct demonstration projects.

(e) FUNDING.—

(1) DEMONSTRATION PROJECTS.—

(A) IN GENERAL.—The Secretary shall provide for the transfer from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Insurance Trust Fund under title XVIII of the Social Security Act (42 U.S.C. 1395i, 1395t), in such proportions as the Secretary determines to be appropriate, of such funds as are necessary for the costs of carrying out the demonstration projects under this section.

(B) LIMITATION.—In conducting the demonstration project under this section, the Secretary shall ensure that the aggregate payments made by the Secretary do not exceed the amount which the Secretary would have paid if the demonstration projects under this section were not implemented.

(2) EVALUATION AND REPORT.—There are authorized to be appropriated such sums as are necessary for the purpose of developing and submitting the report to Congress under subsection (c).

SEC. 5047. ESTABLISHMENT OF MEDICARE REIMBURSEMENT DEMONSTRATION PROJECTS.

Title XVIII (42 U.S.C. 1395 et seq.) (as amended by section 5343) is amended by adding at the end the following:

''MEDICARE SUBVENTION DEMONSTRATION PROJECT FOR VETERANS

''SEC. 1896. (a) DEFINITIONS.—In this section:

''(1) ADMINISTERING SECRETARIES.—The term 'administering Secretaries' means the Secretary and the Secretary of Veterans Affairs acting jointly.

''(2) DEMONSTRATION PROJECT; PROJECT.—The terms 'demonstration project' and 'project' mean the demonstration project carried out under this section.

''(3) MILITARY RETIREE.—The term 'military retiree' means a member or former member of the Armed Forces who is entitled to retired pay.

''(4) TARGETED MEDICARE-ELIGIBLE VETERAN.—The term 'targeted medicare-eligible veteran' means an individual who—

''(A) is a veteran (as defined in section 101(2) of title 38, United States Code) and is described in section 1710(a)(3) of title 38, United States Code; and

''(B) is entitled to benefits under part A of this title and is enrolled under part B of this title.

''(5) TRUST FUNDS.—The term 'trust funds' means the Federal Hospital Insurance Trust Fund established in section 1817 and the Federal Supplementary Medical Insurance Trust Fund established in section 1841.

''(b) DEMONSTRATION PROJECT.—

''(1) IN GENERAL.—

''(A) ESTABLISHMENT.—The administering Secretaries are authorized to establish a demonstration project (under an agreement entered into by the administering Secretaries) under which the Secretary shall reimburse the Secretary of Veterans Affairs, from the trust funds, for medicare health care services furnished to certain targeted medicare-eligible veterans.

''(B) AGREEMENT.—The agreement entered into under subparagraph (A) shall include at a minimum—

''(i) a description of the benefits to be provided to the participants of the demonstration project established under this section;

''(ii) a description of the eligibility rules for participation in the demonstration project, including any criteria established under subsection (c) and any cost sharing under subsection (d);

''(iii) a description of how the demonstration project will satisfy the requirements under this title;

''(iv) a description of the sites selected under paragraph (2);

''(v) a description of how reimbursement and maintenance of effort requirements under subsection (l) will be implemented in the demonstration project; and

''(vi) a statement that the Secretary shall have access to all data of the Department of Veterans Affairs that the Secretary determines is necessary to conduct independent estimates and audits of the maintenance of effort requirement, the annual reconciliation, and related matters required under the demonstration project.

''(2) NUMBER OF SITES.—The administering Secretaries shall establish a plan for the selection of up to 12 medical centers under the jurisdiction of the Secretary of Veterans Affairs and located in geographically dispersed locations to participate in the project.

''(3) GENERAL CRITERIA.—The selection plan shall favor selection of those medical centers that are suited to serve targeted medicare-eligible individuals because—

''(A) there is a high potential demand by targeted medicare-eligible veterans for their services;

''(B) they have sufficient capability in billing and accounting to participate;

''(C) they have favorable indicators of quality of care, including patient satisfaction;

''(D) they deliver a range of services required by targeted medicare-eligible veterans; and

''(E) they meet other relevant factors identified in the plan.

''(4) MEDICAL CENTER NEAR CLOSED BASE.—The administering Secretaries shall endeavor to include at least 1 medical center that is in the same catchment area as a military medical facility which was closed pursuant to either of the following laws:

''(A) The Defense Base Closure and Realignment Act of 1990.

''(B) Title II of the Defense Authorization Amendments and Base Closure and Realignment Act.

''(5) RESTRICTION.—No new facilities will be built or expanded with funds from the demonstration project.

''(6) DURATION.—The administering Secretaries shall conduct the demonstration project during the 3-year period beginning on January 1, 1998.

''(c) VOLUNTARY PARTICIPATION.—Participation of targeted medicare-eligible veterans in the demonstration project shall be voluntary, subject to the capacity of participating medical centers and the funding limitations specified in subsection (l), and shall be subject to such terms and conditions as the administering Secretaries may establish. In the case of a demonstration project at a medical center described in subsection (b)(3), targeted medicare-eligible veterans who are military retirees shall be given preference in participating in the project.

''(d) COST SHARING.—The Secretary of Veterans Affairs may establish cost-sharing requirements for veterans participating in the demonstration project. If such cost sharing requirements are established, those requirements shall be the same as the requirements that apply to targeted medicare-eligible patients at nongovernmental facilities.

''(e) CREDITING OF PAYMENTS.—A payment received by the Secretary of Veterans Affairs under the demonstration project shall be credited to the applicable Department of Veterans Affairs medical appropriation and (within that appropriation) to funds that have been allotted to the medical center that furnished the services for which the payment is made. Any such payment received during a fiscal year for services provided during a prior fiscal year may be obligated by the Secretary of Veterans Affairs during the fiscal year during which the payment is received.

''(f) AUTHORITY TO WAIVE CERTAIN MEDICARE REQUIREMENTS.—The Secretary may, to the extent necessary to carry out the demonstration project, waive any requirement under this title. If the Secretary waives any such requirement, the Secretary shall include a description of such waiver in the agreement described in subsection (b)(1)(B).

''(g) INSPECTOR GENERAL.—Nothing in the agreement entered into under subsection (b) shall limit the Inspector General of the Department of Health and Human Services from investigating any matters regarding the expenditure of funds under this title for the demonstration project, including compliance with the provisions of this title and all other relevant laws.

''(h) REPORT.—At least 30 days prior to the commencement of the demonstration project, the administering Secretaries shall submit a copy of the agreement entered into under subsection (b) to the committees of jurisdiction in Congress.

''(i) MANAGED HEALTH CARE PLANS.—(1) In carrying out the demonstration project, the Secretary of Veterans Affairs may establish and operate managed health care plans.

''(2) Any such plan shall be operated by or through a Department of Veterans Affairs medical center or group of medical centers and may include the provision of health care services through other facilities under the jurisdiction of the Secretary of Veterans Affairs as well as public and private entities under arrangements made between the Department and the other public or private entity concerned. Any such managed health care plan shall be established and operated in conformance with standards prescribed by the administering Secretaries.

''(3) The administering Secretaries shall prescribe the minimum health care benefits to be provided under such a plan to veterans enrolled in the plan. Those benefits shall include at least all health care services covered under the medicare program under this title.

''(4) The establishment of a managed health care plan under this section shall be counted as the selection of a medical center for purposes of applying the numerical limitation under subsection (b)(1).

''(j) MEDICAL CENTER REQUIREMENTS.—The Secretary of Veterans Affairs may establish a managed health care plan using 1 or more medical centers and other facilities only after the Secretary of Veterans Affairs submits to Congress a report setting forth a plan for the use of such centers and facilities. The plan may not be implemented until the Secretary of Veterans Affairs has received from the Inspector General of the Department of Veterans Affairs, and has forwarded to Congress, certification of each of the following:

''(1) The cost accounting system of the Veterans Health Administration (known as the Decision Support System) is operational and is providing reliable cost information on care delivered on an inpatient and outpatient basis at such centers and facilities.

''(2) The centers and facilities have operated in conformity with the eligibility reform amendments made by title I of the Veterans Health Care Act of 1996 for not less than 3 months.

''(3) The centers and facilities have developed a credible plan (on the basis of market surveys, data from the Decision Support System, actuarial analysis, and other appropriate methods and taking into account the level of payment under subsection (l) and the costs of providing covered services at the centers and facilities) to minimize, to the extent feasible, the risk that appropriated funds allocated to the centers and facilities will be required to meet the centers' and facilities' obligation to targeted medicare-eligible veterans under the demonstration project.

''(4) The centers and facilities collectively have available capacity to provide the contracted benefits package to a sufficient number of targeted medicare-eligible veterans.

''(5) The entity administering the health plan has sufficient systems and safeguards in place to minimize any risk that instituting the managed care model will result in reducing the quality of care delivered to enrollees in the demonstration project or to other veterans receiving care under paragraphs subsection (1) or (2) of section 1710(a) of title 38, United States Code.

''(k) RESERVES.—The Secretary of Veterans Affairs shall maintain such reserves as may be necessary to ensure against the risk that appropriated funds, allocated to medical centers and facilities participating in the demonstration project through a managed health care plan under this section, will be required to meet the obligations of those medical centers and facilities to targeted medicare-eligible veterans.

''(l) PAYMENTS BASED ON REGULAR MEDICARE PAYMENT RATES.—

''(1) PAYMENTS.—

''(A) IN GENERAL.—Subject to the succeeding provisions of this subsection, the Secretary shall reimburse the Secretary of Veterans Affairs for services provided under the demonstration project at the following rates:

''(i) NONCAPITATION.—Except as provided in clause (ii) and subject to subparagraphs (B)(i) and (D), at a rate equal to 95 percent of the amounts that otherwise would be payable under this title on a noncapitated basis for such services if the medical center were not a Federal medical center, were participating in the program, and imposed charges for such services.

''(ii) CAPITATION.—Subject to subparagraphs (B)(ii) and (D), in the case of services provided to an enrollee under a managed health care plan established under subsection (i), at a rate equal to 95 percent of the amount paid to a Medicare Choice organization under part C with respect to such an enrollee.

In cases in which a payment amount may not otherwise be readily computed, the Secretaries shall establish rules for computing equivalent or comparable payment amounts.

''(B) EXCLUSION OF CERTAIN AMOUNTS.—

''(i) NONCAPITATION.—In computing the amount of payment under subparagraph (A)(i), the following shall be excluded:

''(I) DISPROPORTIONATE SHARE HOSPITAL ADJUSTMENT.—Any amount attributable to an adjustment under subsection (d)(5)(F) of section 1886 of the Social Security Act (42 U.S.C. 1395ww).

''(II) DIRECT GRADUATE MEDICAL EDUCATION PAYMENTS.—Any amount attributable to a payment under subsection (h) of such section.

''(III) PERCENTAGE OF INDIRECT MEDICAL EDUCATION ADJUSTMENT.—40 percent of any amount attributable to the adjustment under subsection (d)(5)(B) of such section.

''(IV) PERCENTAGE OF CAPITAL PAYMENTS.—67 percent of any amounts attributable to payments for capital-related costs under subsection (g) of such section.

''(ii) CAPITATION.—In the case of years before 2001, in computing the amount of payment under subparagraph (A)(ii), the payment rate shall be computed as though the amounts excluded under clause (i) had been excluded in the determination of the amount paid to a Medicare Choice organization under part C with respect to an enrollee.

''(C) PERIODIC PAYMENTS FROM MEDICARE TRUST FUNDS.—Payments under this subsection shall be made—

''(i) on a periodic basis consistent with the periodicity of payments under this title; and

''(ii) in appropriate part, as determined by the Secretary, from the trust funds.

''(D) ANNUAL LIMIT ON MEDICARE PAYMENTS.—The amount paid to the Department of Veterans Affairs under this subsection for any year for the demonstration project may not exceed $50,000,000.

''(2) REDUCTION IN PAYMENT FOR VA FAILURE TO MAINTAIN EFFORT.—

''(A) IN GENERAL.—In order to avoid shifting onto the medicare program under this title costs previously assumed by the Department of Veterans Affairs for the provision of medicare-covered services to targeted medicare-eligible veterans, the payment amount under this subsection for the project for a fiscal year shall be reduced by the amount (if any) by which—

''(i) the amount of the VA effort level for targeted veterans (as defined in subparagraph (B)) for the fiscal year ending in such year, is less than

''(ii) the amount of the VA effort level for targeted veterans for fiscal year 1997.

''(B) VA EFFORT LEVEL FOR TARGETED VETERANS DEFINED.—For purposes of subparagraph (A), the term 'VA effort level for targeted veterans' means, for a fiscal year, the amount, as estimated by the administering Secretaries, that would have been expended under the medicare program under this title for VA-provided medicare-covered services for targeted veterans (as defined in subparagraph (C)) for that fiscal year if benefits were available under the medicare program for those services. Such amount does not include expenditures attributable to services for which reimbursement is made under the demonstration project.

''(C) VA-PROVIDED MEDICARE-COVERED SERVICES FOR TARGETED VETERANS.—For purposes of subparagraph (B), the term 'VA-provided medicare-covered services for targeted veterans' means, for a fiscal year, items and services—

''(i) that are provided during the fiscal year by the Department of Veterans Affairs to targeted medicare-eligible veterans;

''(ii) that constitute hospital care and medical services under chapter 17 of title 38, United States Code; and

''(iii) for which benefits would be available under the medicare program under this title if they were provided other than by a Federal provider of services that does not charge for those services.

''(3) ASSURING NO INCREASE IN COST TO MEDICARE PROGRAM.—

''(A) MONITORING EFFECT OF DEMONSTRATION PROGRAM ON COSTS TO MEDICARE PROGRAM.—

''(i) IN GENERAL.—The Secretaries, in consultation with the Comptroller General, shall closely monitor the expenditures made under the medicare program for targeted medicare-eligible veterans during the period of the demonstration project compared to the expenditures that would have been made for such veterans during that period if the demonstration project had not been conducted.

''(ii) ANNUAL REPORT BY THE COMPTROLLER GENERAL.—Not later than December 31 of each year during which the demonstration project is conducted, the Comptroller General shall submit to the Secretaries and the appropriate committees of Congress a report on the extent, if any, to which the costs of the Secretary under the medicare program under this title increased during the preceding fiscal year as a result of the demonstration project.

''(B) REQUIRED RESPONSE IN CASE OF INCREASE IN COSTS.—

''(i) IN GENERAL.—If the administering Secretaries find, based on subparagraph (A), that the expenditures under the medicare program under this title increased (or are expected to increase) during a fiscal year because of the demonstration project, the administering Secretaries shall take such steps as may be needed—

''(I) to recoup for the medicare program the amount of such increase in expenditures; and

''(II) to prevent any such increase in the future.

''(ii) STEPS.—Such steps—

''(I) under clause (i)(I) shall include payment of the amount of such increased expenditures by the Secretary of Veterans Affairs from the current medical care appropriation of the Department of Veterans Affairs to the trust funds; and

''(II) under clause (i)(II) shall include suspending or terminating the demonstration project (in whole or in part) or lowering the amount of payment under paragraph (1)(A).

''(m) EVALUATION AND REPORTS.—

''(1) INDEPENDENT EVALUATION.—The administering Secretaries shall arrange for an independent entity with expertise in the evaluation of health services to conduct an evaluation of the demonstration project. The entity shall submit annual reports on the demonstration project to the administering Secretaries and to the committees of jurisdiction in the Congress. The first report shall be submitted not later than 12 months after the date on which the demonstration project begins operation, and the final report not later than 3½ years after that date. The evaluation and reports shall include an assessment, based on the agreement entered into under subsection (b), of the following:

''(A) The cost to the Department of Veterans Affairs of providing care to veterans under the project.

''(B) Compliance of participating medical centers with applicable measures of quality of care, compared to such compliance for other medicare-participating medical centers.

''(C) A comparison of the costs of medical centers' participation in the program with the reimbursements provided for services of such medical centers.

''(D) Any savings or costs to the medicare program under this title from the project.

''(E) Any change in access to care or quality of care for targeted medicare-eligible veterans participating in the project.

''(F) Any effect of the project on the access to care and quality of care for targeted medicare-eligible veterans not participating in the project and other veterans not participating in the project.

''(G) The provision of services under managed health care plans under subsection (l), including the circumstances (if any) under which the Secretary of Veterans Affairs uses reserves described in subsection (k) and the Secretary of Veterans Affairs' response to such circumstances (including the termination of managed health care plans requiring the use of such reserves).

''(H) Any effect that the demonstration project has on the enrollment in Medicare Choice organizations under part C of this title in the established site areas.

''(2) REPORT ON EXTENSION AND EXPANSION OF DEMONSTRATION PROJECT.—Not later than six months after the date of the submission

of the penultimate report under paragraph (1), the administering Secretaries shall submit to Congress a report containing their recommendation as to—

''(A) whether to extend the demonstration project or make the project permanent;

''(B) whether to expand the project to cover additional sites and areas and to increase the maximum amount of reimbursement (or the maximum amount of reimbursement permitted for managed health care plans under this section) under the project in any year; and

''(C) whether the terms and conditions of the project should be continued (or modified) if the project is extended or expanded.

''MEDICARE SUBVENTION DEMONSTRATION PROJECT FOR MILITARY RETIREES

''SEC. 1897. (a) DEFINITIONS.—In this section:

''(1) ADMINISTERING SECRETARIES.—The term 'administering Secretaries' means the Secretary and the Secretary of Defense acting jointly.

''(2) DEMONSTRATION PROJECT; PROJECT.—The terms 'demonstration project' and 'project' mean the demonstration project carried out under this section.

''(3) DESIGNATED PROVIDER.—The term 'designated provider' has the meaning given that term in section 721(5) of the National Defense Authorization Act For Fiscal Year 1997 (Public Law 104–201; 110 Stat. 2593; 10 U.S.C. 1073 note).

''(4) MEDICARE-ELIGIBLE MILITARY RETIREE OR DEPENDENT.—The term 'medicare-eligible military retiree or dependent' means an individual described in section 1074(b) or 1076(b) of title 10, United States Code, who—

''(A) would be eligible for health benefits under section 1086 of such title by reason of subsection (c)(1) of such section 1086 but for the operation of subsection (d) of such section 1086;

''(B)(i) is entitled to benefits under part A of this title; and

''(ii) if the individual was entitled to such benefits before July 1, 1996, received health care items or services from a health care facility of the uniformed services before that date, but after becoming entitled to benefits under part A of this title;

''(C) is enrolled for benefits under part B of this title; and

''(D) has attained age 65.

''(5) MEDICARE HEALTH CARE SERVICES.—The term 'medicare health care services' means items or services covered under part A or B of this title.

''(6) MILITARY TREATMENT FACILITY.—The term 'military treatment facility' means a facility referred to in section 1074(a) of title 10, United States Code.

''(7) TRICARE.—The term 'TRICARE' has the same meaning as the term 'TRICARE program' under section 711 of the National Defense Authorization Act for Fiscal Year 1996 (10 U.S.C. 1073 note).

''(5) TRUST FUNDS.—The term 'trust funds' means the Federal Hospital Insurance Trust Fund established in section 1817 and the Federal Supplementary Medical Insurance Trust Fund established in section 1841.

''(b) DEMONSTRATION PROJECT.—

''(1) IN GENERAL.—

''(A) ESTABLISHMENT.—The administering Secretaries are authorized to establish a demonstration project (under an agreement entered into by the administering Secretaries) under which the Secretary shall reimburse the Secretary of Defense, from the trust funds, for medicare health care services furnished to certain medicare-eligible military retirees or dependents.

''(B) AGREEMENT.—The agreement entered into under subparagraph (A) shall include at a minimum—

''(i) a description of the benefits to be provided to the participants of the demonstration project established under this section;

''(ii) a description of the eligibility rules for participation in the demonstration project, including any cost sharing requirements established under subsection (h);

''(iii) a description of how the demonstration project will satisfy the requirements under this title;

''(iv) a description of the sites selected under paragraph (2);

''(v) a description of how reimbursement and maintenance of effort requirements under subsection (j) will be implemented in the demonstration project; and

''(vi) a statement that the Secretary shall have access to all data of the Department of Defense that the Secretary determines is necessary to conduct independent estimates and audits of the maintenance of effort requirement, the annual reconciliation, and related matters required under the demonstration project.

''(2) IN GENERAL.—The project established under this section shall be conducted in no more than 6 sites, designated jointly by the administering Secretaries after review of all TRICARE regions.

''(3) RESTRICTION.—No new military treatment facilities will be built or expanded with funds from the demonstration project.

''(4) DURATION.—The administering Secretaries shall conduct the demonstration project during the 3-year period beginning on January 1, 1998.

''(c) CREDITING OF PAYMENTS.—A payment received by the Secretary of Defense under the demonstration project shall be credited to the applicable Department of Defense medical appropriation and (within that appropriation). Any such payment received during a fiscal year for services provided during a prior fiscal year may be obligated by the Secretary of Defense during the fiscal year during which the payment is received.

''(d) AUTHORITY TO WAIVE CERTAIN MEDICARE REQUIREMENTS.—The Secretary may, to the extent necessary to carry out the demonstration project, waive any requirement under this title. If the Secretary waives any such requirement, the Secretary shall include a description of such waiver in the agreement described in subsection (b).

''(e) INSPECTOR GENERAL.—Nothing in the agreement entered into under subsection (b) shall limit the Inspector General of the Department of Health and Human Services from investigating any matters regarding the expenditure of funds under this title for the demonstration project, including compliance with the provisions of this title and all other relevant laws.

''(f) REPORT.—At least 30 days prior to the commencement of the demonstration project, the administering Secretaries shall submit a copy of the agreement entered into under subsection (b) to the committees of jurisdiction in Congress.

''(g) VOLUNTARY PARTICIPATION.—Participation of medicare-eligible military retirees or dependents in the demonstration project shall be voluntary, subject to the capacity of participating military treatment facilities and designated providers and the funding limitations specified in subsection (j), and shall be subject to such terms and conditions as the administering Secretaries may establish.

''(h) COST-SHARING BY DEMONSTRATION ENROLLEES.—The Secretary of Defense may establish cost-sharing requirements for medicare-eligible military retirees and dependents who enroll in the demonstration project consistent with part C of this title.

''(i) TRICARE HEALTH CARE PLANS.—

''(1) TRICARE PROGRAM ENROLLMENT FEE WAIVER.—The Secretary of Defense shall waive the enrollment fee applicable to any medicare-eligible military retiree or dependent enrolled in the managed care option of the TRICARE program for any period for which reimbursement is made under this section with respect to such retiree or dependent.

''(2) MODIFICATION OF TRICARE CONTRACTS.—In carrying out the demonstration project, the Secretary of Defense is authorized to amend existing TRICARE contracts in order to provide the medicare health care services to the medicare-eligible military retirees and dependents enrolled in the demonstration project.

''(3) HEALTH CARE BENEFITS.—The administering Secretaries shall prescribe the minimum health care benefits to be provided under such a plan to medicare-eligible military retirees or dependents enrolled in the plan. Those benefits shall include at least all medicare health care services covered under this title.

''(j) PAYMENTS BASED ON REGULAR MEDICARE PAYMENT RATES.—

''(1) PAYMENTS.—

''(A) IN GENERAL.—Subject to the succeeding provisions of this subsection, the Secretary shall reimburse the Secretary of Defense for services provided under the demonstration project at the following rates:

''(i) NONCAPITATION.—Except as provided in clause (ii) and subject to subparagraphs (B)(i) and (D), at a rate equal to 95 percent of the amounts that otherwise would be payable under this title on a noncapitated basis for such services if the military treatment facility or designated provider were not a Federal medical center, were participating in the program, and imposed charges for such services.

''(ii) CAPITATION.—Subject to subparagraphs (B)(ii) and (D), in the case of services provided to an enrollee under a managed health care plan established under subsection (i), at a rate equal to 95 percent of the amount paid to a Medicare Choice organization under part C with respect to such an enrollee.

In cases in which a payment amount may not otherwise be readily computed, the Secretaries shall establish rules for computing equivalent or comparable payment amounts.

''(B) EXCLUSION OF CERTAIN AMOUNTS.—

''(i) NONCAPITATION.—In computing the amount of payment under subparagraph (A)(i), the following shall be excluded:

''(I) SPECIAL PAYMENTS.—Any amount attributable to an adjustment under subparagraphs (B) and (F) of section 1886(d)(5) and subsection (h) of such section.

''(II) PERCENTAGE OF CAPITAL PAYMENTS.—An amount determined by the administering Secretaries for amounts attributable to payments for capital-related costs under subsection (g) of such section.

''(ii) CAPITATION.—In the case of years before 2001, in computing the amount of payment under subparagraph (A)(ii), the payment rate shall be computed as though the amounts excluded under clause (i) had been excluded in the determination of the amount paid to a Medicare Choice organization under part C with respect to an enrollee.

''(C) PERIODIC PAYMENTS FROM MEDICARE TRUST FUNDS.—Payments under this subsection shall be made—

''(i) on a periodic basis consistent with the periodicity of payments under this title; and

''(ii) in appropriate part, as determined by the Secretary, from the trust funds.

''(D) CAP ON AMOUNT.—The aggregate amount to be reimbursed under this paragraph pursuant to the agreement entered into between the administering Secretaries under subsection (b) shall not exceed a total of—

''(i) $55,000,000 for calendar year 1998;

''(ii) $65,000,000 for calendar year 1999; and

''(iii) $75,000,000 for calendar year 2000.

''(2) ASSURING NO INCREASE IN COST TO MEDICARE PROGRAM.—

''(A) MONITORING EFFECT OF DEMONSTRATION PROGRAM ON COSTS TO MEDICARE PROGRAM.—

''(i) IN GENERAL.—The Secretaries, in consultation with the Comptroller General, shall closely monitor the expenditures made under the medicare program for medicare-eligible military retirees or dependents during the period of the demonstration project compared to the expenditures that would have been made for such medicare-eligible military retirees or dependents during that period if the demonstration project had not been conducted. The agreement entered into by the administering Secretaries under subsection (b) shall require any participating military treatment facility to maintain the level of effort for space available care to medicare-eligible military retirees or dependents.

''(ii) ANNUAL REPORT BY THE COMPTROLLER GENERAL.—Not later than December 31 of each year during which the demonstration project is conducted, the Comptroller General shall submit to the Secretaries and the appropriate committees of Congress a report on the extent, if any, to which the costs of the Secretary under the medicare program under this title increased during the preceding fiscal year as a result of the demonstration project.

''(B) REQUIRED RESPONSE IN CASE OF INCREASE IN COSTS.—

''(i) IN GENERAL.—If the administering Secretaries find, based on subparagraph (A), that the expenditures under the medicare program under this title increased (or are expected to increase) during a fiscal year because of the demonstration project, the administering Secretaries shall take such steps as may be needed—

''(I) to recoup for the medicare program the amount of such increase in expenditures; and

''(II) to prevent any such increase in the future.

''(ii) STEPS.—Such steps—

''(I) under clause (i)(I) shall include payment of the amount of such increased expenditures by the Secretary of Defense from the current medical care appropriation of the Department of Defense to the trust funds; and

''(II) under clause (i)(II) shall include suspending or terminating the demonstration project (in whole or in part) or lowering the amount of payment under paragraph (1)(A).

''(k) EVALUATION AND REPORTS.—

''(1) INDEPENDENT EVALUATION.—The administering Secretaries shall arrange for an independent entity with expertise in the evaluation of health services to conduct an evaluation of the demonstration project. The entity shall submit annual reports on the demonstration project to the administering Secretaries and to the committees of jurisdiction in the Congress. The first report shall be submitted not later than 12 months after the date on which the demonstration project begins operation, and the final report not later than 3½ years after that date. The evaluation and reports shall include an assessment, based on the agreement entered into under subsection (b), of the following:

''(A) The number of medicare-eligible military retirees and dependents opting to participate in the demonstration project instead of receiving health benefits through another health insurance plan (including benefits under this title).

''(B) Compliance by the Department of Defense with the requirements under this title.

''(C) The cost to the Department of Defense of providing care to medicare-eligible military retirees and dependents under the demonstration project.

''(D) Compliance by the Department of Defense with the standards of quality required of entities that furnish medicare health care services.

''(E) An analysis of whether, and in what manner, easier access to the uniformed services treatment system affects the number of medicare-eligible military retirees and dependents receiving medicare health care services.

''(F) Any savings or costs to the medicare program under this title resulting from the demonstration project.

''(G) An assessment of the access to care and quality of care for medicare-eligible military retirees and dependents under the demonstration project.

''(H) Any impact of the demonstration project on the access to care for medicare-eligible military retirees and dependents who did not enroll in the demonstration project and for other individuals entitled to benefits under this title.

''(I) Any impact of the demonstration project on private health care providers.

''(J) Any impact of the demonstration project on access to care for active duty military personnel and their dependents.

''(K) A list of the health insurance plans and programs that were the primary payers for medicare-eligible military retirees and dependents during the year prior to their participation in the demonstration project and the distribution of their previous enrollment in such plans and programs.

''(L) An identification of cost-shifting (if any) between the medicare program under this title and the Defense health program as a result of the demonstration project and a description of the nature of any such cost-shifting.

''(M) An analysis of how the demonstration project affects the overall accessibility of the uniformed services treatment system and the amount of space available for point-of-service care, and a description of the unintended effects (if any) upon the normal treatment priority system.

''(N) A description of the difficulties (if any) experienced by the Department of Defense in managing the demonstration project.

''(O) A description of the effects of the demonstration project on military treatment facility readiness and training and the probable effects of the project on overall Department of Defense medical readiness and training.

''(P) A description of the effects that the demonstration project, if permanent, would be expected to have on the overall budget of the Defense health program, the budgets of individual military treatment facilities and designated providers, and on the budget of the medicare program under this title.

''(Q) An analysis of whether the demonstration project affects the cost to the Department of Defense of prescription drugs or the accessibility, availability, and cost of such drugs to demonstration program beneficiaries.

''(R) Any additional elements specified in the agreement entered into under subsection (b).

''(2) REPORT ON EXTENSION AND EXPANSION OF DEMONSTRATION PROJECT.—Not later than six months after the date of the submission of the penultimate report under paragraph (1), the administering Secretaries shall submit to Congress a report containing their recommendation as to—

''(A) whether to extend the demonstration project or make the project permanent;

''(B) whether to expand the project to cover additional sites and areas and to increase the maximum amount of reimbursement (or the maximum amount of reimbursement permitted for managed health care plans under this section) under the project in any year; and

''(C) whether the terms and conditions of the project should be continued (or modified) if the project is extended or expanded.''.

CHAPTER 6—TAX TREATMENT OF HOSPITALS PARTICIPATING IN PROVIDER-SPONSORED ORGANIZATIONS

SEC. 5049. TAX TREATMENT OF HOSPITALS WHICH PARTICIPATE IN PROVIDER-SPONSORED ORGANIZATIONS.

(a) IN GENERAL.—Section 501 of the Internal Revenue Code of 1986 (relating to exemption from tax on corporations, certain trusts, etc.) is amended by redesignating subsection (o) as subsection (p) and by inserting after subsection (n) the following new subsection:

''(o) TREATMENT OF HOSPITALS PARTICIPATING IN PROVIDER-SPONSORED ORGANIZATIONS.—An organization shall not fail to be treated as organized and operated exclusively for a charitable purpose for purposes of subsection (c)(3) solely because a hospital which is owned and operated by such organization participates in a provider-sponsored organization (as defined in section 1853(e) of the Social Security Act), whether or not the provider-sponsored organization is exempt from tax. For purposes of subsection (c)(3), any person with a material financial interest in such a provider-sponsored organization shall be treated as a private shareholder or individual with respect to the hospital.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of enactment of this Act.

Subtitle B—Prevention Initiatives

SEC. 5101. ANNUAL SCREENING MAMMOGRAPHY FOR WOMEN OVER AGE 39.

(a) IN GENERAL.—Section 1834(c)(2)(A) (42 U.S.C. 1395m(c)(2)(A)) is amended by striking clauses (iii), (iv), and (v) and inserting the following:

''(iii) in the case of a woman over 39 years of age, payment may not be made under this part for screening mammography performed within 11 months following the month in which a previous screening mammography was performed.''

(b) WAIVER OF COINSURANCE.—

(1) IN GENERAL.—Section 1834(c)(1)(C) (42 U.S.C. 1395m(c)(1)(C)) is amended by striking ''80 percent of''.

(2) WAIVER OF COINSURANCE IN OUTPATIENT HOSPITAL SETTINGS.—The third sentence of section 1866(a)(2)(A) (42 U.S.C. 1395cc(a)(2)(A)) is amended by inserting after ''1861(s)(10)(A)'' the following: '', with respect to screening mammography (as defined in section 1861(jj),''.

(c) EFFECTIVE DATE.—The amendments made by subsection (a) apply to items and services furnished on or after January 1, 1998.

SEC. 5102. COVERAGE OF COLORECTAL SCREENING.

(a) IN GENERAL.—Section 1861 (42 U.S.C. 1395x) is amended—

(1) in subsection (s)(2)—

(A) by striking ''and'' at the end of subparagraphs (N) and (O); and

(B) by inserting after subparagraph (O) the following:

''(P) colorectal cancer screening tests (as defined in subsection (oo)); and''; and

(2) by adding at the end the following:

''Colorectal Cancer Screening Test

''(oo)(1)(A) The term 'colorectal cancer screening test' means a procedure furnished to an individual that the Secretary prescribes in regulations as appropriate for the

purpose of early detection of colorectal cancer, taking into account availability, effectiveness, costs, changes in technology and standards of medical practice, and such other factors as the Secretary considers appropriate.

''(B) The Secretary shall consult with appropriate organizations in prescribing regulations under subparagraph (A).''.

(b) FREQUENCY AND PAYMENT LIMITS.—Section 1834 (42 U.S.C. 1395m) is amended by inserting after subsection (c) the following new subsection:

''(d) FREQUENCY AND PAYMENT LIMITS FOR COLORECTAL CANCER SCREENING TESTS.—

''(1) IN GENERAL.—The Secretary shall prescribe regulations that—

''(A) establish frequency limits for colorectal cancer screening tests that take into account the risk status of an individual and that are consistent with frequency limits for similar or related services; and

''(B) establish payment limits (including limits on charges of nonparticipating physicians) for colorectal cancer screening tests that are consistent with payment limits for similar or related services.

''(2) REVISIONS.—The Secretary shall periodically review and, to the extent the Secretary considers appropriate, revise the frequency and payment limits established under paragraph (1).

''(3) FACTORS TO DETERMINE INDIVIDUALS AT RISK.—In establishing criteria for determining whether an individual is at risk for purposes of this subsection, the Secretary shall take into consideration family history, prior experience of cancer, a history of chronic digestive disease condition, and the presence of any appropriate recognized gene markers for colorectal cancer.

''(4) CONSULTATION.—In establishing and revising frequency and payment limits under this subsection, the Secretary shall consult with appropriate organizations.''

(c) CONFORMING AMENDMENTS.—(1) Paragraphs (1)(D) and (2)(D) of section 1833(a) (42 U.S.C. 1395l(a)) are each amended by inserting ''or section 1834(d)'' after ''subsection (h)(1)''.

(2) Section 1833(h)(1)(A) (42 U.S.C. 1395l(h)(1)(A)) is amended by striking ''The Secretary'' and inserting ''Subject to section 1834(d), the Secretary''.

(3) Section 1862(a) (42 U.S.C. 1395y(a)) is amended—

(A) in paragraph (1)—

(i) in subparagraph (E), by striking ''and'' at the end,

(ii) in subparagraph (F), by striking the semicolon at the end and inserting '', and'', and

(iii) by adding at the end the following new subparagraph:

''(G) in the case of colorectal cancer screening tests, which are performed more frequently than is covered under section 1834(d);''; and

(B) in paragraph (7), by striking ''paragraph (1)(B) or under paragraph (1)(F)'' and inserting ''subparagraph (B), (F), or (G) of paragraph (1)''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to items and services furnished on or after January 1, 1998.

(2) REGULATIONS.—The Secretary of Health and Human Services shall issue final regulations described in sections 1861(oo) and 1834(d) of the Social Security Act (as added by this section) within 3 months after the date of enactment of this Act.

SEC. 5103. DIABETES SCREENING TESTS.

(a) DIABETES OUTPATIENT SELF-MANAGEMENT TRAINING SERVICES.—

(1) IN GENERAL.—Section 1861(s) (42 U.S.C. 1395x(s)), as amended by section 5102, is amended—

(A) in subsection (s)(2)—

(i) by striking ''and'' at the end of subparagraph (P);

(ii) by inserting ''and'' at the end of subparagraph (Q); and

(iii) by adding at the end the following:

''(R) diabetes outpatient self-management training services (as defined in subsection (pp));'', and

(B) by adding at the end the following:

''Diabetes Outpatient Self-Management Training Services

''(pp)(1) The term 'diabetes outpatient self-management training services' means educational and training services furnished to an individual with diabetes by a certified provider (as described in paragraph (2)(A)) in an outpatient setting by an individual or entity that meets the quality standards described in paragraph (2)(B), but only if the physician who is managing the individual's diabetic condition certifies that the services are needed under a comprehensive plan of care related to the individual's diabetic condition to provide the individual with necessary skills and knowledge (including skills related to the self-administration of injectable drugs) to participate in the management of the individual's condition.

''(2) In paragraph (1)—

''(A) a 'certified provider' is a physician, or other individual or entity designated by the Secretary, that, in addition to providing diabetes outpatient self-management training services, provides other items or services for which payment may be made under this title; and

''(B) a physician, or other such individual or entity, meets the quality standards described in this subparagraph if the physician, or individual or entity, meets quality standards established by the Secretary, except that the physician, or other individual or entity, shall be deemed to have met such standards if the physician or other individual or entity—

''(i) meets applicable standards originally established by the National Diabetes Advisory Board and subsequently revised by organizations who participated in the establishment of standards by such Board, or

''(ii) is recognized by an organization that represents individuals (including individuals under this title) with diabetes as meeting standards for furnishing the services.''

(2) CONSULTATION WITH ORGANIZATIONS IN ESTABLISHING PAYMENT AMOUNTS FOR SERVICES PROVIDED BY PHYSICIANS.—In establishing payment amounts under section 1848 of the Social Security Act for physicians' services consisting of diabetes outpatient self-management training services, the Secretary of Health and Human Services shall consult with appropriate organizations, including such organizations representing individuals or medicare beneficiaries with diabetes, in determining the relative value for such services under section 1848(c)(2) of such Act.

(b) BLOOD-TESTING STRIPS FOR INDIVIDUALS WITH DIABETES.—

(1) INCLUDING STRIPS AND MONITORS AS DURABLE MEDICAL EQUIPMENT.—The first sentence of section 1861(n) (42 U.S.C. 1395x(n)) is amended by inserting before the semicolon the following: '', and includes blood-testing strips and blood glucose monitors for individuals with diabetes without regard to whether the individual has Type I or Type II diabetes or to the individual's use of insulin (as determined under standards established by the Secretary in consultation with the appropriate organizations)''.

(2) 10 PERCENT REDUCTION IN PAYMENTS FOR TESTING STRIPS.—Section 1834(a)(2)(B)(iv) (42 U.S.C. 1395m(a)(2)(B)(iv)) is amended by adding before the period the following: ''(reduced by 10 percent, in the case of a blood glucose testing strip furnished after 1997 for an individual with diabetes)''.

(c) ESTABLISHMENT OF OUTCOME MEASURES FOR BENEFICIARIES WITH DIABETES.—

(1) IN GENERAL.—The Secretary of Health and Human Services, in consultation with appropriate organizations, shall establish outcome measures, including glysolated hemoglobin (past 90-day average blood sugar levels), for purposes of evaluating the improvement of the health status of medicare beneficiaries with diabetes mellitus.

(2) RECOMMENDATIONS FOR MODIFICATIONS TO SCREENING BENEFITS.—Taking into account information on the health status of medicare beneficiaries with diabetes mellitus as measured under the outcome measures established under subparagraph (A), the Secretary shall from time to time submit recommendations to Congress regarding modifications to the coverage of services for such beneficiaries under the medicare program.

(d) EFFECTIVE DATE.—The amendments made by this section apply to items and services furnished on or after January 1, 1998.

SEC. 5104. COVERAGE OF BONE MASS MEASUREMENTS.

(a) IN GENERAL.—Section 1861 (42 U.S.C. 1395x) is amended—

(1) in subsection (s)—

(A) in paragraph (12)(C), by striking ''and'' at the end;

(B) by striking the period at the end of paragraph (14) and inserting ''; and'';

(C) by redesignating paragraphs (15) and (16) as paragraphs (16) and (17), respectively; and

(D) by inserting after paragraph (14) the following:

''(15) bone mass measurement (as defined in subsection (oo)).''; and

(2) by inserting after subsection (pp), as added by section 5103, the following:

''Bone Mass Measurement

''(gg)(1) The term 'bone mass measurement' means a radiologic or radioscopic procedure or other Food and Drug Administration approved technology performed on a qualified individual (as defined in paragraph (2)) for the purpose of identifying bone mass, detecting bone loss, or determining bone quality, and includes a physician's interpretation of the results of the procedure.

''(2) For purposes of paragraph (1), the term 'qualified individual' means an individual who is (in accordance with regulations prescribed by the Secretary)—

''(A) an estrogen-deficient woman at clinical risk for osteoporosis and who is considering treatment;

''(B) an individual with vertebral abnormalities;

''(C) an individual receiving long-term glucocorticoid steroid therapy;

''(D) an individual with primary hyperparathyroidism; or

''(E) an individual being monitored to assess the response to or efficacy of an approved osteoporosis drug therapy.''.

(b) CONFORMING AMENDMENTS.—Sections 1864(a), 1865(a), 1902(a)(9)(C), and 1915(a)(1)(B)(ii)(I) (42 U.S.C. 1395aa(a), 1395bb(a), 1396a(a)(9)(C), and 1396n(a)(1)(B)(ii)(I)) are amended by striking ''paragraphs (15) and (16)'' each place such term appears and inserting ''paragraphs (16) and (17)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to bone mass measurements performed on or after January 1, 1998.

Subtitle C—Rural Initiatives

SEC. 5151. SOLE COMMUNITY HOSPITALS.

Section 1886(b)(3)(C) (42 U.S.C. 1395ww(b)(3)(C)) is amended—

(1) in clause (i), by redesignating subclauses (I) and (II) as items (aa) and (bb), respectively;

(2) by redesignating clauses (i), (ii), (iii), and (iv) as subclauses (I), (II), (III), and (IV), respectively;

(3) by striking ''(C) In'' and inserting ''(C)(i) Subject to clause (ii), in''; and

(4) by striking the last sentence and inserting the following:

''(ii)(I) There shall be substituted for the base cost reporting period described in clause (i)(I) a hospital's cost reporting period (if any) beginning during fiscal year 1987 if such substitution results in an increase in the target amount for the hospital.

''(II) Beginning with discharges occurring in fiscal year 1998, there shall be substituted for the base cost reporting period described in clause (i)(I) either—

''(aa) the allowable operating costs of inpatient hospital services (as defined in subsection (a)(4)) recognized under this title for the hospital's cost reporting period (if any) beginning during fiscal year 1994 increased (in a compounded manner) by the applicable percentage increases applied to the hospital under this paragraph for discharges occurring in fiscal years 1995, 1996, 1997, and 1998, or

''(bb) the allowable operating costs of inpatient hospital services (as defined in subsection (a)(4)) recognized under this title for the hospital's cost reporting period (if any) beginning during fiscal year 1995 increased (in a compounded manner) by the applicable percentage increase applied to the hospital under this paragraph for discharges occurring in fiscal years 1995, 1996, 1997, and 1998,

if such substitution results in an increase in the target amount for the hospital.''.

SEC. 5152. MEDICARE-DEPENDENT, SMALL RURAL HOSPITAL PAYMENT EXTENSION.

(a) SPECIAL TREATMENT EXTENDED.—

(1) PAYMENT METHODOLOGY.—Section 1886(d)(5)(G) (42 U.S.C. 1395ww(d)(5)(G)) is amended—

(A) in clause (i), by striking ''October 1, 1994,'' and inserting ''October 1, 1994, or beginning on or after October 1, 1997, and before October 1, 2001,''; and

(B) in clause (ii)(II), by striking ''October 1, 1994,'' and inserting ''October 1, 1994, or beginning on or after October 1, 1997, and before October 1, 2001,''.

(2) EXTENSION OF TARGET AMOUNT.—Section 1886(b)(3)(D) (42 U.S.C. 1395ww(b)(3)(D)) is amended—

(A) in the matter preceding clause (i), by striking ''September 30, 1994,'' and inserting ''September 30, 1994, and for cost reporting periods beginning on or after October 1, 1997, and before October 1, 2001,'';

(B) in clause (ii), by striking ''and'' at the end;

(C) in clause (iii), by striking the period at the end and inserting '', and''; and

(D) by adding after clause (iii) the following new clause:

''(iv) with respect to discharges occurring during fiscal year 1998 through fiscal year 2000, the target amount for the preceding year increased by the applicable percentage increase under subparagraph (B)(iv).''.

(3) PERMITTING HOSPITALS TO DECLINE RECLASSIFICATION.—Section 13501(e)(2) of OBRA–93 (42 U.S.C. 1395ww note) is amended by striking ''or fiscal year 1994'' and inserting '', fiscal year 1994, fiscal year 1998, fiscal year 1999, or fiscal year 2000''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to discharges occurring on or after October 1, 1997.

SEC. 5153. MEDICARE RURAL HOSPITAL FLEXIBILITY PROGRAM.

(a) MEDICARE RURAL HOSPITAL FLEXIBILITY PROGRAM.—Section 1820 (42 U.S.C. 1395i–4) is amended to read as follows:

''MEDICARE RURAL HOSPITAL FLEXIBILITY PROGRAM

''SEC. 1820. (a) ESTABLISHMENT.—Any State that submits an application in accordance with subsection (b) may establish a medicare rural hospital flexibility program described in subsection (c).

''(b) APPLICATION.—A State may establish a medicare rural hospital flexibility program described in subsection (c) if the State submits to the Secretary at such time and in such form as the Secretary may require an application containing—

''(1) assurances that the State—

''(A) has developed, or is in the process of developing, a State rural health care plan that—

''(i) provides for the creation of 1 or more rural health networks (as defined in subsection (d)) in the State;

''(ii) promotes regionalization of rural health services in the State; and

''(iii) improves access to hospital and other health services for rural residents of the State; and

''(B) has developed the rural health care plan described in subparagraph (A) in consultation with the hospital association of the State, rural hospitals located in the State, and the State Office of Rural Health (or, in the case of a State in the process of developing such plan, that assures the Secretary that the State will consult with its State hospital association, rural hospitals located in the State, and the State Office of Rural Health in developing such plan);

''(2) assurances that the State has designated (consistent with the rural health care plan described in paragraph (1)(A)), or is in the process of so designating, rural nonprofit or public hospitals or facilities located in the State as critical access hospitals; and

''(3) such other information and assurances as the Secretary may require.

''(c) MEDICARE RURAL HOSPITAL FLEXIBILITY PROGRAM DESCRIBED.—

''(1) IN GENERAL.—A State that has submitted an application in accordance with subsection (b), may establish a medicare rural hospital flexibility program that provides that—

''(A) the State shall develop at least 1 rural health network (as defined in subsection (d)) in the State; and

''(B) at least 1 facility in the State shall be designated as a critical access hospital in accordance with paragraph (2).

''(2) STATE DESIGNATION OF FACILITIES.—

''(A) IN GENERAL.—A State may designate 1 or more facilities as a critical access hospital in accordance with subparagraph (B).

''(B) CRITERIA FOR DESIGNATION AS CRITICAL ACCESS HOSPITAL.—A State may designate a facility as a critical access hospital if the facility—

''(i) is a nonprofit or public hospital and is located in a county (or equivalent unit of local government) in a rural area (as defined in section 1886(d)(2)(D)) that—

''(I) is located more than a 35-mile drive from a hospital, or another facility described in this subsection; or

''(II) is certified by the State as being a necessary provider of health care services to residents in the area;

''(ii) makes available 24-hour emergency care services that a State determines are necessary for ensuring access to emergency care services in each area served by a critical access hospital;

''(iii) provides not more than 15 acute care inpatient beds (meeting such standards as the Secretary may establish) for providing inpatient care for a period not to exceed 96 hours (unless a longer period is required because transfer to a hospital is precluded because of inclement weather or other emergency conditions), except that a peer review organization or equivalent entity may, on request, waive the 96-hour restriction on a case-by-case basis;

''(iv) meets such staffing requirements as would apply under section 1861(e) to a hospital located in a rural area, except that—

''(I) the facility need not meet hospital standards relating to the number of hours during a day, or days during a week, in which the facility must be open and fully staffed, except insofar as the facility is required to make available emergency care services as determined under clause (ii) and must have nursing services available on a 24-hour basis, but need not otherwise staff the facility except when an inpatient is present;

''(II) the facility may provide any services otherwise required to be provided by a full-time, on site dietitian, pharmacist, laboratory technician, medical technologist, and radiological technologist on a part-time, off site basis under arrangements as defined in section 1861(w)(1); and

''(III) the inpatient care described in clause (iii) may be provided by a physician's assistant, nurse practitioner, or clinical nurse specialist subject to the oversight of a physician who need not be present in the facility; and

''(v) meets the requirements of section 1861(aa)(2)(I).

''(d) DEFINITION OF RURAL HEALTH NETWORK.—

''(1) IN GENERAL.—In this section, the term 'rural health network' means, with respect to a State, an organization consisting of—

''(A) at least 1 facility that the State has designated or plans to designate as a critical access hospital; and

''(B) at least 1 hospital that furnishes acute care services.

''(2) AGREEMENTS.—

''(A) IN GENERAL.—Each critical access hospital that is a member of a rural health network shall have an agreement with respect to each item described in subparagraph (B) with at least 1 hospital that is a member of the network.

''(B) ITEMS DESCRIBED.—The items described in this subparagraph are the following:

''(i) Patient referral and transfer.

''(ii) The development and use of communications systems including (where feasible)—

''(I) telemetry systems; and

''(II) systems for electronic sharing of patient data.

''(iii) The provision of emergency and nonemergency transportation among the facility and the hospital.

''(C) CREDENTIALING AND QUALITY ASSURANCE.—Each critical access hospital that is a member of a rural health network shall have an agreement with respect to credentialing and quality assurance with at least—

''(i) 1 hospital that is a member of the network;

''(ii) 1 peer review organization or equivalent entity; or

''(iii) 1 other appropriate and qualified entity identified in the State rural health care plan.

''(e) CERTIFICATION BY THE SECRETARY.—The Secretary shall certify a facility as a critical access hospital if the facility—

''(1) is located in a State that has established a medicare rural hospital flexibility program in accordance with subsection (c);

''(2) is designated as a critical access hospital by the State in which it is located; and

''(3) meets such other criteria as the Secretary may require.

''(f) PERMITTING MAINTENANCE OF SWING BEDS.—Nothing in this section shall be construed to prohibit a critical access hospital from entering into an agreement with the Secretary under section 1883 under which the facility's inpatient hospital facilities are used for the furnishing of extended care services.

''(g) GRANTS.—

''(1) MEDICARE RURAL HOSPITAL FLEXIBILITY PROGRAM.—The Secretary may award grants to States that have submitted applications in accordance with subsection (b) for—

''(A) engaging in activities relating to planning and implementing a rural health care plan;

''(B) engaging in activities relating to planning and implementing rural health networks; and

''(C) designating facilities as critical access hospitals.

''(2) RURAL EMERGENCY MEDICAL SERVICES.—

''(A) IN GENERAL.—The Secretary may award grants to States that have submitted applications in accordance with subparagraph (B) for the establishment or expansion of a program for the provision of rural emergency medical services.

''(B) APPLICATION.—An application is in accordance with this subparagraph if the State submits to the Secretary at such time and in such form as the Secretary may require an application containing the assurances described in subparagraphs (A)(ii), (A)(iii), and (B) of subsection (b)(1) and paragraph (3) of that subsection.

''(h) GRANDFATHERING OF CERTAIN FACILITIES.—

''(1) IN GENERAL.—Any medical assistance facility operating in Montana and any rural primary care hospital designated by the Secretary under this section prior to the date of the enactment of the Balanced Budget Act of 1997 shall be deemed to have been certified by the Secretary under subsection (e) as a critical access hospital if such facility or hospital is otherwise eligible to be designated by the State as a critical access hospital under subsection (c).

''(2) CONTINUATION OF MEDICAL ASSISTANCE FACILITY AND RURAL PRIMARY CARE HOSPITAL TERMS.—Notwithstanding any other provision of this title, with respect to any medical assistance facility or rural primary care hospital described in paragraph (1), any reference in this title to a 'critical access hospital' shall be deemed to be a reference to a 'medical assistance facility' or 'rural primary care hospital'.

''(i) WAIVER OF CONFLICTING PART A PROVISIONS.—The Secretary is authorized to waive such provisions of this part and part D as are necessary to conduct the program established under this section.

''(j) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated from the Federal Hospital Insurance Trust Fund for making grants to all States under subsection (g), $25,000,000 in each of the fiscal years 1998 through 2002.''.

(b) REPORT ON ALTERNATIVE TO 96-HOUR RULE.—Not later than January 1, 1998, the Administrator of the Health Care Financing Administration shall submit to Congress a report on the feasibility of, and administrative requirements necessary to establish an alternative for certain medical diagnoses (as determined by the Administrator) to the 96-hour limitation for inpatient care in critical access hospitals required by section 1820(c)(2)(B)(iii) of the Social Security Act (42 U.S.C. 1395i–4), as added by subsection (a) of this section.

(c) CONFORMING AMENDMENTS RELATING TO RURAL PRIMARY CARE HOSPITALS AND CRITICAL ACCESS HOSPITALS.—

(1) IN GENERAL.—Title XI of the Social Security Act (42 U.S.C. 1301 et seq.) and title XVIII of that Act (42 U.S.C. 1395 et seq.) are each amended by striking ''rural primary care'' each place it appears and inserting ''critical access''.

(2) DEFINITIONS.—Section 1861(mm) of the Social Security Act (42 U.S.C. 1395x(mm)) is amended to read as follows:

''CRITICAL ACCESS HOSPITAL; CRITICAL ACCESS HOSPITAL SERVICES

''(mm)(1) The term 'critical access hospital' means a facility certified by the Secretary as a critical access hospital under section 1820(e).

''(2) The term 'inpatient critical access hospital services' means items and services, furnished to an inpatient of a critical access hospital by such facility, that would be inpatient hospital services if furnished to an inpatient of a hospital by a hospital.

''(3) The term 'outpatient critical access hospital services' means medical and other health services furnished by a critical access hospital on an outpatient basis.''.

(3) PART A PAYMENT.—Section 1814 of the Social Security Act (42 U.S.C. 1395f) is amended—

(A) in subsection (a)(8), by striking ''72'' and inserting ''96''; and

(B) by amending subsection (*l*) to read as follows:

''Payment for Inpatient Critical Access Hospital Services

''(*l*) The amount of payment under this part for inpatient critical access hospital services is the reasonable costs of the critical access hospital in providing such services.''.

(4) PAYMENT CONTINUED TO DESIGNATED EACHS.—Section 1886(d)(5)(D) of the Social Security Act (42 U.S.C. 1395ww(d)(5)(D)) is amended—

(A) in clause (iii)(III), by inserting ''as in effect on September 30, 1997'' before the period at the end; and

(B) in clause (v)—

(i) by inserting ''as in effect on September 30, 1997'' after ''1820(i)(1)''; and

(ii) by striking ''1820(g)'' and inserting ''1820(d)''.

(5) PART B PAYMENT.—Section 1834(g) of the Social Security Act (42 U.S.C. 1395m(g)) is amended to read as follows:

''(g) PAYMENT FOR OUTPATIENT CRITICAL ACCESS HOSPITAL SERVICES.—The amount of payment under this part for outpatient critical access hospital services is the reasonable costs of the critical access hospital in providing such services.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to services furnished on or after October 1, 1997.

SEC. 5154. PROHIBITING DENIAL OF REQUEST BY RURAL REFERRAL CENTERS FOR RECLASSIFICATION ON BASIS OF COMPARABILITY OF WAGES.

(a) IN GENERAL.—Section 1886(d)(10)(D) (42 U.S.C. 1395ww(d)(10)(D)) is amended—

(1) by redesignating clause (iii) as clause (iv); and

(2) by inserting after clause (ii) the following new clause:

''(iii) Under the guidelines published by the Secretary under clause (i), in the case of a hospital which has ever been classified by the Secretary as a rural referral center under paragraph (5)(C), the Board may not reject the application of the hospital under this paragraph on the basis of any comparison between the average hourly wage of the hospital and the average hourly wage of hospitals in the area in which it is located.''.

(b) CONTINUING TREATMENT OF PREVIOUSLY DESIGNATED CENTERS.—

(1) IN GENERAL.—Any hospital classified as a rural referral center by the Secretary of Health and Human Services under section 1886(d)(5)(C) of the Social Security Act for fiscal year 1991 shall be classified as such a rural referral center for fiscal year 1998 and each subsequent fiscal year.

(2) BUDGET NEUTRALITY.—The provisions of section 1886(d)(8)(D) of the Social Security Act shall apply to reclassifications made pursuant to paragraph (1) in the same manner as such provisions apply to a reclassification under section 1886(d)(10) of such Act.

SEC. 5155. RURAL HEALTH CLINIC SERVICES.

(a) PER-VISIT PAYMENT LIMITS FOR PROVIDER-BASED CLINICS.—

(1) EXTENSION OF LIMIT.—

(A) IN GENERAL.—The matter in section 1833(f) (42 U.S.C. 1395l(f)) preceding paragraph (1) is amended by striking ''independent rural health clinics'' and inserting ''rural health clinics (other than such clinics in rural hospitals with less than 50 beds)''.

(B) EFFECTIVE DATE.—The amendment made by subparagraph (A) applies to services furnished after 1997.

(2) TECHNICAL CLARIFICATION.—Section 1833(f)(1) (42 U.S.C. 1395l(f)(1)) is amended by inserting ''per visit'' after ''$46''.

(b) ASSURANCE OF QUALITY SERVICES.—

(1) IN GENERAL.—Subparagraph (I) of the first sentence of section 1861(aa)(2) (42 U.S.C. 1395x(aa)(2)) is amended to read as follows:

''(I) has a quality assessment and performance improvement program, and appropriate procedures for review of utilization of clinic services, as the Secretary may specify,''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect on January 1, 1998.

(c) WAIVER OF CERTAIN STAFFING REQUIREMENTS LIMITED TO CLINICS IN PROGRAM.—

(1) IN GENERAL.—Section 1861(aa)(7)(B)) (42 U.S.C. 1395x(aa)(7)(B)) is amended by inserting before the period '', or if the facility has not yet been determined to meet the requirements (including subparagraph (J) of the first sentence of paragraph (2)) of a rural health clinic.''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) applies to waiver requests made after 1997.

(d) REFINEMENT OF SHORTAGE AREA REQUIREMENTS.—

(1) DESIGNATION REVIEWED TRIENNIALLY.—Section 1861(aa)(2) (42 U.S.C. 1395x(aa)(2)) is amended in the second sentence, in the matter in clause (i) preceding subclause (I)—

(A) by striking ''and that is designated'' and inserting ''and that, within the previous 3-year period, has been designated''; and

(B) by striking ''or that is designated'' and inserting ''or designated''.

(2) AREA MUST HAVE SHORTAGE OF HEALTH CARE PRACTITIONERS.—Section 1861(aa)(2) (42 U.S.C. 1395x(aa)(2)), as amended by paragraph (1), is further amended in the second sentence, in the matter in clause (i) preceding subclause (I)—

(A) by striking the comma after ''personal health services''; and

(B) by inserting ''and in which there are insufficient numbers of needed health care practitioners (as determined by the Secretary),'' after ''Bureau of the Census)''.

(3) PREVIOUSLY QUALIFYING CLINICS GRANDFATHERED ONLY TO PREVENT SHORTAGE.—

(A) IN GENERAL.—Section 1861(aa)(2) (42 U.S.C. 1395x(aa)(2)) is amended in the third sentence by inserting before the period ''if it is determined, in accordance with criteria established by the Secretary in regulations, to be essential to the delivery of primary care services that would otherwise be unavailable in the geographic area served by the clinic''.

(B) PAYMENT FOR CERTAIN PHYSICIAN ASSISTANT SERVICES.—

(i) IN GENERAL.—With respect to any regulations issued to implement section 1861(aa)(2) (42 U.S.C. 1395x(aa)(2)) (as amended by subparagraph (A)), the Secretary of

Health and Human Services shall include in such regulations provisions providing for the direct payment to the physician assistant for any physician assistant services as described in clause (ii).

(ii) SERVICES DESCRIBED.—Services described in this clause are physician assistant services provided at a rural health clinic that is principally owned, as determined by the Secretary, by a physician assistant—

(I) as of the date of enactment of this Act; and

(II) continuously from such date through the date on which such services are provided.

(iii) SUNSET.—The provisions of this subparagraph shall not apply after January 1, 2003.

(4) EFFECTIVE DATES; IMPLEMENTING REGULATIONS.—

(A) IN GENERAL.—Except as otherwise provided, the amendments made by the preceding paragraphs take effect on January 1 of the first calendar year beginning at least 1 month after enactment of this Act.

(B) CURRENT RURAL HEALTH CLINICS.—The amendments made by the preceding paragraphs take effect, with respect to entities that are rural health clinics under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) on the date of enactment of this Act, on January 1 of the second calendar year following the calendar year specified in subparagraph (A).

(C) GRANDFATHERED CLINICS.—

(i) IN GENERAL.—The amendment made by paragraph (3) shall take effect on the effective date of regulations issued by the Secretary under clause (ii).

(ii) REGULATIONS.—The Secretary shall issue final regulations implementing paragraph (3) that shall take effect no later than January 1 of the third calendar year beginning at least 1 month after the date of enactment of this Act.

SEC. 5156. MEDICARE REIMBURSEMENT FOR TELEHEALTH SERVICES.

(a) IN GENERAL.—Not later than July 1, 1998, the Secretary of Health and Human Services (in this section referred to as the ''Secretary'') shall make payments from the Federal Supplementary Medical Insurance Trust Fund under part B of title XVIII of the Social Security Act (42 U.S.C. 1395j et seq.) in accordance with the methodology described in subsection (b) for professional consultation via telecommunications systems with a health care provider furnishing a service for which payment may be made under such part to a beneficiary under the medicare program residing in a rural area (as defined in section 1886(d)(2)(D) of such Act (42 U.S.C. 1395ww(d)(2)(D))) that is designated as a health professional shortage area under section 332(a)(1)(A) of the Public Health Service Act (42 U.S.C. 254e(a)(1)(A)), notwithstanding that the individual health care provider providing the professional consultation is not at the same location as the health care provider furnishing the service to that beneficiary.

(b) METHODOLOGY FOR DETERMINING AMOUNT OF PAYMENTS.—Taking into account the findings of the report required under section 192 of the Health Insurance Portability and Accountability Act of 1996 (Public Law 104–191; 110 Stat. 1988), the findings of the report required under paragraph (c), and any other findings related to the clinical efficacy and cost-effectiveness of telehealth applications, the Secretary shall establish a methodology for determining the amount of payments made under subsection (a) within the following parameters:

(1) The payment shall include a bundled payment to be shared between the referring health care provider and the consulting health care provider. The amount of such bundled payment shall not be greater than the current fee schedule of the consulting health care provider for the health care services provided.

(2) The payment shall not include any reimbursement for any line charges or any facility fees.

(c) SUPPLEMENTAL REPORT.—Not later than January 1, 1998, the Secretary shall submit a report to Congress which shall contain a detailed analysis of—

(1) how telemedicine and telehealth systems are expanding access to health care services;

(2) the clinical efficacy and cost-effectiveness of telemedicine and telehealth applications;

(3) the quality of telemedicine and telehealth services delivered; and

(4) the reasonable cost of telecommunications charges incurred in practicing telemedicine and telehealth in rural, frontier, and underserved areas.

(d) EXPANSION OF TELEHEALTH SERVICES FOR CERTAIN MEDICARE BENEFICIARIES.—

(1) IN GENERAL.—Not later than January 1, 1999, the Secretary shall submit a report to Congress that examines the possibility of making payments from the Federal Supplementary Medical Insurance Trust Fund under part B of title XVIII of the Social Security Act (42 U.S.C. 1395j et seq.) for professional consultation via telecommunications systems with a health care provider furnishing a service for which payment may be made under such part to a beneficiary described in paragraph (2), notwithstanding that the individual health care provider providing the professional consultation is not at the same location as the health care provider furnishing the service to that beneficiary.

(2) BENEFICIARY DESCRIBED.—A beneficiary described in this paragraph is a beneficiary under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) who does not reside in a rural area (as so defined) that is designated as a health professional shortage area under section 332(a)(1)(A) of the Public Health Service Act (42 U.S.C. 254e(a)(1)(A)), who is homebound or nursing homebound, and for whom being transferred for health care services imposes a serious hardship.

(3) REPORT.—The report described in paragraph (1) shall contain a detailed statement of the potential costs to the medicare program of making the payments described in that paragraph using various reimbursement schemes.

SEC. 5157. TELEMEDICINE, INFORMATICS, AND EDUCATION DEMONSTRATION PROJECT.

(a) PURPOSE AND AUTHORIZATION.—

(1) IN GENERAL.—Not later than 9 months after the date of enactment of this section, the Secretary of Health and Human Services (in this section referred to as the ''Secretary'') shall conduct a demonstration project described in paragraph (2).

(2) DESCRIPTION OF PROJECT.—The demonstration project described in this paragraph is a single demonstration project to study the use of eligible health care provider telemedicine networks to implement high-capacity computing and advanced networks to improve primary care (and prevent health care complications), improve access to specialty care, and provide educational and training support to rural practitioners.

(3) WAIVER AUTHORITY.—The Secretary shall waive compliance with the requirements of titles XI, XVIII, and XIX of the Social Security Act (42 U.S.C. 1301 et seq., 1395 et seq., 1396 et seq.) to such extent and for such period as the Secretary determines is necessary to conduct the demonstration project.

(4) DURATION OF PROJECT.—The project shall be conducted for a 5-year period.

(b) OBJECTIVES OF PROJECT.—The objectives of the demonstration project conducted under this section shall include the following:

(1) The improvement of patient access to primary and specialty care and the reduction of inappropriate hospital visits in order to improve patient quality-of-life and reduce overall health care costs.

(2) The development of a curriculum to train and development of standards for required credentials and licensure of health professionals (particularly primary care health professionals) in the use of medical informatics and telecommunications.

(3) The demonstration of the application of advanced technologies such as video-conferencing from a patient's home and remote monitoring of a patient's medical condition.

(4) The development of standards in the application of telemedicine and medical informatics.

(5) The development of a model for cost-effective delivery of primary and related care in both a managed care environment and in a fee-for-service environment.

(c) ELIGIBLE HEALTH CARE PROVIDER TELEMEDICINE NETWORK DEFINED.—In this section, the term ''eligible health care provider telemedicine network'' means a consortium that—

(1) includes—

(A) at least 1 tertiary care hospital with an existing telemedicine network with an existing relationship with a medical school; and

(B) not more than 6 facilities, including at least 3 rural referral centers, in rural areas; and

(2) meets the following requirements:

(A) The consortium is located in a region that is predominantly rural.

(B) The consortium submits to the Secretary an application at such time, in such manner, and containing such information as the Secretary may require, including a description of the use the consortium would make of any amounts received under the demonstration project and the source and amount of non-Federal funds used in the project.

(C) The consortium guarantees that it will be responsible for payment for all costs of the project that are not paid under this section and that the maximum amount of payment that may be made to the consortium under this section shall not exceed the amount specified in subsection (d)(3).

(d) COVERAGE AS MEDICARE PART B SERVICES.—

(1) IN GENERAL.—Subject to the succeeding provisions of this section, services for medicare beneficiaries furnished under the demonstration project shall be considered to be services covered under part B of title XVIII of the Social Security Act (42 U.S.C. 1395j).

(2) PAYMENTS.—

(A) IN GENERAL.—Subject to paragraph (3), payment for services provided under this section shall be made at a rate of 50 percent of the costs that are reasonable and related to the provision of such services. In computing such costs, the Secretary shall include costs described in subparagraph (B), but may not include costs described in subparagraph (C).

(B) COSTS THAT MAY BE INCLUDED.—The costs described in this subparagraph are the permissible costs (as recognized by the Secretary) for the following:

(i) The acquisition of telemedicine equipment for use in patients' homes (but only in the case of patients located in medically underserved areas).

(ii) Curriculum development and training of health professionals in medical informatics and telemedicine.

(iii) Payment of telecommunications costs including salaries, maintenance of equipment, and costs of telecommunications between patients' homes and the eligible network and between the network and other entities under the arrangements described in subsection (c).

(iv) Payments to practitioners and providers under the medicare programs.

(C) OTHER COSTS.—The costs described in this subparagraph include the following:

(i) The purchase or installation of transmission equipment (other than such equipment used by health professionals to deliver medical informatics services under the project).

(ii) The establishment or operation of a telecommunications common carrier network.

(iii) Construction that is limited to minor renovations related to the installation of equipment.

(3) LIMITATION AND FUNDS.—The Secretary shall make the payments under the demonstration project conducted under this section from the Federal Supplementary Medical Insurance Trust Fund, established under section 1841 of the Social Security Act (42 U.S.C. 1395t), except that the total amount of the payments that may be made by the Secretary under this section shall not exceed $27,000,000.

Subtitle D—Anti-Fraud and Abuse Provisions and Improvements in Protecting Program Integrity

CHAPTER 1—REVISIONS TO SANCTIONS FOR FRAUD AND ABUSE

SEC. 5201. AUTHORITY TO REFUSE TO ENTER INTO MEDICARE AGREEMENTS WITH INDIVIDUALS OR ENTITIES CONVICTED OF FELONIES.

(a) MEDICARE PART A.—Section 1866(b)(2) (42 U.S.C. 1395cc(b)(2)) is amended—

(1) in subparagraph (B), by striking ''or'' at the end;

(2) in subparagraph (C), by striking the period at the end and inserting '', or''; and

(3) by adding at the end the following:

''(D) has ascertained that the provider has been convicted of a felony under Federal or State law for an offense that the Secretary determines is inconsistent with the best interests of program beneficiaries.''.

(b) MEDICARE PART B.—Section 1842 (42 U.S.C. 1395u) is amended by adding at the end the following:

''(s) The Secretary may refuse to enter into an agreement with a physician or supplier under subsection (h), or may terminate or refuse to renew such agreement, in the event that such physician or supplier has been convicted of a felony under Federal or State law for an offense which the Secretary determines is inconsistent with the best interests of program beneficiaries.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act and apply to the entry and renewal of contracts on or after such date.

SEC. 5202. EXCLUSION OF ENTITY CONTROLLED BY FAMILY MEMBER OF A SANCTIONED INDIVIDUAL.

(a) IN GENERAL.—Section 1128 (42 U.S.C. 1320a–7) is amended—

(1) in subsection (b)(8)(A)—

(A) in clause (i), by striking ''or'' at the end;

(B) in clause (ii), by striking the dash at the end and inserting ''; or''; and

(C) by inserting after clause (ii) the following:

''(iii) who was described in clause (i) but is no longer so described because of a transfer of ownership or control interest, in anticipation of (or following) a conviction, assessment, or exclusion described in subparagraph (B) against the person, to an immediate family member (as defined in subsection (j)(1)) or a member of the household of the person (as defined in subsection (j)(2)) who continues to maintain an interest described in such clause—''; and

(2) by adding at the end the following:

''(j) DEFINITION OF IMMEDIATE FAMILY MEMBER AND MEMBER OF HOUSEHOLD.—For purposes of subsection (b)(8)(A)(iii):

''(1) The term 'immediate family member' means, with respect to a person—

''(A) the husband or wife of the person;

''(B) the natural or adoptive parent, child, or sibling of the person;

''(C) the stepparent, stepchild, stepbrother, or stepsister of the person;

''(D) the father-, mother-, daughter-, son-, brother-, or sister-in-law of the person;

''(E) the grandparent or grandchild of the person; and

''(F) the spouse of a grandparent or grandchild of the person.

''(2) The term 'member of the household' means, with respect to any person, any individual sharing a common abode as part of a single family unit with the person, including domestic employees and others who live together as a family unit, but not including a roomer or boarder.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the date that is 45 days after the date of the enactment of this Act.

SEC. 5203. IMPOSITION OF CIVIL MONEY PENALTIES.

(a) CIVIL MONEY PENALTIES FOR PERSONS THAT CONTRACT WITH EXCLUDED INDIVIDUALS.—Section 1128A(a) (42 U.S.C. 1320a–7a(a)) is amended—

(1) in paragraph (4), by striking ''or'' at the end;

(2) in paragraph (5), by adding ''or'' at the end; and

(3) by inserting after paragraph (5) the following:

''(6) arranges or contracts (by employment or otherwise) with an individual or entity that the person knows or should know is excluded from participation in a Federal health care program (as defined in section 1128B(f)), for the provision of items or services for which payment may be made under such a program;''.

(b) CIVIL MONEY PENALTIES FOR SERVICES ORDERED OR PRESCRIBED BY AN EXCLUDED INDIVIDUAL OR ENTITY.—Section 1128A(a)(1) (42 U.S.C. 1320a–7a(a)(1)) is amended—

(1) in subparagraph (D)—

(A) by inserting '', ordered, or prescribed by such person'' after ''other item or service furnished'';

(B) by inserting ''(pursuant to this title or title XVIII)'' after ''period in which the person was excluded'';

(C) by striking ''pursuant to a determination by the Secretary'' and all that follows through ''the provisions of section 1842(j)(2)''; and

(D) by striking ''or'' at the end;

(2) by redesignating subparagraph (E) as subparagraph (F); and

(3) by inserting after subparagraph (D) the following:

''(E) is for a medical or other item or service ordered or prescribed by a person excluded pursuant to this title or title XVIII from the program under which the claim was made, and the person furnishing such item or service knows or should know of such exclusion, or''.

(c) CIVIL MONEY PENALTIES FOR KICKBACKS.—

(1) PERMITTING SECRETARY TO IMPOSE CIVIL MONEY PENALTY.—Section 1128A(a) (42 U.S.C. 1320a–7a(a)), as amended by subsection (a), is amended—

(A) in paragraph (5), by striking ''or'' at the end;

(B) in paragraph (6), by adding ''or'' at the end; and

(C) by adding after paragraph (6) the following:

''(7) commits an act described in paragraph (1) or (2) of section 1128B(b);''.

(2) DESCRIPTION OF CIVIL MONEY PENALTY APPLICABLE.—Section 1128A(a) (42 U.S.C. 1320a–7a(a)), as amended by paragraph (1), is amended in the matter following paragraph (7)—

(A) by striking ''occurs).'' and inserting ''occurs; or in cases under paragraph (7), $50,000 for each such act).''; and

(B) by inserting after ''of such claim'' the following: ''(or, in cases under paragraph (7), damages of not more than 3 times the total amount of remuneration offered, paid, solicited, or received, without regard to whether a portion of such remuneration was offered, paid, solicited, or received for a lawful purpose)''.

(d) EFFECTIVE DATES.—

(1) CONTRACTS WITH EXCLUDED PERSONS.—The amendments made by subsection (a) shall apply to arrangements and contracts entered into after the date of the enactment of this Act.

(2) SERVICES ORDERED OR PRESCRIBED.—The amendments made by subsection (b) shall apply to items and services furnished, ordered, or prescribed after the date of the enactment of this Act.

(3) KICKBACKS.—The amendments made by subsection (c) shall apply to acts taken after the date of the enactment of this Act.

CHAPTER 2—IMPROVEMENTS IN PROTECTING PROGRAM INTEGRITY

SEC. 5211. DISCLOSURE OF INFORMATION, SURETY BONDS, AND ACCREDITATION.

(a) DISCLOSURE OF INFORMATION, SURETY BOND, AND ACCREDITATION REQUIREMENT FOR SUPPLIERS OF DURABLE MEDICAL EQUIPMENT.—Section 1834(a) (42 U.S.C. 1395m(a)) is amended by inserting after paragraph (15) the following:

''(16) DISCLOSURE OF INFORMATION, SURETY BOND, AND ACCREDITATION.—The Secretary shall not provide for the issuance (or renewal) of a provider number for a supplier of durable medical equipment, for purposes of payment under this part for durable medical equipment furnished by the supplier, unless the supplier provides the Secretary on a continuing basis—

''(A) with—

''(i) full and complete information as to the identity of each person with an ownership or control interest (as defined in section 1124(a)(3)) in the supplier or in any subcontractor (as defined by the Secretary in regulations) in which the supplier directly or indirectly has a 5 percent or more ownership interest; and

''(ii) to the extent determined to be feasible under regulations of the Secretary, the name of any disclosing entity (as defined in section 1124(a)(2)) with respect to which a person with such an ownership or control interest in the supplier is a person with such an ownership or control interest in the disclosing entity;

''(B) with a surety bond in a form specified by the Secretary and in an amount that is not less than $50,000; and

''(C) at the discretion of the Secretary, with evidence of compliance with the applicable conditions or requirements of this title through an accreditation survey conducted by a national accreditation body under section 1865(b).

The Secretary may waive the requirement of a bond under subparagraph (B) in the case of a supplier that provides a comparable surety bond under State law.''.

(b) SURETY BOND REQUIREMENT FOR HOME HEALTH AGENCIES.—

(1) IN GENERAL.—Section 1861(o) (42 U.S.C. 1395x(o)) is amended—

(A) in paragraph (7), by inserting ''and including providing the Secretary on a continuing basis with a surety bond in a form specified by the Secretary and in an amount that is not less than $50,000'' after ''financial security of the program''; and

(B) by adding at the end the following: ''The Secretary may waive the requirement of a surety bond under paragraph (7) in the case of an agency or organization that provides a comparable surety bond under State law.''

(2) CONFORMING AMENDMENTS.—Section 1861(v)(1)(H) (42 U.S.C. 1395x(v)(1)(H)) is amended—

(A) in clause (i), by striking ''the financial security requirement'' and inserting ''the financial security and surety bond requirements''; and

(B) in clause (ii), by striking ''the financial security requirement described in subsection (o)(7) applies'' and inserting ''the financial security and surety bond requirements described in subsection (o)(7) apply''.

(3) REFERENCE TO CURRENT DISCLOSURE REQUIREMENT.—For additional provisions requiring home health agencies to disclose information on ownership and control interests, see section 1124 of the Social Security Act (42 U.S.C. 1320a–3).

(c) AUTHORIZING APPLICATION OF DISCLOSURE AND SURETY BOND REQUIREMENTS TO AMBULANCE SERVICES AND CERTAIN CLINICS.—Section 1834(a)(16) (42 U.S.C. 1395m(a)(16)), as added by subsection (a), is amended by adding at the end the following flush sentence:

The Secretary, in the Secretary's discretion, may impose the requirements of the previous sentence with respect to some or all classes of suppliers of ambulance services described in section 1861(s)(7) and clinics that furnish medical and other health services (other than physicians' services) under this part.''.

(d) APPLICATION TO COMPREHENSIVE OUTPATIENT REHABILITATION FACILITIES (CORFS).—Section 1861(cc)(2) (42 U.S.C. 1395x(cc)(2)) is amended—

(1) in subparagraph (I), by inserting before the period at the end the following: ''and providing the Secretary on a continuing basis with a surety bond in a form specified by the Secretary and in an amount that is not less than $50,000''; and

(2) by adding at the end the following flush sentence:

''The Secretary may waive the requirement of a bond under subparagraph (I) in the case of a facility that provides a comparable surety bond under State law.''.

(e) APPLICATION TO REHABILITATION AGENCIES.—Section 1861(p) (42 U.S.C. 1395x(p)) is amended—

(1) in paragraph (4)(A)(v), by inserting after ''as the Secretary may find necessary,'' the following: ''and provides the Secretary, to the extent required by the Secretary, on a continuing basis with a surety bond in a form specified by the Secretary and in an amount that is not less than $50,000,'', and

(2) by adding at the end the following: ''The Secretary may waive the requirement of a bond under paragraph (4)(A)(v) in the case of a clinic or agency that provides a comparable surety bond under State law.''.

(f) EFFECTIVE DATES.—

(1) SUPPLIERS OF DURABLE MEDICAL EQUIPMENT.—The amendment made by subsection (a) shall apply to suppliers of durable medical equipment with respect to such equipment furnished on or after January 1, 1998.

(2) HOME HEALTH AGENCIES.—The amendments made by subsection (b) shall apply to home health agencies with respect to services furnished on or after January 1, 1998. The Secretary of Health and Human Services shall modify participation agreements under section 1866(a)(1) of the Social Security Act (42 U.S.C. 1395cc(a)(1)) with respect to home health agencies to provide for implementation of such amendments on a timely basis.

(3) OTHER AMENDMENTS.—The amendments made by subsections (c) through (e) shall take effect on the date of the enactment of this Act and may be applied with respect to items and services furnished on or after the date specified in paragraph (1).

SEC. 5212. PROVISION OF CERTAIN IDENTIFICATION NUMBERS.

(a) REQUIREMENTS TO DISCLOSE EMPLOYER IDENTIFICATION NUMBERS (EINS) AND SOCIAL SECURITY ACCOUNT NUMBERS (SSNS).—Section 1124(a)(1) (42 U.S.C. 1320a–3(a)(1)) is amended by inserting before the period at the end the following: ''and supply the Secretary with the both the employer identification number (assigned pursuant to section 6109 of the Internal Revenue Code of 1986) and social security account number (assigned under section 205(c)(2)(B)) of the disclosing entity, each person with an ownership or control interest (as defined in subsection (a)(3)), and any subcontractor in which the entity directly or indirectly has a 5 percent or more ownership interest''.

(b) OTHER MEDICARE PROVIDERS.—Section 1124A (42 U.S.C. 1320a–3a) is amended—

(1) in subsection (a)—

(A) in paragraph (1), by striking ''and'' at the end;

(B) in paragraph (2), by striking the period at the end and inserting ''; and''; and

(C) by adding at the end the following:

''(3) including the employer identification number (assigned pursuant to section 6109 of the Internal Revenue Code of 1986) and social security account number (assigned under section 205(c)(2)(B)) of the disclosing part B provider and any person, managing employee, or other entity identified or described under paragraph (1) or (2).''; and

(2) in subsection (c)(1), by inserting ''(or, for purposes of subsection (a)(3), any entity receiving payment)'' after ''on an assignment-related basis''.

(c) VERIFICATION BY SOCIAL SECURITY ADMINISTRATION (SSA).—Section 1124A (42 U.S.C. 1320a–3a), as amended by subsection (b), is amended—

(1) by redesignating subsection (c) as subsection (d); and

(2) by inserting after subsection (b) the following:

''(c) VERIFICATION.—

''(1) TRANSMITTAL BY HHS.—The Secretary shall transmit—

''(A) to the Commissioner of Social Security information concerning each social security account number (assigned under section 205(c)(2)(B)), and

''(B) to the Secretary of the Treasury information concerning each employer identification number (assigned pursuant to section 6109 of the Internal Revenue Code of 1986),

supplied to the Secretary pursuant to subsection (a)(3) or section 1124(c) to the extent necessary for verification of such information in accordance with paragraph (2).

''(2) VERIFICATION.—The Commissioner of Social Security and the Secretary of the Treasury shall verify the accuracy of, or correct, the information supplied by the Secretary to such official pursuant to paragraph (1), and shall report such verifications or corrections to the Secretary.

''(3) FEES FOR VERIFICATION.—The Secretary shall reimburse the Commissioner and Secretary of the Treasury, at a rate negotiated between the Secretary and such official, for the costs incurred by such official in performing the verification and correction services described in this subsection.''.

(d) REPORT.—The Secretary of Health and Human Services shall submit to Congress a report on steps the Secretary has taken to assure the confidentiality of social security account numbers that will be provided to the Secretary under the amendments made by this section.

(e) EFFECTIVE DATES.—

(1) DISCLOSURE REQUIREMENTS.—The amendment made by subsection (a) shall apply to the application of conditions of participation, and entering into and renewal of contracts and agreements, occurring more than 90 days after the date of submission of the report under subsection (d).

(2) OTHER PROVIDERS.—The amendments made by subsection (b) shall apply to payment for items and services furnished more than 90 days after the date of submission of such report.

SEC. 5213. APPLICATION OF CERTAIN PROVISIONS OF THE BANKRUPTCY CODE.

(a) RESTRICTED APPLICABILITY OF BANKRUPTCY STAY, DISCHARGE, AND PREFERENTIAL TRANSFER PROVISIONS TO MEDICARE AND MEDICAID DEBTS.—Part A of title XI (42 U.S.C. 1301 et seq.) is amended by inserting after section 1143 the following:

''APPLICATION OF CERTAIN PROVISIONS OF THE BANKRUPTCY CODE

''SEC. 1144. (a) MEDICARE AND MEDICAID-RELATED ACTIONS NOT STAYED BY BANKRUPTCY PROCEEDINGS.—The commencement or continuation of any action against a debtor under this title or title XVIII or XIX (other than an action with respect to health care services for the debtor under title XVIII), including any action or proceeding to exclude or suspend the debtor from program participation, assess civil money penalties, recoup or set off overpayments, or deny or suspend payment of claims shall not be subject to the provisions of section 362(a) of title 11, United States Code.

''(b) CERTAIN MEDICARE- AND MEDICAID-RELATED DEBT NOT DISCHARGEABLE IN BANKRUPTCY.—A debt owed to the United States or to a State for an overpayment under title XVIII or XIX (other than an overpayment for health care services for the debtor under title XVIII) resulting from the fraudulent actions of the debtor, or for a penalty, fine, or assessment under this title or title XVIII or XIX, shall not be dischargeable under any provision of title 11, United States Code.

''(c) REPAYMENT OF CERTAIN DEBTS CONSIDERED FINAL.—Payments made to repay a debt to the United States or to a State with respect to items or services provided, or claims for payment made, under title XVIII or XIX (including repayment of an overpayment (other than an overpayment for health care services for the debtor under title XVIII) resulting from the fraudulent actions of the debtor), or to pay a penalty, fine, or assessment under this title or title XVIII or XIX, shall be considered final and not preferential transfers under section 547 of title 11, United States Code.''.

(b) MEDICARE RULES APPLICABLE TO BANKRUPTCY PROCEEDINGS.—Title XVIII (42 U.S.C. 1395 et seq.) is amended by adding at the end the following:

''APPLICATION OF PROVISIONS OF THE BANKRUPTCY CODE

''SEC. 1894. (a) USE OF MEDICARE STANDARDS AND PROCEDURES.—Notwithstanding any provision of title 11, United States Code, or any other provision of law, in the case of claims by a debtor in bankruptcy for payment under this title, the determination of whether the claim is allowable and of the amount payable, shall be made in accordance with the provisions of this title and title XI and implementing regulations.

''(b) NOTICE TO CREDITOR OF BANKRUPTCY PETITIONER.—In the case of a debt owed to the United States with respect to items or services provided, or claims for payment made, under this title (including a debt arising from an overpayment or a penalty, fine, or assessment under title XI or this title), the notices to the creditor of bankruptcy petitions, proceedings, and relief required under title 11, United States Code (including under section 342 of that title and section 2002(j) of the Federal Rules of Bankruptcy Procedure), shall be given to the Secretary. Provision of such notice to a fiscal agent of the Secretary shall not be considered to satisfy this requirement.

''(c) TURNOVER OF PROPERTY TO THE BANKRUPTCY ESTATE.—For purposes of section 542(b) of title 11, United States Code, a claim for payment under this title shall not be considered to be a matured debt payable to the estate of a debtor until such claim has been allowed by the Secretary in accordance with procedures under this title.''.

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

SEC. 5214. REPLACEMENT OF REASONABLE CHARGE METHODOLOGY BY FEE SCHEDULES.

(a) IN GENERAL.—Section 1833(a)(1) (42 U.S.C. 1395l(a)(1)) is amended in the matter preceding subparagraph (A) by striking ''the reasonable charges for the services'' and inserting ''the lesser of the actual charges for the services and the amounts determined by the applicable fee schedules developed by the Secretary for the particular services''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1833(a)(1) (42 U.S.C. 1395l(a)(1)) is amended—

(A) in subparagraph (A), by striking ''reasonable charges for'' and inserting ''payment bases otherwise applicable to'';

(B) in subparagraph (B), by striking ''reasonable charges'' and inserting ''fee schedule amounts''; and

(C) by inserting after subparagraph (F) the following: ''(G) with respect to services described in clause (i) or (ii) of section 1861(s)(2)(K) (relating to physician assistants and nurse practitioners), the amounts paid shall be 80 percent of the lesser of the actual charge for the services and the applicable amount determined under subclause (I) or (II) of section 1842(b)(12)(A)(ii),''.

(2) Section 1833(a)(2) (42 U.S.C. 1395l(a)(2)) is amended—

(A) in subparagraph (B), in the matter preceding clause (i), by striking ''(C), (D),'' and inserting ''(D)''; and

(B) by striking subparagraph (C).

(3) Section 1833(l) (42 U.S.C. 1395l(l)) is amended—

(A) in paragraph (3)—

(i) by striking subparagraph (B); and

(ii) by striking ''(3)(A)'' and inserting ''(3)''; and

(B) by striking paragraph (6).

(4) Section 1834(a)(10)(B) (42 U.S.C. 1395m(a)(10)(B)) is amended by striking ''paragraphs (8) and (9)'' and all that follows through ''section 1848(i)(3).'' and inserting ''section 1842(b)(8) to covered items and suppliers of such items and payments under this subsection as such provisions would otherwise apply to physicians' services and physicians.''.

(5) Section 1834(g)(1)(A)(ii) (42 U.S.C. 1395m(g)(1)(A)(ii)) is amended in the heading by striking ''REASONABLE CHARGES FOR PROFESSIONAL'' and inserting ''PROFESSIONAL''.

(6) Section 1842(a) (42 U.S.C. 1395u(a)) is amended—

(A) in the matter preceding paragraph (1), by striking ''reasonable charge'' and inserting ''fee schedule''; and

(B) in paragraph (1)(A), by striking ''reasonable charge'' and inserting ''other''.

(7) Section 1842(b)(3) (42 U.S.C. 1395u(b)(3)) is amended—

(A) in subparagraph (B)—

(i) in the matter preceding clause (i), by striking ''where payment'' and all that follows through ''made—'' and inserting ''where payment under this part for a service is on a basis other than a cost basis, such payment will (except as otherwise provided in section 1870(f)) be made—''; and

(ii) by striking clause (ii)(I) and inserting the following: ''(I) the amount determined by the applicable payment basis under this part is the full charge for the service,''; and

(B) by striking the second, third, fourth, fifth, sixth, eighth, and ninth sentences.

(8) Section 1842(b)(4) (42 U.S.C. 1395u(b)(4)) is amended to read as follows:

''(4) In the case of an enteral or parenteral pump that is furnished on a rental basis during a period of medical need—

''(A) monthly rental payments shall not be made under this part for more than 15 months during that period, and

''(B) after monthly rental payments have been made for 15 months during that period, payment under this part shall be made for maintenance and servicing of the pump in amounts that the Secretary determines to be reasonable and necessary to ensure the proper operation of the pump.''.

(9) Section 6112(b) (42 U.S.C. 1395m note; Public Law 101–239) of OBRA—1989 is repealed.

(10) Section 1842(b)(7) (42 U.S.C. 1395u(b)(7)) is amended—

(A) in subparagraph (D)(i), in the matter preceding subclause (I), by striking '', to the extent that such payment is otherwise allowed under this paragraph,'';

(B) in subparagraph (D)(ii), by striking ''subparagraph'' and inserting ''paragraph'';

(C) by striking ''(7)(A) In the case of'' and all that follows through subparagraph (C);

(D) by striking ''(D)(i)'' and inserting ''(7)(A)'';

(E) by redesignating clauses (ii) and (iii) as subparagraphs (B) and (C), respectively; and

(F) by redesignating subclauses (I), (II), and (III) of subparagraph (A) (as redesignated by subparagraph (D) of this paragraph) as clauses (i), (ii), and (iii), respectively.

(11) Section 1842(b)(9) (42 U.S.C. 1395u(b)(9)) is repealed.

(12) Section 1842(b)(10) (42 U.S.C. 1395u(b)(10)) is repealed.

(13) Section 1842(b)(11) (42 U.S.C. 1395u(b)(11)) is amended—

(A) by striking subparagraphs (B) through (D);

(B) by striking ''(11)(A)'' and inserting ''(11)''; and

(C) by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively.

(14) Section 1842(b)(12)(A)(ii) (42 U.S.C. 1395u(b)(12)(A)(ii)) is amended—

(A) in the matter preceding subclause (I), by striking ''prevailing charges determined under paragraph (3)'' and inserting ''the amounts determined under section 1833(a)(1)(G)''; and

(B) in subclause (II), by striking ''prevailing charge rate'' and all that follows up to the period and inserting ''fee schedule amount specified in section 1848 for such services performed by physicians''.

(15) Paragraphs (14) through (17) of section 1842(b) (42 U.S.C. 1395u(b)) are repealed.

(16) Section 1842(b) (42 U.S.C. 1395u(b)) is amended—

(A) in paragraph (18)(A), by striking ''reasonable charge or''; and

(B) by redesignating paragraph (18) as paragraph (14).

(17) Section 1842(j)(1) (42 U.S.C. 1395u(j)) is amended to read as follows:

''(j)(1) See subsections (k), (l), (m), (n), and (p) as to the cases in which sanctions may be applied under paragraph (2).''.

(18) Section 1842(j)(4) (42 U.S.C. 1395u(j)(4)) is amended by striking ''under paragraph (1)''.

(19) Section 1842(n)(1)(A) (42 U.S.C. 1395u(n)(1)(A)) is amended by striking ''reasonable charge (or other applicable limit)'' and inserting ''other applicable limit''.

(20) Section 1842(q) (42 U.S.C. 1395u(q)) is amended—

(A) by striking paragraph (1)(B); and

(B) by striking ''(q)(1)(A)'' and inserting ''(q)(1)''.

(21) Section 1845(b)(1) (42 U.S.C. 1395w–1(b)(1)) is amended by striking ''adjustments to the reasonable charge levels for physicians' services recognized under section 1842(b) and''.

(22) Section 1848(i)(3) (42 U.S.C. 1395w–4(i)(3)) is repealed.

(23) Section 1866(a)(2)(A)(ii) (42 U.S.C. 1395cc(a)(2)(A)(ii)) is amended by striking ''reasonable charges'' and all that follows through ''provider)'' and inserting ''amount customarily charged for the items and services by the provider''.

(24) Section 1881(b)(3)(A) (42 U.S.C. 1395rr(b)(3)(A)) is amended by striking ''a reasonable charge'' and all that follows through ''section 1848)'' and inserting ''the basis described in section 1848''.

(25) Section 9340 of OBRA—1986 (42 U.S.C. 1395u note; Public Law 99-509) is repealed.

(c) EFFECTIVE DATES.—The amendments made by this section to the extent such amendments substitute fee schedules for reasonable charges, shall apply to particular services as of the date specified by the Secretary of Health and Human Services.

(d) INITIAL BUDGET NEUTRALITY.—The Secretary, in developing a fee schedule for particular services (under the amendments made by this section), shall set amounts for the first year period to which the fee schedule applies at a level so that the total payments under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) for those services for that year period shall be approximately equal to the estimated total payments if those amendments had not been made.

SEC. 5215. APPLICATION OF INHERENT REASONABLENESS TO ALL PART B SERVICES OTHER THAN PHYSICIANS' SERVICES.

(a) IN GENERAL.—Section 1842(b)(8) (42 U.S.C. 1395u(b)(8)) is amended to read as follows:

''(8) The Secretary shall describe by regulation the factors to be used in determining the cases (of particular items or services) in which the application of this part (other than to physicians' services paid under section 1848) results in the determination of an amount that, because of its being grossly excessive or grossly deficient, is not inherently reasonable, and provide in those cases for the factors to be considered in establishing an amount that is realistic and equitable.''.

(b) CONFORMING AMENDMENT.—Section 1834(a)(10) (42 U.S.C. 1395m(a)(10)(B)) is amended—

(1) by striking subparagraph (B); and

(2) by redesignating subparagraph (C) as subparagraph (B).

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 5216. REQUIREMENT TO FURNISH DIAGNOSTIC INFORMATION.

(a) INCLUSION OF NON-PHYSICIAN PRACTITIONERS IN REQUIREMENT TO PROVIDE DIAGNOSTIC CODES FOR PHYSICIAN SERVICES.—Paragraphs (1) and (2) of section 1842(p) (42 U.S.C. 1395u(p)) are each amended by inserting ''or practitioner specified in subsection (b)(18)(C)'' after ''by a physician''.

(b) REQUIREMENT TO PROVIDE DIAGNOSTIC INFORMATION WHEN ORDERING CERTAIN ITEMS OR SERVICES FURNISHED BY ANOTHER ENTITY.—Section 1842(p) (42 U.S.C. 1395u(p)), is amended by adding at the end the following:

''(4) In the case of an item or service defined in paragraph (3), (6), (8), or (9) of subsection 1861(s) ordered by a physician or a practitioner specified in subsection (b)(18)(C), but furnished by another entity, if the Secretary (or fiscal agent of the Secretary) requires the entity furnishing the item or service to provide diagnostic or other medical information for payment to be made to the entity, the physician or practitioner shall provide that information to the entity at the time that the item or service is ordered by the physician or practitioner.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to items and services furnished on or after January 1, 1998.

SEC. 5217. REPORT BY GAO ON OPERATION OF FRAUD AND ABUSE CONTROL PROGRAM.

Section 1817(k)(6) (42 U.S.C. 1395i(k)(6)) is amended by inserting ''June 1, 1998, and'' after ''Not later than''.

SEC. 5218. COMPETITIVE BIDDING.

(a) GENERAL RULE.—Part B of title XVIII (42 U.S.C. 1395j et seq.) is amended by inserting after section 1846 the following:

''SEC. 1847. COMPETITIVE ACQUISITION OF ITEMS AND SERVICES.

''(a) ESTABLISHMENT OF BIDDING AREAS.—

''(1) IN GENERAL.—The Secretary shall establish competitive acquisition areas for contract award purposes for the furnishing under this part after 1997 of the items and services described in subsection (c). The Secretary may establish different competitive acquisition areas under this subsection for different classes of items and services.

''(2) CRITERIA FOR ESTABLISHMENT.—The competitive acquisition areas established under paragraph (1) shall be chosen based on the availability and accessibility of entities able to furnish items and services, and the probable savings to be realized by the use of competitive bidding in the furnishing of items and services in the area.

''(b) AWARDING OF CONTRACTS IN AREAS.—

''(1) IN GENERAL.—The Secretary shall conduct a competition among individuals and entities supplying items and services described in subsection (c) for each competitive acquisition area established under subsection (a) for each class of items and services.

''(2) CONDITIONS FOR AWARDING CONTRACT.—The Secretary may not award a contract to any entity under the competition conducted pursuant to paragraph (1) to furnish an item or service unless the Secretary finds that the entity meets quality standards specified by the Secretary, and subject to paragraph (3), that the total amounts to be paid under the contract are expected to be less than the total amounts that would otherwise be paid.

''(3) LIMIT ON AMOUNT OF PAYMENT.—The Secretary may not under a contract awarded under this section provide for payment for an item or service in an amount in excess of the applicable fee schedule under this part for similar or related items or services. The preceding sentence shall not apply if the Secretary determines that an amount in excess of such amount is warranted by reason of technological innovation, quality improvement, or similar reasons, except that the total amount paid under the contract shall not exceed the limit under paragraph (2).

''(4) CONTENTS OF CONTRACT.—A contract entered into with an entity under the competition conducted pursuant to paragraph (1) is subject to terms and conditions that the Secretary may specify.

''(5) LIMIT ON NUMBER OF CONTRACTORS.—The Secretary may limit the number of contractors in a competitive acquisition area to the number needed to meet projected demand for items and services covered under the contracts.

''(c) SERVICES DESCRIBED.—The items and services to which this section applies are all items and services covered under this part (except for physician services as defined by 1861(r)) that the Secretary may specify.''.

(b) ITEMS AND SERVICES TO BE FURNISHED ONLY THROUGH COMPETITIVE ACQUISITION.—Section 1862(a) (42 U.S.C. 1395y(a)) is amended—

(1) by striking ''or'' at the end of paragraph (14),

(2) by striking the period at the end of paragraph (15) and inserting ''; or'', and

(3) by inserting after paragraph (15) the following:

''(16) where the expenses are for an item or service furnished in a competitive acquisition area (as established by the Secretary under section 1847(a)) by an entity other than an entity with which the Secretary has entered into a contract under section 1847(b) for the furnishing of such an item or service in that area, unless the Secretary finds that the expenses were incurred in a case of urgent need, or in other circumstances specified by the Secretary.''.

(c) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) apply to items and services furnished after December 31, 1997.

CHAPTER 3—CLARIFICATIONS AND TECHNICAL CHANGES

SEC. 5221. OTHER FRAUD AND ABUSE RELATED PROVISIONS.

(a) REFERENCE CORRECTION.—(1) Section 1128D(b)(2)(D) (42 U.S.C. 1320a–7d(b)(2)(D)), as added by section 205 of the Health Insurance Portability and Accountability Act of 1996, is amended by striking ''1128B(b)'' and inserting ''1128A(b)''.

(2) Section 1128E(g)(3)(C) (42 U.S.C. 1320a–7e(g)(3)(C)) is amended by striking ''Veterans' Administration'' and inserting ''Department of Veterans Affairs''.

(b) LANGUAGE IN DEFINITION OF CONVICTION.—Section 1128E(g)(5) (42 U.S.C. 1320a–7e(g)(5)), as inserted by section 221(a) of the Health Insurance Portability and Accountability Act of 1996, is amended by striking ''paragraph (4)'' and inserting ''paragraphs (1) through (4)''.

(c) IMPLEMENTATION OF EXCLUSIONS.—Section 1128 (42 U.S.C. 1320a–7) is amended—

(1) in subsection (a), by striking ''any program under title XVIII and shall direct that the following individuals and entities be excluded from participation in any State health care program (as defined in subsection (h))'' and inserting ''any Federal health care program (as defined in section 1128B(f))''; and

(2) in subsection (b), by striking ''any program under title XVIII and may direct that the following individuals and entities be excluded from participation in any State health care program'' and inserting ''any Federal health care program (as defined in section 1128B(f))''.

(d) SANCTIONS FOR FAILURE TO REPORT.—Section 1128E(b) (42 U.S.C. 1320a–7e(b)), as inserted by section 221(a) of the Health Insurance Portability and Accountability Act of 1996, is amended by adding at the end the following:

''(6) SANCTIONS FOR FAILURE TO REPORT.—

''(A) HEALTH PLANS.—Any health plan that fails to report information on an adverse action required to be reported under this subsection shall be subject to a civil money penalty of not more than $25,000 for each such adverse action not reported. Such penalty shall be imposed and collected in the same manner as civil money penalties under subsection (a) of section 1128A are imposed and collected under that section.

''(B) GOVERNMENTAL AGENCIES.—The Secretary shall provide for a publication of a public report that identifies those Government agencies that have failed to report information on adverse actions as required to be reported under this subsection.''.

(e) CLARIFICATION OF TREATMENT OF CERTAIN WAIVERS AND PAYMENTS OF PREMIUMS.—

(1) Section 1128A(i)(6) (42 U.S.C. 1320a–7a(i)(6)) is amended—

(A) in subparagraph (A)(iii)—

(i) in subclause (I), by adding ''or'' at the end;

(ii) in subclause (II), by striking ''or'' at the end; and

(iii) by striking subclause (III);

(B) by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D); and

(C) by inserting after subparagraph (A) the following:

''(B) any permissible waiver as specified in section 1128B(b)(3) or in regulations issued by the Secretary;''.

(2) Section 1128A(i)(6) (42 U.S.C. 1320a–7a(i)(6)), is amended—

(A) in subparagraph (C), as redesignated by paragraph (1), by striking ''or'' at the end;

(B) in subparagraph (D), as so redesignated, by striking the period at the end and inserting ''; or''; and

(C) by adding at the end the following:

''(D) the waiver of deductible and coinsurance amounts pursuant to medicare supplemental policies under section 1882(t).''.

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in this subsection, the amendments made by this section shall be effective as if included in the enactment of the Health Insurance Portability and Accountability Act of 1996.

(2) FEDERAL HEALTH PROGRAM.—The amendments made by subsection (c) shall take effect on the date of the enactment of this Act.

(3) SANCTION FOR FAILURE TO REPORT.—The amendment made by subsection (d) shall apply to failures occurring on or after the date of the enactment of this Act.

(4) CLARIFICATION.—The amendments made by subsection (e)(2) shall take effect on the date of the enactment of this Act.

Subtitle E—Prospective Payment Systems

CHAPTER 1—PROVISIONS RELATING TO PART A

SEC. 5301. PROSPECTIVE PAYMENT FOR INPATIENT REHABILITATION HOSPITAL SERVICES.

(a) IN GENERAL.—Section 1886 (42 U.S.C. 1395ww) is amended by adding at the end the following new subsection:

''(j) PROSPECTIVE PAYMENT FOR INPATIENT REHABILITATION SERVICES.—

''(1) PAYMENT DURING TRANSITION PERIOD.—

''(A) IN GENERAL.—Notwithstanding section 1814(b), but subject to the provisions of section 1813, the amount of the payment with respect to the operating and capital costs of inpatient hospital services of a rehabilitation hospital or a rehabilitation unit (in this subsection referred to as a 'rehabilitation facility'), in a cost reporting period beginning on or after October 1, 2000, and before October 1, 2003, is equal to the sum of—

''(i) the TEFRA percentage (as defined in subparagraph (C)) of the amount that would have been paid under part A of this title with respect to such costs if this subsection did not apply, and

''(ii) the prospective payment percentage (as defined in subparagraph (C)) of the product of (I) the per unit payment rate established under this subsection for the fiscal year in which the payment unit of service

occurs, and (II) the number of such payment units occurring in the cost reporting period.

''(B) FULLY IMPLEMENTED SYSTEM.—Notwithstanding section 1814(b), but subject to the provisions of section 1813, the amount of the payment with respect to the operating and capital costs of inpatient hospital services of a rehabilitation facility for a payment unit in a cost reporting period beginning on or after October 1, 2003, is equal to the per unit payment rate established under this subsection for the fiscal year in which the payment unit of service occurs.

''(C) TEFRA AND PROSPECTIVE PAYMENT PERCENTAGES SPECIFIED.—For purposes of subparagraph (A), for a cost reporting period beginning—

''(i) on or after October 1, 2000, and before October 1, 2001, the 'TEFRA percentage' is 75 percent and the 'prospective payment percentage' is 25 percent;

''(ii) on or after October 1, 2001, and before October 1, 2002, the 'TEFRA percentage' is 50 percent and the 'prospective payment percentage' is 50 percent; and

''(iii) on or after October 1, 2002, and before October 1, 2003, the 'TEFRA percentage' is 25 percent and the 'prospective payment percentage' is 75 percent.

''(D) PAYMENT UNIT.—For purposes of this subsection, the term 'payment unit' means a discharge, day of inpatient hospital services, or other unit of payment defined by the Secretary.

''(2) PATIENT CASE MIX GROUPS.—

''(A) ESTABLISHMENT.—The Secretary shall establish—

''(i) classes of patients of rehabilitation facilities (each in this subsection referred to as a 'case mix group'), based on such factors as the Secretary deems appropriate, which may include impairment, age, related prior hospitalization, comorbidities, and functional capability of the patient; and

''(ii) a method of classifying specific patients in rehabilitation facilities within these groups.

''(B) WEIGHTING FACTORS.—For each case mix group the Secretary shall assign an appropriate weighting which reflects the relative facility resources used with respect to patients classified within that group compared to patients classified within other groups.

''(C) ADJUSTMENTS FOR CASE MIX.—

''(i) IN GENERAL.—The Secretary shall from time to time adjust the classifications and weighting factors established under this paragraph as appropriate to reflect changes in treatment patterns, technology, case mix, number of payment units for which payment is made under this title, and other factors which may affect the relative use of resources. Such adjustments shall be made in a manner so that changes in aggregate payments under the classification system are a result of real changes and are not a result of changes in coding that are unrelated to real changes in case mix.

''(ii) ADJUSTMENT.—Insofar as the Secretary determines that such adjustments for a previous fiscal year (or estimates that such adjustments for a future fiscal year) did (or are likely to) result in a change in aggregate payments under the classification system during the fiscal year that are a result of changes in the coding or classification of patients that do not reflect real changes in case mix, the Secretary shall adjust the per payment unit payment rate for subsequent years so as to discount the effect of such coding or classification changes.

''(D) DATA COLLECTION.—The Secretary is authorized to require rehabilitation facilities that provide inpatient hospital services to submit such data as the Secretary deems necessary to establish and administer the prospective payment system under this subsection.

''(3) PAYMENT RATE.—

''(A) IN GENERAL.—The Secretary shall determine a prospective payment rate for each payment unit for which such rehabilitation facility is entitled to receive payment under this title. Subject to subparagraph (B), such rate for payment units occurring during a fiscal year shall be based on the average payment per payment unit under this title for inpatient operating and capital costs of rehabilitation facilities using the most recent data available (as estimated by the Secretary as of the date of establishment of the system) adjusted—

''(i) by updating such per-payment-unit amount to the fiscal year involved by the weighted average of the applicable percentage increases provided under subsection (b)(3)(B)(ii) (for cost reporting periods beginning during the fiscal year) covering the period from the midpoint of the period for such data through the midpoint of fiscal year 2000 and by an increase factor (described in subparagraph (C)) specified by the Secretary for subsequent fiscal years up to the fiscal year involved;

''(ii) by reducing such rates by a factor equal to the proportion of payments under this subsection (as estimated by the Secretary) based on prospective payment amounts which are additional payments described in paragraph (4) (relating to outlier and related payments) or paragraph (7);

''(iii) for variations among rehabilitation facilities by area under paragraph (6);

''(iv) by the weighting factors established under paragraph (2)(B); and

''(v) by such other factors as the Secretary determines are necessary to properly reflect variations in necessary costs of treatment among rehabilitation facilities.

''(B) BUDGET NEUTRAL RATES.—The Secretary shall establish the prospective payment amounts under this subsection for payment units during fiscal years 2001 through 2004 at levels such that, in the Secretary's estimation, the amount of total payments under this subsection for such fiscal years (including any payment adjustments pursuant to paragraph (7)) shall be equal to 99 percent of the amount of payments that would have been made under this title during the fiscal years for operating and capital costs of rehabilitation facilities had this subsection not been enacted. In establishing such payment amounts, the Secretary shall consider the effects of the prospective payment system established under this subsection on the total number of payment units from rehabilitation facilities and other factors described in subparagraph (A).

''(C) INCREASE FACTOR.—For purposes of this subsection for payment units in each fiscal year (beginning with fiscal year 2001), the Secretary shall establish an increase factor. Such factor shall be based on an appropriate percentage increase in a market basket of goods and services comprising services for which payment is made under this subsection, which may be the market basket percentage increase described in subsection (b)(3)(B)(iii).

''(4) OUTLIER AND SPECIAL PAYMENTS.—

''(A) OUTLIERS.—

''(i) IN GENERAL.—The Secretary may provide for an additional payment to a rehabilitation facility for patients in a case mix group, based upon the patient being classified as an outlier based on an unusual length of stay, costs, or other factors specified by the Secretary.

''(ii) PAYMENT BASED ON MARGINAL COST OF CARE.—The amount of such additional payment under clause (i) shall be determined by the Secretary and shall approximate the marginal cost of care beyond the cutoff point applicable under clause (i).

''(iii) TOTAL PAYMENTS.—The total amount of the additional payments made under this subparagraph for payment units in a fiscal year may not exceed 5 percent of the total payments projected or estimated to be made based on prospective payment rates for payment units in that year.

''(B) ADJUSTMENT.—The Secretary may provide for such adjustments to the payment amounts under this subsection as the Secretary deems appropriate to take into account the unique circumstances of rehabilitation facilities located in Alaska and Hawaii.

''(5) PUBLICATION.—The Secretary shall provide for publication in the Federal Register, on or before September 1 before each fiscal year (beginning with fiscal year 2001, of the classification and weighting factors for case mix groups under paragraph (2) for such fiscal year and a description of the methodology and data used in computing the prospective payment rates under this subsection for that fiscal year.

''(6) AREA WAGE ADJUSTMENT.—The Secretary shall adjust the proportion (as estimated by the Secretary from time to time) of rehabilitation facilities' costs which are attributable to wages and wage-related costs, of the prospective payment rates computed under paragraph (3) for area differences in wage levels by a factor (established by the Secretary) reflecting the relative hospital wage level in the geographic area of the rehabilitation facility compared to the national average wage level for such facilities. Not later than October 1, 2001 (and at least every 36 months thereafter), the Secretary shall update the factor under the preceding sentence on the basis of a survey conducted by the Secretary (and updated as appropriate) of the wages and wage-related costs incurred in furnishing rehabilitation services. Any adjustments or updates made under this paragraph for a fiscal year shall be made in a manner that assures that the aggregated payments under this subsection in the fiscal year are not greater or less than those that would have been made in the year without such adjustment.

''(7) ADDITIONAL ADJUSTMENTS.—The Secretary may provide by regulation for—

''(A) an additional payment to take into account indirect costs of medical education and the special circumstances of hospitals that serve a significantly disproportionate number of low-income patients in a manner similar to that provided under subparagraphs (B) and (F), respectively, of subsection (d)(5); and

''(B) such other exceptions and adjustments to payment amounts under this subsection in a manner similar to that provided under subsection (d)(5)(I) in relation to payments under subsection (d).

''(8) LIMITATION ON REVIEW.—There shall be no administrative or judicial review under section 1869, 1878, or otherwise of the establishment of—

''(A) case mix groups, of the methodology for the classification of patients within such groups, and of the appropriate weighting factors thereof under paragraph (2),

''(B) the prospective payment rates under paragraph (3),

''(C) outlier and special payments under paragraph (4),

''(D) area wage adjustments under paragraph (6), and

''(E) additional adjustments under paragraph (7).''.

(b) CONFORMING AMENDMENTS.—Section 1886(b) (42 U.S.C. 1395ww(b)) is amended—

(1) in paragraph (1), by inserting ''and other than a rehabilitation facility described

in subsection (j)(1)'' after ''subsection (d)(1)(B)'', and

(2) in paragraph (3)(B)(i), by inserting ''and subsection (j)'' after ''For purposes of subsection (d)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to cost reporting periods beginning on or after October 1, 2000, except that the Secretary of Health and Human Services may require the submission of data under section 1886(j)(2)(D) of the Social Security Act (as added by subsection (a)) on and after the date of the enactment of this section.

SEC. 5302. STUDY AND REPORT ON PAYMENTS FOR LONG-TERM CARE HOSPITALS.

(a) STUDY.—The Secretary of Health and Human Services shall—

(1) collect data to develop, establish, administer and evaluate a case-mix adjusted prospective payment system for hospitals described in section 1886(d)(1)(B)(iv) (42 U.S.C. 1395ww(d)(1)(B)(iv)); and

(2) develop a legislative proposal for establishing and administering such a payment system that includes an adequate patient classification system that reflects the differences in patient resource use and costs among such hospitals.

(b) REPORT.—Not later than October 1, 1999, the Secretary of Health and Human Services shall submit the proposal described in subsection (a)(2) to the appropriate committees of Congress.

CHAPTER 2—PROVISIONS RELATING TO PART B

Subchapter A—Payment for Hospital Outpatient Department Services

SEC. 5311. ELIMINATION OF FORMULA-DRIVEN OVERPAYMENTS (FDO) FOR CERTAIN OUTPATIENT HOSPITAL SERVICES.

(a) ELIMINATION OF FDO FOR AMBULATORY SURGICAL CENTER PROCEDURES.—Section 1833(i)(3)(B)(i)(II) (42 U.S.C. 1395l(i)(3)(B)(i)(II)) is amended—

(1) by striking ''of 80 percent''; and

(2) by striking the period at the end and inserting the following: '', less the amount a provider may charge as described in clause (ii) of section 1866(a)(2)(A).''.

(b) ELIMINATION OF FDO FOR RADIOLOGY SERVICES AND DIAGNOSTIC PROCEDURES.—Section 1833(n)(1)(B)(i) (42 U.S.C. 1395l(n)(1)(B)(i)) is amended—

(1) by striking ''of 80 percent'', and

(2) by inserting before the period at the end the following: '', less the amount a provider may charge as described in clause (ii) of section 1866(a)(2)(A)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to services furnished during portions of cost reporting periods occurring on or after October 1, 1997.

SEC. 5312. EXTENSION OF REDUCTIONS IN PAYMENTS FOR COSTS OF HOSPITAL OUTPATIENT SERVICES.

(a) REDUCTION IN PAYMENTS FOR CAPITAL-RELATED COSTS.—Section 1861(v)(1)(S)(ii)(I) (42 U.S.C. 1395x(v)(1)(S)(ii)(I)) is amended by striking ''through 1998'' and inserting ''through 1999 and during fiscal year 2000 before January 1, 2000''.

(b) REDUCTION IN PAYMENTS FOR OTHER COSTS.—Section 1861(v)(1)(S)(ii)(II) (42 U.S.C. 1395x(v)(1)(S)(ii)(II)) is amended by striking ''through 1998'' and inserting ''through 1999 and during fiscal year 2000 before January 1, 2000''.

SEC. 5313. PROSPECTIVE PAYMENT SYSTEM FOR HOSPITAL OUTPATIENT DEPARTMENT SERVICES.

(a) IN GENERAL.—Section 1833 (42 U.S.C. 1395l) is amended by adding at the end the following:

''(t) PROSPECTIVE PAYMENT SYSTEM FOR HOSPITAL OUTPATIENT DEPARTMENT SERVICES.—

''(1) IN GENERAL.—With respect to hospital outpatient services designated by the Secretary (in this section referred to as 'covered OPD services') and furnished during a year beginning with 1999, the amount of payment under this part shall be determined under a prospective payment system established by the Secretary in accordance with this subsection.

''(2) SYSTEM REQUIREMENTS.—Under the payment system—

''(A) the Secretary shall develop a classification system for covered OPD services;

''(B) the Secretary may establish groups of covered OPD services, within the classification system described in subparagraph (A), so that services classified within each group are comparable clinically and with respect to the use of resources;

''(C) the Secretary shall, using data on claims from 1997 and using data from the most recent available cost reports, establish relative payment weights for covered OPD services (and any groups of such services described in subparagraph (B)) based on median hospital costs and shall determine projections of the frequency of utilization of each such service (or group of services) in 1999;

''(D) the Secretary shall determine a wage adjustment factor to adjust the portion of payment and coinsurance attributable to labor-related costs for relative differences in labor and labor-related costs across geographic regions in a budget neutral manner;

''(E) the Secretary shall establish other adjustments as determined to be necessary to ensure equitable payments, such as outlier adjustments or adjustments for certain classes of hospitals; and

''(F) the Secretary shall develop a method for controlling unnecessary increases in the volume of covered OPD services.

''(3) CALCULATION OF BASE AMOUNTS.—

''(A) AGGREGATE AMOUNTS THAT WOULD BE PAYABLE IF DEDUCTIBLES WERE DISREGARDED.—The Secretary shall estimate the total amounts that would be payable from the Trust Fund under this part for covered OPD services in 1999, determined without regard to this subsection, as though the deductible under section 1833(b) did not apply, and as though the coinsurance described in section 1866(a)(2)(A)(ii) (as in effect before the date of the enactment of this subsection) continued to apply.

''(B) UNADJUSTED COPAYMENT AMOUNT.—

''(i) IN GENERAL.—For purposes of this subsection, subject to clause (ii), the 'unadjusted copayment amount' applicable to a covered OPD service (or group of such services) is 20 percent of the national median of the charges for the service (or services within the group) furnished during 1997, updated to 1999 using the Secretary's estimate of charge growth during the period.

''(ii) ADJUSTMENTS WHEN FULLY PHASED IN.—If the pre-deductible payment percentage for a covered OPD service (or group of such services) furnished in a year would be equal to or exceed 80 percent, then the unadjusted copayment amount shall be 25 percent of amount determined under subparagraph (D)(i).

''(iii) RULES FOR NEW SERVICES.—The Secretary shall establish rules for establishment of an unadjusted copayment amount for a covered OPD service not furnished during 1997, based upon its classification within a group of such services.

''(C) CALCULATION OF CONVERSION FACTORS.—

''(i) FOR 1999.—

''(I) IN GENERAL.—The Secretary shall establish a 1999 conversion factor for determining the medicare pre-deductible OPD fee payment amounts for each covered OPD service (or group of such services) furnished in 1999. Such conversion factor shall be established—

''(aa) on the basis of the weights and frequencies described in paragraph (2)(C), and

''(bb) in such manner that the sum of the products determined under subclause (II) for each service or group equals the total project amount described in subparagraph (A).

''(II) PRODUCT.—The Secretary shall determine for each service or group the product of the medicare pre-deductible OPD fee payment amount (taking into account appropriate adjustments described in paragraphs (2)(D) and (2)(E)) and the frequencies for such service or group.

''(ii) SUBSEQUENT YEARS.—Subject to paragraph (8)(B), the Secretary shall establish a conversion factor for covered OPD services furnished in subsequent years in an amount equal to the conversion factor established under this subparagraph and applicable to such services furnished in the previous year increased by the OPD payment increase factor specified under clause (iii) for the year involved.

''(iii) OPD PAYMENT INCREASE FACTOR.—For purposes of this subparagraph, the 'OPD payment increase factor' for services furnished in a year is equal to the sum of—

''(I) the market basket percentage increase applicable under section 1886(b)(3)(B)(iii) to hospital discharges occurring during the fiscal year ending in such year, plus

''(II) in the case of a covered OPD service (or group of such services) furnished in a year in which the pre-deductible payment percentage would not exceed 80 percent, 3.5 percentage points.

In applying the previous sentence for years beginning with 2000, the Secretary may substitute for the market basket percentage increase under subclause (I) an annual percentage increase that is computed and applied with respect to covered OPD services furnished in a year in the same manner as the market basket percentage increase is determined and applied to inpatient hospital services for discharges occurring in a fiscal year.

''(D) PRE-DEDUCTIBLE PAYMENT PERCENTAGE.—The pre-deductible payment percentage for a covered OPD service (or group of such services) furnished in a year is equal to the ratio of—

''(i) the conversion factor established under subparagraph (C) for the year, multiplied by the weighting factor established under paragraph (2)(C) for the service (or group), to

''(ii) the sum of the amount determined under clause (i) and the unadjusted copayment amount determined under subparagraph (B) for such service or group.

''(E) CALCULATION OF MEDICARE OPD FEE SCHEDULE AMOUNTS.—The Secretary shall compute a medicare OPD fee schedule amount for each covered OPD service (or group of such services) furnished in a year, in an amount equal to the product of—

''(i) the conversion factor computed under subparagraph (C) for the year, and

''(ii) the relative payment weight (determined under paragraph (2)(C)) for the service or group.

''(4) MEDICARE PAYMENT AMOUNT.—The amount of payment made from the Trust Fund under this part for a covered OPD service (and such services classified within a group) furnished in a year is determined as follows:

''(A) FEE SCHEDULE AND COPAYMENT AMOUNT.—Add (i) the medicare OPD fee schedule amount (computed under paragraph (3)(E)) for the service or group and year, and (ii) the unadjusted copayment amount (determined under paragraph (3)(B)) for the service or group.

''(B) SUBTRACT APPLICABLE DEDUCTIBLE.—Reduce the sum under subparagraph (A) by the amount of the deductible under section 1833(b), to the extent applicable.

''(C) APPLY PAYMENT PROPORTION TO REMAINDER.—Multiply the amount determined under subparagraph (B) by the pre-deductible payment percentage (as determined under paragraph (3)(D)) for the service or group and year involved.

''(D) LABOR-RELATED ADJUSTMENT.—The amount of payment is the product determined under subparagraph (C) with the labor-related portion of such product adjusted for relative differences in the cost of labor and other factors determined by the Secretary, as computed under paragraph (2)(D).

''(5) COPAYMENT AMOUNT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the copayment amount under this subsection is determined as follows:

''(i) UNADJUSTED COPAYMENT.—Compute the amount by which the amount described in paragraph (4)(B) exceeds the amount of payment determined under paragraph (4)(C).

''(ii) LABOR ADJUSTMENT.—The copayment amount is the difference determined under clause (i) with the labor-related portion of such difference adjusted for relative differences in the cost of labor and other factors determined by the Secretary, as computed under paragraphs (2)(D). The adjustment under this clause shall be made in a manner that does not result in any change in the aggregate copayments made in any year if the adjustment had not been made.

''(B) ELECTION TO OFFER REDUCED COPAYMENT AMOUNT.—The Secretary shall establish a procedure under which a hospital, before the beginning of a year (beginning with 1999), may elect to reduce the copayment amount otherwise established under subparagraph (A) for some or all covered OPD services to an amount that is not less than 25 percent of the medicare OPD fee schedule amount (computed under paragraph (3)(E)) for the service involved, adjusted for relative differences in the cost of labor and other factors determined by the Secretary, as computed under subparagraphs (D) and (E) of paragraph (2). Under such procedures, such reduced copayment amount may not be further reduced or increased during the year involved and the hospital may disseminate information on the reduction of copayment amount effected under this subparagraph.

''(C) NO IMPACT ON DEDUCTIBLES.—Nothing in this paragraph shall be construed as affecting a hospital's authority to waive the charging of a deductible under section 1833(b).

''(6) PERIODIC REVIEW AND ADJUSTMENTS COMPONENTS OF PROSPECTIVE PAYMENT SYSTEM.—

''(A) PERIODIC REVIEW.—The Secretary may periodically review and revise the groups, the relative payment weights, and the wage and other adjustments described in paragraph (2) to take into account changes in medical practice, changes in technology, the addition of new services, new cost data, and other relevant information and factors.

''(B) BUDGET NEUTRALITY ADJUSTMENT.—If the Secretary makes adjustments under subparagraph (A), then the adjustments for a year may not cause the estimated amount of expenditures under this part for the year to increase or decrease from the estimated amount of expenditures under this part that would have been made if the adjustments had not been made.

''(C) UPDATE FACTOR.—If the Secretary determines under methodologies described in subparagraph (2)(F) that the volume of services paid for under this subsection increased beyond amounts established through those methodologies, the Secretary may appropriately adjust the update to the conversion factor otherwise applicable in a subsequent year.

''(7) SPECIAL RULE FOR AMBULANCE SERVICES.—The Secretary shall pay for hospital outpatient services that are ambulance services on the basis described in the matter in subsection (a)(1) preceding subparagraph (A).

''(8) SPECIAL RULES FOR CERTAIN HOSPITALS.—In the case of hospitals described in section 1886(d)(1)(B)(v)—

''(A) the system under this subsection shall not apply to covered OPD services furnished before January 1, 2000; and

''(B) the Secretary may establish a separate conversion factor for such services in a manner that specifically takes into account the unique costs incurred by such hospitals by virtue of their patient population and service intensity.

''(9) LIMITATION ON REVIEW.—There shall be no administrative or judicial review under section 1869, 1878, or otherwise of—

''(A) the development of the classification system under paragraph (2), including the establishment of groups and relative payment weights for covered OPD services, of wage adjustment factors, other adjustments, and methods described in paragraph (2)(F);

''(B) the calculation of base amounts under paragraph (3);

''(C) periodic adjustments made under paragraph (6); and

''(D) the establishment of a separate conversion factor under paragraph (8)(B).''.

(b) COINSURANCE.—Section 1866(a)(2)(A)(ii) (42 U.S.C. 1395cc(a)(2)(A)(ii)) is amended by adding at the end the following: ''In the case of items and services for which payment is made under part B under the prospective payment system established under section 1833(t), clause (ii) of the first sentence shall be applied by substituting for 20 percent of the reasonable charge, the applicable copayment amount established under section 1833(t)(5).''.

(c) TREATMENT OF REDUCTION IN COPAYMENT AMOUNT.—Section 1128A(i)(6) (42 U.S.C. 1320a–7a(i)(6)) is amended—

(1) by striking ''or'' at the end of subparagraph (B),

(2) by striking the period at the end of subparagraph (C) and inserting ''; or'', and

(3) by adding at the end the following new subparagraph:

''(D) a reduction in the copayment amount for covered OPD services under section 1833(t)(5)(B).''.

(d) CONFORMING AMENDMENTS.—

(1) APPROVED ASC PROCEDURES PERFORMED IN HOSPITAL OUTPATIENT DEPARTMENTS.—

(A)(i) Section 1833(i)(3)(A) (42 U.S.C. 13951(i)(3)(A)) is amended—

(I) by inserting ''before January 1, 1999'' after ''furnished'', and

(II) by striking ''in a cost reporting period''.

(ii) The amendment made by clause (i) shall apply to services furnished on or after January 1, 1999.

(B) Section 1833(a)(4) (42 U.S.C. 13951(a)(4)) is amended by inserting ''or subsection (t)'' before the semicolon.

(2) RADIOLOGY AND OTHER DIAGNOSTIC PROCEDURES.—

(A) Section 1833(n)(1)(A) (42 U.S.C. 1395l(n)(1)(A)) is amended by inserting ''and before January 1, 1999'' after ''October 1, 1988,'' and after ''October 1, 1989,''.

(B) Section 1833(a)(2)(E) (42 U.S.C. 1395l(a)(2)(E)) is amended by inserting ''or , for services or procedures performed on or after January 1, 1999, subsection (t)'' before the semicolon.

(3) OTHER HOSPITAL OUTPATIENT SERVICES.—Section –1833(a)(2)(B) (42 U.S.C. 1395l(a)(2)(B)) is amended—

(A) in clause (i), by inserting ''furnished before January 1, 1999,'' after ''(i)'',

(B) in clause (ii), by inserting ''before January 1, 1999,'' after ''furnished'',

(C) by redesignating clause (iii) as clause (iv), and

(D) by inserting after clause (ii), the following new clause:

''(iii) if such services are furnished on or after January 1, 1999, the amount determined under subsection (t), or''.

Subchapter B—Ambulance Services

SEC. 5321. PAYMENTS FOR AMBULANCE SERVICES.

(a) INTERIM REDUCTIONS.—

(1) PAYMENTS DETERMINED ON REASONABLE COST BASIS.—Section 1861(v)(1) (42 U.S.C. 1395x(v)(1)) is amended by adding at the end the following new subparagraph:

''(V) In determining the reasonable cost of ambulance services (as described in subsection (s)(7)) provided during a fiscal year (beginning with fiscal year 1998 and ending with fiscal year 2002), the Secretary shall not recognize any costs in excess of costs recognized as reasonable for ambulance services provided during the previous fiscal year (after application of this subparagraph), increased by the percentage increase in the consumer price index for all urban consumers (U.S. city average) as estimated by the Secretary for the 12-month period ending with the midpoint of the fiscal year involved reduced in the case of fiscal year 1998 by 1.0 percentage point.''

(2) PAYMENTS DETERMINED ON REASONABLE CHARGE BASIS.—Section 1842(b) (42 U.S.C. 1395u(b)) is amended by adding at the end the following new paragraph:

''(19) For purposes of section 1833(a)(1), the reasonable charge for ambulance services (as described in section 1861(s)(7)) provided during a fiscal year (beginning with fiscal year 1998 and ending with fiscal year 2002) may not exceed the reasonable charge for such services provided during the previous fiscal year (after application of this paragraph), increased by the percentage increase in the consumer price index for all urban consumers (U.S. city average) as estimated by the Secretary for the 12-month period ending with the midpoint of the year involved reduced in the case of fiscal year 1998 by 1.0 percentage point.''

(b) ESTABLISHMENT OF PROSPECTIVE FEE SCHEDULE.—

(1) PAYMENT IN ACCORDANCE WITH FEE SCHEDULE.—Section 1833(a)(1) (42 U.S.C. 1395l(a)(1)) is amended—

(A) by striking ''and (P)'' and inserting ''(P)''; and

(B) by striking the semicolon at the end and inserting the following: '', and (Q) with respect to ambulance service, the amounts paid shall be 80 percent of the lesser of the actual charge for the services or the amount determined by a fee schedule established by the Secretary under section 1834(k);''.

(2) ESTABLISHMENT OF SCHEDULE.—Section 1834 (42 U.S.C. 1395m) is amended by adding at the end the following new subsection:

''(k) ESTABLISHMENT OF FEE SCHEDULE FOR AMBULANCE SERVICES.—

''(1) IN GENERAL.—The Secretary shall establish a fee schedule for payment for ambulance services under this part through a negotiated rulemaking process described in title 5, United States Code, and in accordance with the requirements of this subsection.

''(2) CONSIDERATIONS.—In establishing such fee schedule, the Secretary shall—

''(A) establish mechanisms to control increases in expenditures for ambulance services under this part;

''(B) establish definitions for ambulance services which link payments to the type of services provided;

''(C) consider appropriate regional and operational differences;

''(D) consider adjustments to payment rates to account for inflation and other relevant factors; and

''(E) phase in the application of the payment rates under the fee schedule in an efficient and fair manner.

''(3) SAVINGS.—In establishing such fee schedule, the Secretary shall—

''(A) ensure that the aggregate amount of payments made for ambulance services under this part during 1999 does not exceed the aggregate amount of payments which would have been made for such services under this part during such year if the amendments made by section 5321 of the Balanced Budget Act of 1997 had not been made; and

''(B) set the payment amounts provided under the fee schedule for services furnished in 2000 and each subsequent year at amounts equal to the payment amounts under the fee schedule for service furnished during the previous year, increased by the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year reduced (but not below zero) by 1.0 percentage points.

''(4) CONSULTATION.—In establishing the fee schedule for ambulance services under this subsection, the Secretary shall consult with various national organizations representing individuals and entities who furnish and regulate ambulance services and share with such organizations relevant data in establishing such schedule.

''(5) LIMITATION ON REVIEW.—There shall be no administrative or judicial review under section 1869 or otherwise of the amounts established under the fee schedule for ambulance services under this subsection, including matters described in paragraph (2).

''(6) RESTRAINT ON BILLING.—The provisions of subparagraphs (A) and (B) of section 1842(b)(18) shall apply to ambulance services for which payment is made under this subsection in the same manner as they apply to services provided by a practitioner described in section 1842(b)(18)(C).''.

(3) EFFECTIVE DATE.—The amendments made by this section apply to ambulance services furnished on or after January 1, 1999.

(c) AUTHORIZING PAYMENT FOR PARAMEDIC INTERCEPT SERVICE PROVIDERS IN RURAL COMMUNITIES.—In promulgating regulations to carry out section 1861(s)(7) of the Social Security Act (42 U.S.C. 1395x(s)(7)) with respect to the coverage of ambulance service, the Secretary of Health and Human Services may include coverage of advanced life support services (in this subsection referred to as ''ALS intercept services'') provided by a paramedic intercept service provider in a rural area if the following conditions are met:

(1) The ALS intercept services are provided under a contract with one or more volunteer ambulance services and are medically necessary based on the health condition of the individual being transported.

(2) The volunteer ambulance service involved—

(A) is certified as qualified to provide ambulance service for purposes of such section,

(B) provides only basic life support services at the time of the intercept, and

(C) is prohibited by State law from billing for any services.

(3) The entity supplying the ALS intercept services—

(A) is certified as qualified to provide such services under the medicare program under title XVIII of the Social Security Act, and

(B) bills all recipients who receive ALS intercept services from the entity, regardless of whether or not such recipients are medicare beneficiaries.

CHAPTER 3—PROVISIONS RELATING TO PARTS A AND B

Subchapter A—Payments to Skilled Nursing Facilities

SEC. 5331. BASING UPDATES TO PER DIEM LIMITS EFFECTIVE FOR FISCAL YEAR 1998 ON COST LIMITS EFFECTIVE FOR FISCAL YEAR 1997.

The last sentence of section 1888(a) (42 U.S.C. 1395yy(a)) is amended by striking ''subsection'' the last place it appears and all that follows and inserting ''subsection, except that the limits effective for cost reporting periods beginning on or after October 1, 1997, shall be based on the limits effective for cost reporting periods beginning on or after October 1, 1996, increased by the skilled nursing facility market basket index to account for inflation and adjusted to account for the most recent changes in metropolitan statistical areas and wage index data.''.

SEC. 5332. PROSPECTIVE PAYMENT FOR SKILLED NURSING FACILITY SERVICES.

(a) IN GENERAL.—Section 1888 (42 U.S.C. 1395yy) is amended by adding at the end the following new subsection:

''(e) PROSPECTIVE PAYMENT.—

''(1) PAYMENT PROVISION.—Notwithstanding any other provision of this title, subject to paragraph (7), the amount of the payment for all costs (as defined in paragraph (2)(B)) of covered skilled nursing facility services (as defined in paragraph (2)(A)) for each day of such services furnished—

''(A) in a cost reporting period during the transition period (as defined in paragraph (2)(E)), is equal to the sum of—

''(i) the non-Federal percentage of the facility-specific per diem rate (computed under paragraph (3)), and

''(ii) the Federal percentage of the adjusted Federal per diem rate (determined under paragraph (4)) applicable to the facility; and

''(B) after the transition period is equal to the adjusted Federal per diem rate applicable to the facility.

''(2) DEFINITIONS.—For purposes of this subsection:

''(A) COVERED SKILLED NURSING FACILITY SERVICES.—

''(i) IN GENERAL.—The term 'covered skilled nursing facility services'—

''(I) means post-hospital extended care services as defined in section 1861(i) for which benefits are provided under part A; and

''(II) includes all items and services (other than services described in clause (ii)) for which payment may be made under part B and which are furnished to an individual who is a resident of a skilled nursing facility during the period in which the individual is provided covered post-hospital extended care services.

''(ii) SERVICES EXCLUDED.—Services described in this clause are physicians' services, services described by clauses (i) through (iii) of section 1861(s)(2)(K), certified nurse-midwife services, qualified psychologist services, services of a certified registered nurse anesthetist, items and services described in subparagraphs in (F) and (O) of section 1861(s)(2), and, only with respect to services furnished during 1998, the transportation costs of electrocardiogram equipment for electrocardiogram tests services (HCPCS Code R0076). Services described in this clause do not include any physical, occupational, or speech-language therapy services regardless of whether or not the services are furnished by, or under the supervision of, a physician or other health care professional.

''(B) ALL COSTS.—The term 'all costs' means routine service costs, ancillary costs, and capital-related costs of covered skilled nursing facility services, but does not include costs associated with approved educational activities.

''(C) NON-FEDERAL PERCENTAGE; FEDERAL PERCENTAGE.—For—

''(i) the first cost reporting period (as defined in subparagraph (D)) of a facility, the 'non-Federal percentage' is 75 percent and the 'Federal percentage' is 25 percent;

''(ii) the next cost reporting period of such facility, the 'non-Federal percentage' is 50 percent and the 'Federal percentage' is 50 percent; and

''(iii) the subsequent cost reporting period of such facility, the 'non-Federal percentage' is 25 percent and the 'Federal percentage' is 75 percent.

''(D) FIRST COST REPORTING PERIOD.—The term 'first cost reporting period' means, with respect to a skilled nursing facility, the first cost reporting period of the facility beginning on or after October 1, 1998.

''(E) TRANSITION PERIOD.—

''(i) IN GENERAL.—The term 'transition period' means, with respect to a skilled nursing facility, the 3 cost reporting periods of the facility beginning with the first cost reporting period.

''(ii) TREATMENT OF NEW SKILLED NURSING FACILITIES.—In the case of a skilled nursing facility that does not have a settled cost report for a cost reporting period before July 1, 1998, payment for such services shall be made under this subsection as if all services were furnished after the transition period.

''(3) DETERMINATION OF FACILITY SPECIFIC PER DIEM RATES.—The Secretary shall determine a facility-specific per diem rate for each skilled nursing facility for a cost reporting period as follows:

''(A) DETERMINING BASE PAYMENTS.—The Secretary shall determine, on a per diem basis, the total of—

''(i) the allowable costs of extended care services for the facility for cost reporting periods beginning in 1995 with appropriate adjustments (as determined by the Secretary) to non-settled cost reports, and

''(ii) an estimate of the amounts that would be payable under part B (disregarding any applicable deductibles, coinsurance and copayments) for covered skilled nursing facility services described in paragraph (2)(A)(i)(II) furnished during such period to an individual who is a resident of the facility, regardless of whether or not the payment was made to the facility or to another entity.

''(B) UPDATE TO COST REPORTING PERIODS THROUGH 1998.—The Secretary shall update the amount determined under subparagraph (A), for each cost reporting period after the cost reporting period described in subparagraph (A)(i) and up to the first cost reporting period by a factor equal to the skilled nursing facility market basket percentage increase.

''(C) UPDATING TO APPLICABLE COST REPORTING PERIOD.—The Secretary shall further update such amount for each cost reporting period beginning with the first cost reporting period and up to and including the cost reporting period involved by a factor equal to the skilled nursing facility market basket percentage increase.

''(D) CERTAIN DEMONSTRATION PROJECTS.—In the case of a facility participating in the Nursing Home Case-Mix and Quality Demonstration (RUGS–III), the Secretary shall determine the facility specific per diem rate for any year after 1997 by computing the base period payments by using the RUGS–III rate received by the facility for 1997, increased by a factor equal to the skilled nursing facility market basket percentage increase.

''(4) FEDERAL PER DIEM RATE.—

''(A) DETERMINATION OF HISTORICAL PER DIEM FOR FACILITIES.—For each skilled nursing facility that received payments for post-hospital extended care services during a cost reporting period beginning in fiscal year 1995

and that was subject to (and not exempted from) the per diem limits referred to in paragraph (1) or (2) of subsection (a) (and facilities described in subsection (d)), the Secretary shall estimate, on a per diem basis for such cost reporting period, the total of—

''(i) subject to subparagraph (I), the allowable costs of extended care services for the facility for cost reporting periods beginning in 1995 with appropriate adjustments (as determined by the Secretary) to non-settled cost reports, and

''(ii) an estimate of the amounts that would be payable under part B (disregarding any applicable deductibles, coinsurance and copayments) for covered skilled nursing facility services described in paragraph (2)(A)(i)(II) furnished during such period to an individual who is a resident of the facility, regardless of whether or not the payment was made to the facility or to another entity.

''(B) UPDATE TO COST REPORTING PERIODS THROUGH 1998.—The Secretary shall update the amount determined under subparagraph (A), for each cost reporting period after the cost reporting period described in subparagraph (A)(i) and up to the first cost reporting period by a factor equal to the skilled nursing facility market basket percentage increase reduced (on an annualized basis) by 1 percentage point.

''(C) COMPUTATION OF STANDARDIZED PER DIEM RATE.—The Secretary shall standardize the amount updated under subparagraph (B) for each facility by—

''(i) adjusting for variations among facility by area in the average facility wage level per diem, and

''(ii) adjusting for variations in case mix per diem among facilities.

''(D) COMPUTATION OF WEIGHTED AVERAGE PER DIEM RATE.—The Secretary shall compute a weighted average per diem rate by computing an average of the standardized amounts computed under subparagraph (C), weighted for each facility by the number of days of extended care services furnished during the cost reporting period referred to in subparagraph (A). The Secretary may compute and apply such average separately for facilities located in urban and rural areas (as defined in section 1886(d)(2)(D)).

''(E) UPDATING.—

''(i) FISCAL YEAR 1999.—For fiscal year 1999, the Secretary shall compute for each skilled nursing facility an unadjusted Federal per diem rate equal to the weighted average per diem rate computed under subparagraph (D) and applicable to the facility increased by skilled nursing facility market basket percentage change for the fiscal year involved.

''(ii) SUBSEQUENT FISCAL YEARS.—For each subsequent fiscal year the Secretary shall compute for each skilled nursing facility an unadjusted Federal per diem rate equal to the Federal per diem rate computed under this subparagraph for the previous fiscal year and applicable to the facility increased by the skilled nursing facility market basket percentage change for the fiscal year involved.

''(F) ADJUSTMENT FOR CASE MIX CREEP.—Insofar as the Secretary determines that such adjustments under subparagraph (G)(i) for a previous fiscal year (or estimates that such adjustments for a future fiscal year) did (or are likely to) result in a change in aggregate payments under this subsection during the fiscal year that are a result of changes in the coding or classification of residents that do not reflect real changes in case mix, the Secretary may adjust unadjusted Federal per diem rates for subsequent years so as to discount the effect of such coding or classification changes.

''(G) APPLICATION TO SPECIFIC FACILITIES.—The Secretary shall compute for each skilled nursing facility for each fiscal year (beginning with fiscal year 1998) an adjusted Federal per diem rate equal to the unadjusted Federal per diem rate determined under subparagraph (E), as adjusted under subparagraph (F), and as further adjusted as follows:

''(i) ADJUSTMENT FOR CASE MIX.—The Secretary shall provide for an appropriate adjustment to account for case mix. Such adjustment shall be based on a resident classification system, established by the Secretary, that accounts for the relative resource utilization of different patient types. The case mix adjustment shall be based on resident assessment data and other data that the Secretary considers appropriate.

''(ii) ADJUSTMENT FOR GEOGRAPHIC VARIATIONS IN LABOR COSTS.—The Secretary shall adjust the portion of such per diem rate attributable to wages and wage-related costs for the area in which the facility is located compared to the national average of such costs using an appropriate wage index as determined by the Secretary. Such adjustment shall be done in a manner that does not result in aggregate payments under this subsection that are greater or less than those that would otherwise be made if such adjustment had not been made.

''(H) PUBLICATION OF INFORMATION ON PER DIEM RATES.—The Secretary shall provide for publication in the Federal Register, before the July 1 preceding each fiscal year (beginning with fiscal year 1999), of—

''(i) the unadjusted Federal per diem rates to be applied to days of covered skilled nursing facility services furnished during the fiscal year,

''(ii) the case mix classification system to be applied under subparagraph (G)(i) with respect to such services during the fiscal year, and

''(iii) the factors to be applied in making the area wage adjustment under subparagraph (G)(ii) with respect to such services.

''(I) EXCLUSION OF EXCEPTION PAYMENTS FROM DETERMINATION OF HISTORICAL PER DIEM.—In determining allowable costs under subparagraph (A)(i), the Secretary shall not take into account any payments described in subsection (c).

''(5) SKILLED NURSING FACILITY MARKET BASKET INDEX, PERCENTAGE, AND HISTORICAL TREND FACTOR.—For purposes of this subsection:

''(A) SKILLED NURSING FACILITY MARKET BASKET INDEX.—The Secretary shall establish a skilled nursing facility market basket index that reflects changes over time in the prices of an appropriate mix of goods and services included in covered skilled nursing facility services.

''(B) SKILLED NURSING FACILITY MARKET BASKET PERCENTAGE.—The term 'skilled nursing facility market basket percentage' means, for a fiscal year or other annual period and as calculated by the Secretary, the percentage change in the skilled nursing facility market basket index (established under subparagraph (A)) from the midpoint of the prior fiscal year (or period) to the midpoint of the fiscal year (or other period) involved.

''(6) SUBMISSION OF RESIDENT ASSESSMENT DATA.—A skilled nursing facility shall provide the Secretary, in a manner and within the timeframes prescribed by the Secretary, the resident assessment data necessary to develop and implement the rates under this subsection. For purposes of meeting such requirement, a skilled nursing facility may submit the resident assessment data required under section 1819(b)(3), using the standard instrument designated by the State under section 1819(e)(5).

''(7) TRANSITION FOR MEDICARE SWING BED HOSPITALS.—

''(A) IN GENERAL.—The Secretary shall determine an appropriate manner in which to apply this subsection to the facilities described in subparagraph (B), taking into account the purposes of this subsection, and shall provide that at the end of the transition period (as defined in paragraph (2)(E)) such facilities shall be paid only under this subsection. Payment shall not be made under this subsection to such facilities for cost reporting periods beginning before such date (not earlier than July 1, 1999) as the Secretary specifies.

''(B) FACILITIES DESCRIBED.—The facilities described in this subparagraph are facilities that have in effect an agreement described in section 1883, for which payment is made for the furnishing of extended care services on a reasonable cost basis under section 1814(l) (as in effect on and after such date).

''(8) LIMITATION ON REVIEW.—There shall be no administrative or judicial review under section 1869, 1878, or otherwise of—

''(A) the establishment of Federal per diem rates under paragraph (4), including the computation of the standardized per diem rates under paragraph (4)(C), adjustments and corrections for case mix under paragraphs (4)(F) and (4)(G)(i), and adjustments for variations in labor-related costs under paragraph (4)(G)(ii); and

''(B) the establishment of transitional amounts under paragraph (7).''.

(b) CONSOLIDATED BILLING.—

(1) FOR SNF SERVICES.—Section 1862(a) (42 U.S.C. 1395y(a)) is amended—

(A) by striking ''or'' at the end of paragraph (15),

(B) by striking the period at the end of paragraph (16) and inserting ''; or'', and

(C) by inserting after paragraph (16) the following new paragraph:

''(17) which are covered skilled nursing facility services described in section 1888(e)(2)(A)(i)(II) and which are furnished to an individual who is a resident of a skilled nursing facility by an entity other than the skilled nursing facility, unless the services are furnished under arrangements (as defined in section 1861(w)(1)) with the entity made by the skilled nursing facility, or such services are furnished by a physician described in section 1861(r)(1).''.

(2) REQUIRING PAYMENT FOR ALL PART B ITEMS AND SERVICES TO BE MADE TO FACILITY.—The first sentence of section 1842(b)(6) (42 U.S.C. 1395u(b)(6)) is amended—

(A) by striking ''and (D)'' and inserting ''(D)''; and

(B) by striking the period at the end and inserting the following: '', and (E) in the case of an item or service (other than services described in section 1888(e)(2)(A)(ii)) furnished to an individual who (at the time the item or service is furnished) is a resident of a skilled nursing facility, payment shall be made to the facility (without regard to whether or not the item or service was furnished by the facility, by others under arrangement with them made by the facility, under any other contracting or consulting arrangement, or otherwise).''.

(3) PAYMENT RULES.—Section 1888(e) (42 U.S.C. 1395yy(e)), as added by subsection (a), is amended by adding at the end the following:

''(9) PAYMENT FOR CERTAIN SERVICES.—

''(A) IN GENERAL.—In the case of an item or service furnished by a skilled nursing facility (or by others under arrangement with them made by a skilled nursing facility or under any other contracting or consulting arrangement or otherwise) for which payment would otherwise (but for this paragraph) be made under part B in an amount determined in accordance with section 1833(a)(2)(B), the amount of the payment under such part shall be based on the part B

methodology applicable to the item or service, except that for items and services that would be included in a facility's cost report if not for this section, the facility may continue to use a cost report for reimbursement purposes until the prospective payment system established under this section is implemented.

''(B) THERAPY AND PATHOLOGY SERVICES.—Payment for physical therapy, occupational therapy, respiratory therapy, and speech language pathology services shall reflect new salary equivalency guidelines calculated pursuant to section 1861(v)(5) when finalized through the regulatory process.

''(10) REQUIRED CODING.—No payment may be made under part B for items and services (other than services described in paragraph (2)(A)(ii)) furnished to an individual who is a resident of a skilled nursing facility unless the claim for such payment includes a code (or codes) under a uniform coding system specified by the Secretary that identifies the items or services delivered.''.

(4) CONFORMING AMENDMENTS.—

(A) Section 1819(b)(3)(C)(i) (42 U.S.C. 1395i–3(b)(3)(C)(i)) is amended by striking ''Such'' and inserting ''Subject to the timeframes prescribed by the Secretary under section 1888(t)(6), such''.

(B) Section 1832(a)(1) (42 U.S.C. 1395k(a)(1)) is amended by striking ''(2);'' and inserting ''(2) and section 1842(b)(6)(E);''.

(C) Section 1833(a)(2)(B) (42 U.S.C. 1395l(a)(2)(B)) is amended by inserting ''or section 1888(e)(9)'' after ''section 1886''.

(D) Section 1861(h) (42 U.S.C 1395x(h)) is amended—

(i) in the opening paragraph, by striking ''paragraphs (3) and (6)'' and inserting ''paragraphs (3), (6), and (7)'', and

(ii) in paragraph (7), after ''skilled nursing facilities'', by inserting '', or by others under arrangements with them made by the facility''.

(E) Section 1866(a)(1)(H) (42 U.S.C. 1395cc(a)(1)(H)) is amended—

(i) by redesignating clauses (i) and (ii) as subclauses (I) and (II) respectively,

(ii) by inserting ''(i)'' after ''(H)'', and

(iii) by adding after clause (i), as so redesignated, the following new clause:

''(ii) in the case of skilled nursing facilities which provide covered skilled nursing facility services—

''(I) that are furnished to an individual who is a resident of the skilled nursing facility, and

''(II) for which the individual is entitled to have payment made under this title,

to have items and services (other than services described in section 1888(e)(2)(A)(ii)) furnished by the skilled nursing facility or otherwise under arrangements (as defined in section 1861(w)(1)) made by the skilled nursing facility,''.

(c) MEDICAL REVIEW PROCESS.—In order to ensure that medicare beneficiaries are furnished appropriate services in skilled nursing facilities, the Secretary of Health and Human Services shall establish and implement a thorough medical review process to examine the effects of the amendments made by this section on the quality of covered skilled nursing facility services furnished to medicare beneficiaries. In developing such a medical review process, the Secretary shall place a particular emphasis on the quality of non-routine covered services and physicians' services for which payment is made under title XVIII of the Social Security Act for which payment is made under section 1848 of such Act.

(d) EFFECTIVE DATE.—The amendments made by this section are effective for cost reporting periods beginning on or after July 1, 1998; except that the amendments made by subsection (b) shall apply to items and services furnished on or after July 1, 1998.

Subchapter B—Home Health Services and Benefits

PART I—PAYMENTS FOR HOME HEALTH SERVICES

SEC. 5341. RECAPTURING SAVINGS RESULTING FROM TEMPORARY FREEZE ON PAYMENT INCREASES FOR HOME HEALTH SERVICES.

(a) BASING UPDATES TO PER VISIT COST LIMITS ON LIMITS FOR FISCAL YEAR 1993.—Section 1861(v)(1)(L) (42 U.S.C. 1395x(v)(1)(L)) is amended by adding at the end the following:

''(iv) In establishing limits under this subparagraph for cost reporting periods beginning after September 30, 1997, the Secretary shall not take into account any changes in the home health market basket, as determined by the Secretary, with respect to cost reporting periods which began on or after July 1, 1994, and before July 1, 1996.''.

(b) NO EXCEPTIONS PERMITTED BASED ON AMENDMENT.—The Secretary of Health and Human Services shall not consider the amendment made by subsection (a) in making any exemptions and exceptions pursuant to section 1861(v)(1)(L)(ii) of the Social Security Act (42 U.S.C. 1395x(v)(1)(L)(ii)).

SEC. 5342. INTERIM PAYMENTS FOR HOME HEALTH SERVICES.

(a) REDUCTIONS IN COST LIMITS.—Section 1861(v)(1)(L)(i) (42 U.S.C. 1395x(v)(1)(L)(i)) is amended—

(1) by moving the indentation of subclauses (I) through (III) 2-ems to the left;

(2) in subclause (I), by inserting ''of the mean of the labor-related and nonlabor per visit costs for freestanding home health agencies'' before the comma at the end;

(3) in subclause (II), by striking '', or'' and inserting ''of such mean,'';

(4) in subclause (III)—

(A) by inserting ''and before October 1, 1997,'' after ''July 1, 1987'', and

(B) by striking the period at the end and inserting ''of such mean, or''; and

(5) by striking the matter following subclause (III) and inserting the following:

''(IV) October 1, 1997, 105 percent of the median of the labor-related and nonlabor per visit costs for freestanding home health agencies.''.

(b) DELAY IN UPDATES.—Section 1861(v)(1)(L)(iii) (42 U.S.C. 1395x(v)(1)(L)(iii)) is amended by inserting '', or on or after July 1, 1997, and before October 1, 1997'' after ''July 1, 1996''.

(c) ADDITIONS TO COST LIMITS.—Section 1861(v)(1)(L) (42 U.S.C. 1395x(v)(1)(L)), as amended by section 5341(a), is amended by adding at the end the following:

''(v) For services furnished by home health agencies for cost reporting periods beginning on or after October 1, 1997, the Secretary shall provide for an interim system of limits. Payment shall be the lower of—

''(I) costs determined under the preceding provisions of this subparagraph, or

''(II) an agency-specific per beneficiary annual limitation calculated from the agency's 12-month cost reporting period ending on or after January 1, 1994, and on or before December 31, 1994, based on reasonable costs (including nonroutine medical supplies), updated by the home health market basket index.

The per beneficiary limitation in subclause (II) shall be multiplied by the agency's unduplicated census count of patients (entitled to benefits under this title) for the cost reporting period subject to the limitation to determine the aggregate agency-specific per beneficiary limitation.

''(vi) For services furnished by home health agencies for cost reporting periods beginning on or after October 1, 1997, the following rules apply:

''(I) For new providers and those providers without a 12-month cost reporting period ending in calendar year 1994, the per beneficiary limitation shall be equal to the median of these limits (or the Secretary's best estimates thereof) applied to other home health agencies as determined by the Secretary. A home health agency that has altered its corporate structure or name shall not be considered a new provider for this purpose.

''(II) For beneficiaries who use services furnished by more than one home health agency, the per beneficiary limitations shall be prorated among the agencies.''.

(d) DEVELOPMENT OF CASE MIX SYSTEM.—The Secretary of Health and Human Services shall expand research on a prospective payment system for home health agencies under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) that ties prospective payments to a unit of service, including an intensive effort to develop a reliable case mix adjuster that explains a significant amount of the variances in costs.

(e) SUBMISSION OF DATA FOR CASE MIX SYSTEM.—Effective for cost reporting periods beginning on or after October 1, 1997, the Secretary of Health and Human Services may require all home health agencies to submit additional information that the Secretary considers necessary for the development of a reliable case mix system.

SEC. 5343. PROSPECTIVE PAYMENT FOR HOME HEALTH SERVICES.

(a) IN GENERAL.—Title XVIII (42 U.S.C. 1395 et seq.), as amended by section 5011, is amended by adding at the end the following new section:

''PROSPECTIVE PAYMENT FOR HOME HEALTH SERVICES

''SEC. 1895. (a) IN GENERAL.—Notwithstanding section 1861(v), the Secretary shall provide, for cost reporting periods beginning on or after October 1, 1999, for payments for home health services in accordance with a prospective payment system established by the Secretary under this section.

''(b) SYSTEM OF PROSPECTIVE PAYMENT FOR HOME HEALTH SERVICES.—

''(1) IN GENERAL.—The Secretary shall establish under this subsection a prospective payment system for payment for all costs of home health services. Under the system under this subsection all services covered and paid on a reasonable cost basis under the medicare home health benefit as of the date of the enactment of the this section, including medical supplies, shall be paid for on the basis of a prospective payment amount determined under this subsection and applicable to the services involved. In implementing the system, the Secretary may provide for a transition (of not longer than 4 years) during which a portion of such payment is based on agency-specific costs, but only if such transition does not result in aggregate payments under this title that exceed the aggregate payments that would be made if such a transition did not occur.

''(2) UNIT OF PAYMENT.—In defining a prospective payment amount under the system under this subsection, the Secretary shall consider an appropriate unit of service and the number, type, and duration of visits provided within that unit, potential changes in the mix of services provided within that unit and their cost, and a general system design that provides for continued access to quality services.

''(3) PAYMENT BASIS.—

''(A) INITIAL BASIS.—

''(i) IN GENERAL.—Under such system the Secretary shall provide for computation of a

standard prospective payment amount (or amounts). Such amount (or amounts) shall initially be based on the most current audited cost report data available to the Secretary and shall be computed in a manner so that the total amounts payable under the system for fiscal year 2000 shall be equal to the total amount that would have been made if the system had not been in effect but if the reduction in limits described in clause (ii) had been in effect. Such amount shall be standardized in a manner that eliminates the effect of variations in relative case mix and wage levels among different home health agencies in a budget neutral manner consistent with the case mix and wage level adjustments provided under paragraph (4)(A). Under the system, the Secretary may recognize regional differences or differences based upon whether or not the services or agency are in an urbanized area.

''(ii) REDUCTION.—The reduction described in this clause is a reduction by 15 percent in the cost limits and per beneficiary limits described in section 1861(v)(1)(L), as those limits are in effect on September 30, 1999.

''(B) ANNUAL UPDATE.—

''(i) IN GENERAL.—The standard prospective payment amount (or amounts) shall be adjusted for each fiscal year (beginning with fiscal year 2001) in a prospective manner specified by the Secretary by the home health market basket percentage increase applicable to the fiscal year involved.

''(ii) HOME HEALTH MARKET BASKET PERCENTAGE INCREASE.—For purposes of this subsection, the term 'home health market basket percentage increase' means, with respect to a fiscal year, a percentage (estimated by the Secretary before the beginning of the fiscal year) determined and applied with respect to the mix of goods and services included in home health services in the same manner as the market basket percentage increase under section 1886(b)(3)(B)(iii) is determined and applied to the mix of goods and services comprising inpatient hospital services for the fiscal year.

''(C) ADJUSTMENT FOR OUTLIERS.—The Secretary shall reduce the standard prospective payment amount (or amounts) under this paragraph applicable to home health services furnished during a period by such proportion as will result in an aggregate reduction in payments for the period equal to the aggregate increase in payments resulting from the application of paragraph (5) (relating to outliers).

''(4) PAYMENT COMPUTATION.—

''(A) IN GENERAL.—The payment amount for a unit of home health services shall be the applicable standard prospective payment amount adjusted as follows:

''(i) CASE MIX ADJUSTMENT.—The amount shall be adjusted by an appropriate case mix adjustment factor (established under subparagraph (B)).

''(ii) AREA WAGE ADJUSTMENT.—The portion of such amount that the Secretary estimates to be attributable to wages and wage-related costs shall be adjusted for geographic differences in such costs by an area wage adjustment factor (established under subparagraph (C)) for the area in which the services are furnished or such other area as the Secretary may specify.

''(B) ESTABLISHMENT OF CASE MIX ADJUSTMENT FACTORS.—The Secretary shall establish appropriate case mix adjustment factors for home health services in a manner that explains a significant amount of the variation in cost among different units of services.

''(C) ESTABLISHMENT OF AREA WAGE ADJUSTMENT FACTORS.—The Secretary shall establish area wage adjustment factors that reflect the relative level of wages and wage-related costs applicable to the furnishing of home health services in a geographic area compared to the national average applicable level. Such factors may be the factors used by the Secretary for purposes of section 1886(d)(3)(E).

''(5) OUTLIERS.—The Secretary may provide for an addition or adjustment to the payment amount otherwise made in the case of outliers because of unusual variations in the type or amount of medically necessary care. The total amount of the additional payments or payment adjustments made under this paragraph with respect to a fiscal year may not exceed 5 percent of the total payments projected or estimated to be made based on the prospective payment system under this subsection in that year.

''(6) PRORATION OF PROSPECTIVE PAYMENT AMOUNTS.—If a beneficiary elects to transfer to, or receive services from, another home health agency within the period covered by the prospective payment amount, the payment shall be prorated between the home health agencies involved.

''(c) REQUIREMENTS FOR PAYMENT INFORMATION.—With respect to home health services furnished on or after October 1, 1998, no claim for such a service may be paid under this title unless—

''(1) the claim has the unique identifier for the physician who prescribed the services or made the certification described in section 1814(a)(2) or 1835(a)(2)(A); and

''(2) in the case of a service visit described in paragraph (1), (2), (3), or (4) of section 1861(m), the claim has information (coded in an appropriate manner) on the length of time of the service visit, as measured in 15 minute increments.

''(d) LIMITATION ON REVIEW.—There shall be no administrative or judicial review under section 1869, 1878, or otherwise of—

''(1) the establishment of a transition period under subsection (b)(1);

''(2) the definition and application of payment units under subsection (b)(2);

''(3) the computation of initial standard prospective payment amounts under subsection (b)(3)(A) (including the reduction described in clause (ii) of such subsection);

''(4) the adjustment for outliers under subsection (b)(3)(C);

''(5) case mix and area wage adjustments under subsection (b)(4);

''(6) any adjustments for outliers under subsection (b)(5); and

''(7) the amounts or types of exceptions or adjustments under subsection (b)(7).''.

(b) ELIMINATION OF PERIODIC INTERIM PAYMENTS FOR HOME HEALTH AGENCIES.—Section 1815(e)(2) (42 U.S.C. 1395g(e)(2)) is amended—

(1) by inserting ''and'' at the end of subparagraph (C),

(2) by striking subparagraph (D), and

(3) by redesignating subparagraph (E) as subparagraph (D).

(c) CONFORMING AMENDMENTS.—

(1) PAYMENTS UNDER PART A.—Section 1814(b) (42 U.S.C. 1395f(b)) is amended in the matter preceding paragraph (1) by striking ''and 1886'' and inserting ''1886, and 1895''.

(2) TREATMENT OF ITEMS AND SERVICES PAID UNDER PART B.—

(A) PAYMENTS UNDER PART B.—Section 1833(a)(2) (42 U.S.C. 13951(a)(2)) is amended—

(i) by amending subparagraph (A) to read as follows:

''(A) with respect to home health services (other than a covered osteoporosis drug) (as defined in section 1861(kk)), the amount determined under the prospective payment system under section 1895;'';

(ii) by striking ''and'' at the end of subparagraph (E);

(iii) by adding ''and'' at the end of subparagraph (F); and

(iv) by adding at the end the following new subparagraph:

''(G) with respect to items and services described in section 1861(s)(10)(A), the lesser of—

''(i) the reasonable cost of such services, as determined under section 1861(v), or

''(ii) the customary charges with respect to such services,

or, if such services are furnished by a public provider of services, or by another provider which demonstrates to the satisfaction of the Secretary that a significant portion of its patients are low-income (and requests that payment be made under this provision), free of charge or at nominal charges to the public, the amount determined in accordance with section 1814(b)(2);''.

(B) REQUIRING PAYMENT FOR ALL ITEMS AND SERVICES TO BE MADE TO AGENCY.—

(i) IN GENERAL.—The first sentence of section 1842(b)(6) (42 U.S.C. 1395u(b)(6)) (as amended by section 5332(b)(2)) is amended—

(I) by striking ''and (E)'' and inserting ''(E)''; and

(II) by striking the period at the end and inserting the following: '', and (F) in the case of home health services furnished to an individual who (at the time the item or service is furnished) is under a plan of care of a home health agency, payment shall be made to the agency (without regard to whether or not the item or service was furnished by the agency, by others under arrangement with them made by the agency, or when any other contracting or consulting arrangement, or otherwise).''.

(ii) CONFORMING AMENDMENT.—Section 1832(a)(1) (42 U.S.C. 1395k(a)(1)) (as amended by section 5332(b)(4)(B)) is amended by striking ''section 1842(b)(6)(E);'' and inserting ''subparagraphs (E) and (F) of section 1842(b)(6);''.

(C) EXCLUSIONS FROM COVERAGE.—Section 1862(a) (42 U.S.C. 1395y(a)), as amended by section 5332(b)(1), is amended—

(i) by striking ''or'' at the end of paragraph (16);

(ii) by striking the period at the end of paragraph (17) and inserting ''or''; and

(iii) by inserting after paragraph (17) the following:

''(18) where such expenses are for home health services furnished to an individual who is under a plan of care of the home health agency if the claim for payment for such services is not submitted by the agency.''.

(d) EFFECTIVE DATE.—Except as otherwise provided, the amendments made by this section shall apply to cost reporting periods beginning on or after October 1, 1999.

(e) CONTINGENCY.—If the Secretary of Health and Human Services for any reason does not establish and implement the prospective payment system for home health services described in section 1895(b) of the Social Security Act (as added by subsection (a)) for cost reporting periods described in subsection (d), for such cost reporting periods the Secretary shall provide for a reduction by 15 percent in the cost limits and per beneficiary limits described in section 1861(v)(1)(L) of such Act, as those limits would otherwise be in effect on September 30, 1999.

SEC. 5344. PAYMENT BASED ON LOCATION WHERE HOME HEALTH SERVICE IS FURNISHED.

(a) CONDITIONS OF PARTICIPATION.—Section 1891 (42 U.S.C. 1395bbb) is amended by adding at the end the following:

''(g) PAYMENT ON BASIS OF LOCATION OF SERVICE.—A home health agency shall submit claims for payment for home health services under this title only on the basis of the geographic location at which the service is furnished, as determined by the Secretary.''.

(b) WAGE ADJUSTMENT.—Section 1861(v)(1)(L)(iii) (42 U.S.C. 1395x(v)(1)(L)(iii)) is amended by striking ''agency is located'' and inserting ''service is furnished''.

(c) EFFECTIVE DATE.—The amendments made by this section apply to cost reporting periods beginning on or after October 1, 1997.

PART II—HOME HEALTH BENEFITS

SEC. 5361. MODIFICATION OF PART A HOME HEALTH BENEFIT FOR INDIVIDUALS ENROLLED UNDER PART B.

(a) IN GENERAL.—Section 1812 (42 U.S.C. 1395d) is amended—

(1) in subsection (a)(3), by striking ''home health services'' and inserting ''for individuals not enrolled in part B, home health services, and for individuals so enrolled, part A home health services (as defined in subsection (g))'';

(2) by redesignating subsection (g) as subsection (h); and

(3) by inserting after subsection (f) the following new subsection:

''(g)(1) For purposes of this section, the term 'part A home health services' means—

''(A) for services furnished during each year beginning with 1998 and ending with 2003, home health services subject to the transition reduction applied under paragraph (2)(C) for services furnished during the year, and

''(B) for services furnished on or after January 1, 2004, post-institutional home health services for up to 100 visits during a home health spell of illness.

''(2) For purposes of paragraph (1)(A), the Secretary shall specify, before the beginning of each year beginning with 1998 and ending with 2003, a transition reduction in the home health services benefit under this part as follows:

''(A) The Secretary first shall estimate the amount of payments that would have been made under this part for home health services furnished during the year if—

''(i) part A home health services were all home health services, and

''(ii) part A home health services were limited to services described in paragraph (1)(B).

''(B)(i) The Secretary next shall compute a transfer reduction amount equal to the appropriate proportion (specified under clause (ii)) of the amount by which the amount estimated under subparagraph (A)(i) for the year exceeds the amount estimated under subparagraph (A)(ii) for the year.

''(ii) For purposes of clause (i), the 'appropriate proportion' is equal to—

''(I) 1⁄7 for 1998,

''(II) 2⁄7 for 1999,

''(III) 3⁄7 for 2000,

''(IV) 4⁄7 for 2001,

''(V) 5⁄7 for 2002, and

''(V) 6⁄7 for 2003.

''(C) The Secretary shall establish a transition reduction by specifying such a visit limit (during a home health spell of illness) or such a post-institutional limitation on home health services furnished under this part during the year as the Secretary estimates will result in a reduction in the amount of payments that would otherwise be made under this part for home health services furnished during the year equal to the transfer amount computed under subparagraph (B)(i) for the year.

''(3) Payment under this part for home health services furnished an individual enrolled under part B—

''(A) during a year beginning with 1998 and ending with 2003, may not be made for services that are not within the visit limit or other limitation specified by the Secretary under the transition reduction under paragraph (3)(C) for services furnished during the year; or

''(B) on or after January 1, 2004, may not be made for home health services that are not post-institutional home health services or for post-institutional furnished to the individual after such services have been furnished to the individual for a total of 100 visits during a home health spell of illness.''.

(b) POST-INSTITUTIONAL HOME HEALTH SERVICES DEFINED.—Section 1861 (42 U.S.C. 1395x), as amended by sections 5102(a) and 5103(a), is amended by adding at the end the following:

''Post-Institutional Home Health Services; Home Health Spell of Illness

''(qq)(1) The term 'post-institutional home health services' means home health services furnished to an individual—

''(A) after discharge from a hospital or rural primary care hospital in which the individual was an inpatient for not less than 3 consecutive days before such discharge if such home health services were initiated within 14 days after the date of such discharge; or

''(B) after discharge from a skilled nursing facility in which the individual was provided post-hospital extended care services if such home health services were initiated within 14 days after the date of such discharge.

''(2) The term 'home health spell of illness' with respect to any individual means a period of consecutive days—

''(A) beginning with the first day (not included in a previous home health spell of illness) (i) on which such individual is furnished post-institutional home health services, and (ii) which occurs in a month for which the individual is entitled to benefits under part A, and

''(B) ending with the close of the first period of 60 consecutive days thereafter on each of which the individual is neither an inpatient of a hospital or rural primary care hospital nor an inpatient of a facility described in section 1819(a)(1) or subsection (y)(1) nor provided home health services.''.

(c) MAINTAINING APPEAL RIGHTS FOR HOME HEALTH SERVICES.—Section 1869(b)(2)(B) (42 U.S.C. 1395ff(b)(2)(B)) is amended by inserting ''(or $100 in the case of home health services)'' after ''$500''.

(d) MAINTAINING SEAMLESS ADMINISTRATION THROUGH FISCAL INTERMEDIARIES.—Section 1842(b)(2) (42 U.S.C. 1395u(b)(2)) is amended by adding at the end the following:

''(E) With respect to the payment of claims for home health services under this part that, but for the amendments made by section 5361, would be payable under part A instead of under this part, the Secretary shall continue administration of such claims through fiscal intermediaries under section 1816.''.

(e) EFFECTIVE DATE.—The amendments made by this section apply to services furnished on or after January 1, 1998. For the purpose of applying such amendments, any home health spell of illness that began, but did not end, before such date shall be considered to have begun as of such date.

SEC. 5362. CLARIFICATION OF PART-TIME OR INTERMITTENT NURSING CARE.

(a) IN GENERAL.—Section 1861(m) (42 U.S.C. 1395x(m)) is amended by adding at the end the following: ''For purposes of paragraphs (1) and (4), the term 'part-time or intermittent services' means skilled nursing and home health aide services furnished any number of days per week as long as they are furnished (combined) less than 8 hours each day and 28 or fewer hours each week (or, subject to review on a case-by-case basis as to the need for care, less than 8 hours each day and 35 or fewer hours per week). For purposes of sections 1814(a)(2)(C) and 1835(a)(2)(A), 'intermittent' means skilled nursing care that is either provided or needed on fewer than 7 days each week, or less than 8 hours of each day for periods of 21 days or less (with extensions in exceptional circumstances when the need for additional care is finite and predictable).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies to services furnished on or after October 1, 1997.

SEC. 5363. STUDY ON DEFINITION OF HOMEBOUND.

(a) STUDY.—The Secretary of Health and Human Services shall conduct a study of the criteria that should be applied, and the method of applying such criteria, in the determination of whether an individual is homebound for purposes of qualifying for receipt of benefits for home health services under the medicare program. Such criteria shall include the extent and circumstances under which a person may be absent from the home but nonetheless qualify.

(b) REPORT.—Not later than October 1, 1998, the Secretary shall submit a report to the Congress on the study conducted under subsection (a). The report shall include specific recommendations on such criteria and methods.

SEC. 5364. NORMATIVE STANDARDS FOR HOME HEALTH CLAIMS DENIALS.

(a) IN GENERAL.—Section 1862(a)(1) (42 U.S.C. 1395y(a)(1)), as amended by section 5102(c), is amended—

(1) by striking ''and'' at the end of subparagraph (F),

(2) by striking the semicolon at the end of subparagraph (G) and inserting '', and'', and

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

''(H) the frequency and duration of home health services which are in excess of normative guidelines that the Secretary shall establish by regulation;''.

(b) NOTIFICATION.—The Secretary of Health and Human Services may establish a process for notifying a physician in cases in which the number of home health service visits furnished under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) pursuant to a prescription or certification of the physician significantly exceeds such threshold (or thresholds) as the Secretary specifies. The Secretary may adjust such threshold to reflect demonstrated differences in the need for home health services among different beneficiaries.

(c) EFFECTIVE DATE.—The amendments made by this section apply to services furnished on or after October 1, 1997.

SEC. 5365. INCLUSION OF COST OF SERVICE IN EXPLANATION OF MEDICARE BENEFITS.

(a) IN GENERAL.—Section 1842(h)(7) of the Social Security Act (42 U.S.C. 1395u(h)(7)) is amended—

(1) in subparagraph (C), by striking ''and'' at the end;

(2) in subparagraph (D), by striking the period at the end and inserting '', and''; and

(3) by adding at the end the following:

''(E) in the case of home health services furnished to an individual enrolled under this part, the total amount that the home health agency or other provider of such services billed for such services.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) apply to explanation of benefits provided on and after October 1, 1997.

Subtitle F—Provisions Relating to Part A

CHAPTER 1—PAYMENT OF PPS HOSPITALS

SEC. 5401. PPS HOSPITAL PAYMENT UPDATE.

(a) IN GENERAL.—Section 1886(b)(3)(B)(i) (42 U.S.C. 1395ww(b)(3)(B)(i)) is amended—

(1) in subclause (XII)—

(A) by inserting ''and the period beginning on October 1, 1997, and ending on December 31, 1997,'' after ''fiscal year 1997,''; and

(B) by striking ''and'' at the end; and

(2) by striking subclause (XIII) and inserting the following:

''(XIII) for calendar year 1998 for hospitals in all areas, the market basket percentage increase minus 2.5 percentage points,

''(XIV) for calendar years 1999 through 2002 for hospitals in all areas, the market basket percentage increase minus 1.0 percentage points, and

''(XV) for calendar year 2003 and each subsequent calendar year for hospitals in all areas, the market basket percentage increase.''.

(b) RULE OF CONSTRUCTION.—Section 1886 (42 U.S.C. 1395ww) is amended by adding at the end the following new subsection:

''(j) PPS CALENDAR YEAR PAYMENTS.—Notwithstanding any other provision of this title, any updates or payment amounts determined under this section shall on and after December 31, 1998, take effect and be applied on a calendar year basis. With respect to any cost reporting periods that relate to any such updates or payment amounts, the Secretary shall revise such cost reporting periods to ensure that on and after December 31, 1998, such cost reporting periods relate to updates and payment amounts made under this section on a calendar year basis in the same manner as such cost reporting periods applied to updates and payment amounts under this section on the day before the date of enactment of this subsection.''.

SEC. 5402. CAPITAL PAYMENTS FOR PPS HOSPITALS.

(a) MAINTAINING SAVINGS FROM TEMPORARY REDUCTION IN PPS CAPITAL RATES.—Section 1886(g)(1)(A) (42 U.S.C. 1395ww(g)(1)(A)) is amended by adding at the end the following: ''In addition to the reduction described in the preceding sentence, for discharges occurring on or after October 1, 1997, the Secretary shall apply the budget neutrality adjustment factor used to determine the Federal capital payment rate in effect on September 30, 1995 (as described in section 412.352 of title 42 of the Code of Federal Regulations), to (i) the unadjusted standard Federal capital payment rate (as described in section 412.308(c) of that title, as in effect on September 30, 1997), and (ii) the unadjusted hospital-specific rate (as described in section 412.328(e)(1) of that title, as in effect on September 30, 1997).''.

(b) SYSTEM EXCEPTION PAYMENTS FOR TRANSITIONAL CAPITAL.—

(1) IN GENERAL.—Section 1886(g)(l) (42 U.S.C. 1395ww(g)(1)) is amended—

(A) by redesignating subparagraph (C) as subparagraph (F), and

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

''(C) The exceptions under the system provided by the Secretary under subparagraph (B)(iii) shall include the provision of exception payments under the special exceptions process provided under section 412.348(g) of title 42, Code of Federal Regulations (as in effect on September 1, 1995), except that the Secretary shall revise such process, effective for discharges occurring after September 30, 1997, as follows:

''(i) Eligible hospital requirements, as described in section 412.348(g)(1) of title 42, Code of Federal Regulations, shall apply except that subparagraph (ii) shall be revised to require that hospitals located in an urban area with at least 300 beds shall be eligible under such process and that such a hospital shall be eligible without regard to its disproportionate patient percentage under subsection (d)(5)(F) or whether it qualifies for additional payment amounts under such subsection.

''(ii) Project size requirements, as described in section 412.348(g)(5) of title 42, Code of Federal Regulations, shall apply except that subparagraph (ii) shall be revised to require that the project costs of a hospital are at least 150 percent of its operating cost during the first 12 month cost reporting period beginning on or after October 1, 1991.

''(iii) The minimum payment level for qualifying hospitals shall be 85 percent.

''(iv) A hospital shall be considered to meet the requirement that it complete the project involved no later than the end of the last cost reporting period of the hospital beginning before October l, 2001, if—

''(I) the hospital has obtained a certificate of need for the project approved by the State or a local planning authority by September 1, 1995; and

''(II) by September 1, 1995, the hospital has expended on the project at least $750,000 or 10 percent of the estimated cost of the project.

''(v) Offsetting amounts, as described in section 412.348(g)(8)(ii) of title 42, Code of Federal Regulations, shall apply except that subparagraph (B) of such section shall be revised to require that the additional payment that would otherwise be payable for the cost reporting period shall be reduced by the amount (if any) by which the hospital's current year medicare capital payments (excluding, if applicable, 75 percent of the hospital's capital-related disproportionate share payments) exceeds its medicare capital costs for such year.

''(D)(i) The Secretary shall reduce the Federal capital and hospital rates up to $50,000,000 for a calendar year to ensure that the application of subparagraph (C) does not result in an increase in the total amount that would have been paid under this subsection in the fiscal year if such subparagraph did not apply.

''(ii) Payments made pursuant to the application of subparagraph (C) shall not be considered for purposes of calculating total estimated payments under section 412.348(h), Title 42, Code of Federal Regulations.

''(E) The Secretary shall provide for publication in the Federal Register each year (beginning with 1999) of a description of the distributional impact of the application of subparagraph (C) on hospitals which receive, and do not receive, an exception payment under such subparagraph.''.

(2) CONFORMING AMENDMENT.—Section 1886(g)(1)(B)(iii) (42 U.S.C. 1395ww(g)(1)(B)(iii)) is amended by striking ''may provide'' and inserting ''shall provide (in accordance with subparagraph (C))''.

CHAPTER 2—PAYMENT OF PPS EXEMPT HOSPITALS

SEC. 5421. PAYMENT UPDATE.

(a) IN GENERAL.—Section 1886(b)(3)(B) (42 U.S.C. 1395ww(b)(3)(B)) is amended—

(1) in clause (ii)—

(A) by striking ''and'' at the end of subclause (V);

(B) by redesignating subclause (VI) as subclause (VIII); and

(C) by inserting after subclause (V), the following subclauses:

''(VI) for fiscal year 1998, is 0 percent;

''(VII) for fiscal years 1999 through 2002, is the applicable update factor specified under clause (vi) for the fiscal year; and''; and

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

''(vi) For purposes of clause (ii)(VII) for a fiscal year, if a hospital's allowable operating costs of inpatient hospital services recognized under this title for the most recent cost reporting period for which information is available—

''(I) is equal to, or exceeds, 110 percent of the hospital's target amount (as determined under subparagraph (A)) for such cost reporting period, the applicable update factor specified under this clause is the market basket percentage;

''(II) exceeds 100 percent, but is less than 110 percent, of such target amount for the hospital, the applicable update factor specified under this clause is 0 percent or, if greater, the market basket percentage minus 0.25 percentage points for each percentage point by which such allowable operating costs (expressed as a percentage of such target amount) is less than 110 percent of such target amount;

''(III) is equal to, or less than 100 percent, but exceeds ⅔ of such target amount for the hospital, the applicable update factor specified under this clause is 0 percent or, if greater, the market basket percentage minus 1.5 percentage points; or

''(IV) does not exceed ⅔ of such target amount for the hospital, the applicable update factor specified under this clause is 0 percent.''.

(b) NO EFFECT OF PAYMENT REDUCTION ON EXCEPTIONS AND ADJUSTMENTS.—Section 1886(b)(4)(A)(ii) (42 U.S.C. 1395ww(b)(4)(A)(ii)) is amended by adding at the end the following new sentence: ''In making such reductions, the Secretary shall treat the applicable update factor described in paragraph (3)(B)(vi) for a fiscal year as being equal to the market basket percentage for that year.''.

SEC. 5422. REDUCTIONS TO CAPITAL PAYMENTS FOR CERTAIN PPS-EXEMPT HOSPITALS AND UNITS.

Section 1886(g) (42 U.S.C. 1395ww(g)) is amended by adding at the end the following new paragraph:

''(4) In determining the amount of the payments that are attributable to portions of cost reporting periods occurring during fiscal years 1998 through 2002 and that may be made under this title with respect to capital-related costs of inpatient hospital services of a hospital which is described in clause (i), (ii), or (iv) of subsection (d)(1)(B) or a unit described in the matter after clause (v) of such subsection, the Secretary shall reduce the amounts of such payments otherwise determined under this title by 15 percent.''.

SEC. 5423. CAP ON TEFRA LIMITS.

Section 1886(b)(3) (42 U.S.C. 1395ww(b)(3)) is amended—

(1) in subparagraph (A) by striking ''subparagraphs (C), (D), and (E)'' and inserting ''subparagraph (C) and succeeding subparagraphs'', and

(2) by adding at the end the following:

''(F)(i) In the case of a hospital or unit that is within a class of hospital described in clause (ii), for cost reporting periods beginning on or after October 1, 1997, and before October 1, 2002, such target amount may not be greater than the 90th percentile of the target amounts for such hospitals within such class for cost reporting periods beginning during that fiscal year.

''(ii) For purposes of this subparagraph, each of the following shall be treated as a separate class of hospital:

''(I) Hospitals described in clause (i) of subsection (d)(1)(B) and psychiatric units described in the matter following clause (v) of such subsection.

''(II) Hospitals described in clause (ii) of such subsection and rehabilitation units described in the matter following clause (v) of such subsection.

''(III) Hospitals described in clause (iv) of such subsection.''.

SEC. 5424. CHANGE IN BONUS AND RELIEF PAYMENTS.

(a) CHANGE IN BONUS PAYMENT.—Section 1886(b)(1)(A) (42 U.S.C. 1395ww(b)(1)(A)) is amended by striking all that follows ''plus—'' and inserting the following:

''(i) 10 percent of the amount by which the target amount exceeds the amount of the operating costs, or

''(ii) 1 percent of the operating costs, whichever is less;''.

(b) CHANGE IN RELIEF PAYMENTS.—Section 1886(b)(1) (42 U.S.C. 1395ww(b)(1)) is amended—

(1) in subparagraph (B)—

(A) by striking ''greater than the target amount'' and inserting ''greater than 110 percent of the target amount'',

(B) by striking ''exceed the target amount'' and inserting ''exceed 110 percent of the target amount'',

(C) by striking ''10 percent'' and inserting ''20 percent'', and

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

(2) by inserting after subparagraph (A) the following new subparagraph:

''(B) are greater than the target amount but do not exceed 110 percent of the target amount, the amount of the payment with respect to those operating costs payable under part A on a per discharge basis shall equal the target amount; or''.

SEC. 5425. TARGET AMOUNTS FOR REHABILITATION HOSPITALS, LONG-TERM CARE HOSPITALS, AND PSYCHIATRIC HOSPITALS.

Section 1886(b)(3) (42 U.S.C. 1395ww(b)(3)) is amended—

(1) in subparagraph (A), in the matter preceding clause (i), by striking ''and (E)'' and inserting ''(E), (F), and (G)''; and

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

''(F) In the case of a rehabilitation hospital (or unit thereof) (as described in clause (ii) of subsection (d)(1)(B)), for cost reporting periods beginning on or after October 1, 1997—

''(i) in the case of a hospital which first receives payments under this section before October 1, 1997, the target amount determined under subparagraph (A) for such hospital or unit for a cost reporting period beginning during a fiscal year shall not be less than 50 percent of the national mean of the target amounts determined under such subparagraph for all such hospitals for cost reporting periods beginning during such fiscal year (determined without regard to this subparagraph); and

''(ii) in the case of a hospital which first receives payments under this section on or after October 1, 1997, such target amount may not be greater than 130 percent of the national mean of the target amounts for such hospitals (and units thereof) for cost reporting periods beginning during fiscal year 1991.

''(G) In the case of a hospital which has an average inpatient length of stay of greater than 25 days (as described in clause (iv) of subsection (d)(1)(B)), for cost reporting periods beginning on or after October 1, 1997—

''(i) in the case of a hospital which first receives payments under this section as a hospital that is not a subsection (d) hospital or a subsection (d) Puerto Rico hospital before October 1, 1997, the target amount determined under subparagraph (A) for such hospital for a cost reporting period beginning during a fiscal year shall not be less than 50 percent of the national mean of the target amounts determined under such subparagraph for all such hospitals for cost reporting periods beginning during such fiscal year (determined without regard to this subparagraph); and

''(ii) in the case of any other hospital which first receives payment under this section on or after October 1, 1997, such target amount may not be greater than 130 percent of such national mean of the target amounts for such hospitals for cost reporting periods beginning during fiscal year 1991.

''(H) In the case of a psychiatric hospital (as defined in section 1861(f)), for cost reporting periods beginning on or after October 1, 1997—

''(i) in the case of a hospital which first receives payments under this section before October 1, 1997, the target amount determined under subparagraph (A) for such hospital for a cost reporting period beginning during a fiscal year shall not be less than 50 percent of the national mean of the target amounts determined under such subparagraph for all such hospitals for cost reporting periods beginning during such fiscal year (determined without regard to this subparagraph); and

''(ii) in the case of any other hospital which first receives payment under this section on or after October 1, 1997, such target amount may not be greater than 130 percent of such national mean of the target amounts for such hospitals for cost reporting periods beginning during fiscal year 1991.''.

SEC. 5426. TREATMENT OF CERTAIN LONG-TERM CARE HOSPITALS LOCATED WITHIN OTHER HOSPITALS.

(a) IN GENERAL.—Section 1886(d)(1)(B) (42 U.S.C. 1395ww(d)(1)(B)) is amended by adding at the end the following new sentence: ''A hospital that was classified by the Secretary on or before September 30, 1995, as a hospital described in clause (iv) shall continue to be so classified notwithstanding that it is located in the same building as, or on the same campus as, another hospital.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to discharges occurring on or after October 1, 1995.

SEC. 5427. ELIMINATION OF EXEMPTIONS; REPORT ON EXCEPTIONS AND ADJUSTMENTS.

(a) ELIMINATION OF EXEMPTIONS.—

(1) IN GENERAL.—Section 1886(b)(4)(A)(i) (42 U.S.C. 1395ww(b)(4)(A)(i)) is amended by striking ''exemption from, or an exception and adjustment to,'' and inserting ''an exception and adjustment to'' each place it appears.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall apply to hospitals that first qualify as a hospital described in clause (i), (ii), or (iv) of section 1886(d)(1)(B) (42 U.S.C. 1395ww(d)(1)(B)) on or after October 1, 1997.

(b) REPORT.—The Secretary of Health and Human Services shall publish annually in the Federal Register a report describing the total amount of payments made to hospitals by reason of section 1886(b)(4) of the Social Security Act (42 U.S.C. 1395ww(b)(4)), as amended by subsection (a), for cost reporting periods ending during the previous fiscal year.

SEC. 5428. TECHNICAL CORRECTION RELATING TO SUBSECTION (d) HOSPITALS.

(a) IN GENERAL.—Section 1886(d)(1) (42 U.S.C. 1395ww(d)(1)) is amended—

(1) in subparagraph (B)(v)—

(A) by inserting ''(I)'' after ''(v)''; and

(B) by striking the semicolon at the end and inserting '', or''; and

(C) by adding at the end the following:

''(II) a hospital that—

''(aa) was recognized as a comprehensive cancer center or clinical cancer research center by the National Cancer Institute of the National Institutes of Health as of April 20, 1983, or is able to demonstrate, for any six-month period, that at least 50 percent of its total discharges have a principal diagnosis that reflects a finding of neoplastic disease, as defined in subparagraph (E);

''(bb) applied on or before December 31, 1990, for classification as a hospital involved extensively in treatment for or research on cancer under this clause (as in effect on the day before the date of the enactment of this subclause), but was not approved for such classification; and

''(cc) is located in a State which, as of December 19, 1989, was not operating a demonstration project under section 1814(b);''; and

(2) by adding at the end the following:

''(E) For purposes of subparagraph (B)(v)(II)(aa), the term 'principal diagnosis that reflects a finding of neoplastic disease' means the condition established after study to be chiefly responsible for occasioning the admission of a patient to a hospital, except that only discharges with ICD–9–CM principal diagnosis codes of 140 through 239, V58.0, V58.1, V66.1, or 990 will be considered to reflect such a principal diagnosis.''.

(b) PAYMENTS.—Any classification by reason of section 1886(d)(1)(B)(v)(II) of the Social Security Act (42 U.S.C. 1395ww(d)(1)(B)(v)(II)) (as added by subsection (a)) shall apply to all cost reporting periods beginning on or after January 1, 1991. Any payments owed to a hospital as a result of such section (as so amended) shall be made expeditiously, but in no event later than 1 year after the date of enactment of this Act.

SEC. 5429. CERTAIN CANCER HOSPITALS.

(a) IN GENERAL.—Section 1886(d)(1) (42 U.S.C. 1395ww(d)(1)), as amended by section 5428, is amended—

(1) in subparagraph (B)(v), by striking the semicolon at the end of subclause (II)(cc) and inserting the following: '', or'', and by adding at the end the following:

''(III) a hospital—

''(aa) that was classified under subsection (iv) beginning on or before December 31, 1990, and through December 31, 1995; and

''(bb) throughout the period described in item (aa) and currently has greater than 49 percent of its total patient discharges with a principal diagnosis that reflects a finding of neoplastic disease;''; and

(2) by adding at the end the following:

''(F) In the case of a hospital that is classified under subparagraph (B)(v)(III), no rebasing is permitted by such hospital and such hospital shall use the base period in effect at the time of such hospital's December 31, 1995, cost report.''.

CHAPTER 3—GRADUATE MEDICAL EDUCATION PAYMENTS

Subchapter A—Direct Medical Education

SEC. 5441. LIMITATION ON NUMBER OF RESIDENTS AND ROLLING AVERAGE FTE COUNT.

Section 1886(h)(4) (42 U.S.C. 1395ww(h)(4)) is amended by adding after subparagraph (E) the following:

''(F) LIMITATION ON NUMBER OF RESIDENTS IN ALLOPATHIC AND OSTEOPATHIC MEDICINE.—Except as provided in subparagraph (H), such rules shall provide that for purposes of a cost reporting period beginning on or after October 1, 1997, the total number of full-time equivalent residents before application of weighting factors (as determined under this paragraph) with respect to a hospital's approved medical residency training program in the fields of allopathic medicine and osteopathic medicine may not exceed the number of full-time equivalent residents with respect to such programs for the hospital's most recent cost reporting period ending on or before December 31, 1996.

''(G) COUNTING INTERNS AND RESIDENTS FOR 1998 AND SUBSEQUENT YEARS.—

''(i) IN GENERAL.—For cost reporting periods beginning on or after October 1, 1997, subject to the limit described in subparagraph (F) and except as provided in subparagraph (H), the total number of full-time equivalent residents for determining a hospital's graduate medical education payment shall equal the average of the full-time equivalent resident counts for the cost reporting period and the preceding two cost reporting periods.

''(ii) ADJUSTMENT FOR SHORT PERIODS.—If any cost reporting period beginning on or after October 1, 1997, is not equal to twelve

months, the Secretary shall make appropriate modifications to ensure that the average full-time equivalent resident counts pursuant to clause (ii) are based on the equivalent of full twelve-month cost reporting periods.

''(iii) TRANSITION RULE FOR 1998.—In the case of a hospital's first cost reporting period beginning on or after October 1, 1997, clause (i) shall be applied by using the average for such period and the preceding cost reporting period.

''(H) SPECIAL RULES FOR NEW FACILITIES.—

''(i) IN GENERAL.—If a hospital is an applicable facility under clause (iii) for any year with respect to any approved medical residency training program described in subsection (h)—

''(I) subject to the applicable annual limit under clause (ii), the Secretary may provide an additional amount of full-time equivalent residents which may be taken into account with respect to such program under subparagraph (F) for cost reporting periods beginning during such year, and

''(II) the averaging rules under subparagraph (G) shall not apply for such year.

''(ii) APPLICABLE ANNUAL LIMIT.—The total of additional full-time equivalent residents which the Secretary may authorize under clause (i) for all applicable facilities for any year shall not exceed the amount which would result in the number of full-time equivalent residents with respect to approved medical residency training programs in the fields of allopathic and osteopathic medicine for all hospitals exceeding such number for the preceding year. In allocating such additional residents, the Secretary shall give special consideration to facilities that meet the needs of underserved rural areas.

''(iii) APPLICABLE FACILITY.—For purposes of this subparagraph, a hospital shall be treated as an applicable facility with respect to an approved medical residency training program only during the first 5 years during which such program is in existence. A hospital shall not be treated as such a facility if the 5-year period described in the preceding sentence ended on or before December 31, 1996.

''(iv) COORDINATION WITH LIMIT.—For purposes of applying subparagraph (F), the number of full-time equivalent residents of an applicable facility with respect to any approved medical residency training program in the fields of allopathic and osteopathic medicine for the facility's most recent cost reporting period ending on or before December 31, 1996, shall be increased by the number of such residents allocated to such facility under clause (i).''

SEC. 5442. PERMITTING PAYMENT TO NONHOSPITAL PROVIDERS.

(a) IN GENERAL.—Section 1886 (42 U.S.C. 1395ww) is amended by adding at the end the following:

''(j) PAYMENT TO NONHOSPITAL PROVIDERS.—

''(1) IN GENERAL.—For cost reporting periods beginning on or after October 1, 1997, the Secretary may establish rules for payment to qualified nonhospital providers for their direct costs of medical education, if those costs are incurred in the operation of an approved medical residency training program described in subsection (h). Such rules shall specify the amounts, form, and manner in which payments will be made and the portion of such payments that will be made from each of the trust funds under this title.

''(2) QUALIFIED NONHOSPITAL PROVIDERS.—For purposes of this subsection, the term 'qualified nonhospital providers' means—

''(A) a federally qualified health center, as defined in section 1861(aa)(4);

''(B) a rural health clinic, as defined in section 1861(aa)(2); and

''(C) such other providers (other than hospitals) as the Secretary determines to be appropriate.''

(b) PROHIBITION ON DOUBLE PAYMENTS.—Section 1886(h)(3)(B) (42 U.S.C. 1395ww(h)(3)(B)) is amended by adding at the end the following:

''The Secretary shall reduce the aggregate approved amount to the extent payment is made under subsection (j) for residents included in the hospital's count of full-time equivalent residents.''

Subchapter B—Indirect Medical Education

SEC. 5446. INDIRECT GRADUATE MEDICAL EDUCATION PAYMENTS.

(a) MULTIYEAR TRANSITION REGARDING PERCENTAGES.—

(1) IN GENERAL.—Section 1886(d)(5)(B)(ii) (42 U.S.C. 1395ww(d)(5)(B)(ii)) is amended to read as follows:

''(ii) For purposes of clause (i)(II), the indirect teaching adjustment factor is equal to c (((1+r) to the nth power) − 1), where 'r' is the ratio of the hospital's full-time equivalent interns and residents to beds and 'n' equals .405. For discharges occurring—

''(I) on or after May 1, 1986, and before October 1, 1997, 'c' is equal to 1.89;

''(II) during fiscal year 1998, 'c' is equal to 1.72;

''(III) during fiscal year 1999, 'c' is equal to 1.6;

''(IV) during fiscal year 2000, 'c' is equal to 1.47; and

''(V) on or after October 1, 2000, 'c' is equal to 1.35.''

(2) NO RESTANDARDIZATION OF PAYMENT AMOUNTS REQUIRED.—Section 1886(d)(2)(C)(i) (42 U.S.C. 1395ww(d)(2)(C)(i)) is amended by adding at the end the following: ''except that the Secretary shall not take into account any reduction in the amount of additional payments under paragraph (5)(B)(ii) resulting from the amendment made by section 5446(a)(1) of the Balanced Budget Act of 1997,''.

(b) LIMITATION.—

(1) IN GENERAL.—Section 1886(d)(5)(B) (42 U.S.C. 1395ww(d)(5)(B)) is amended by adding after clause (iv) the following:

''(v) In determining the adjustment with respect to a hospital for discharges occurring on or after October 1, 1997, the total number of full-time equivalent interns and residents in either a hospital or nonhospital setting may not exceed the number of such full-time equivalent interns and residents in the hospital with respect to the hospital's most recent cost reporting period ending on or before December 31, 1996.

''(vi) For purposes of clause (ii)—

''(I) 'r' may not exceed the ratio of the number of interns and residents as determined under clause (v) with respect to the hospital for its most recent cost reporting period ending on or before December 31, 1996, to the hospital's available beds (as defined by the Secretary) during that cost reporting period, and

''(II) for the hospital's cost reporting periods beginning on or after October 1, 1997, subject to the limits described in clauses (iv) and (v), the total number of full-time equivalent residents for payment purposes shall equal the average of the actual full-time equivalent resident count for the cost reporting period and the preceding two cost reporting periods.

In the case of the first cost reporting period beginning on or after October 1, 1997, subclause (II) shall be applied by using the average for such period and the preceding cost reporting period.

''(vii)(I) If a hospital is an applicable facility under subclause (III) for any year with respect to any approved medical residency training program described in subsection (h)—

''(aa) subject to the applicable annual limit under subclause (II), the Secretary may provide an additional amount of full-time equivalent interns and residents which may be taken into account with respect to such program under clauses (v) and (vi) for cost reporting periods beginning during such year, and

''(bb) the averaging rules under clause (vi)(II) shall not apply for such year.

''(II) The total of additional full-time equivalent interns and residents which the Secretary may authorize under subclause (I) for all applicable facilities for any year shall not exceed the amount which would result in the number of full-time equivalent interns or residents for all hospitals exceeding such number for the preceding year. In allocating such additional residents, the Secretary shall give special consideration to facilities that meet the needs of underserved rural areas.

''(III) For purposes of this clause, a hospital shall be treated as an applicable facility with respect to an approved medical residency training program only during the first 5 years during which such program is in existence. A hospital shall not be treated as such a facility if the 5-year period described in the preceding sentence ended on or before December 31, 1996.

''(IV) For purposes of applying clause (v), the number of full-time equivalent residents of an applicable facility with respect to any approved medical residency training program for the facility's most recent cost reporting period ending on or before December 31, 1996, shall be increased by the number of such residents allocated to such facility under subclause (I).

''(viii) If any cost reporting period beginning on or after October 1, 1997, is not equal to twelve months, the Secretary shall make appropriate modifications to ensure that the average full-time equivalent residency count pursuant to subclause (II) of clause (vi) is based on the equivalent of full twelve-month cost reporting periods.''

(2) PAYMENT FOR INTERNS AND RESIDENTS PROVIDING OFF-SITE SERVICES.—Section 1886(d)(5)(B)(iv) (42 U.S.C. 1395ww(d)(5)(B)(iv)) is amended to read as follows:

''(iv) Effective for discharges occurring on or after October 1, 1997, all the time spent by an intern or resident in patient care activities under an approved medical residency training program at an entity in a nonhospital setting shall be counted towards the determination of full-time equivalency if the hospital incurs all, or substantially all, of the costs for the training program in that setting.''

Subchapter C—Graduate Medical Education Payments for Managed Care Enrollees

SEC. 5451. DIRECT AND INDIRECT MEDICAL EDUCATION PAYMENTS TO HOSPITALS FOR MANAGED CARE ENROLLEES.

(a) PAYMENTS TO HOSPITALS FOR DIRECT COSTS OF GRADUATE MEDICAL EDUCATION.—Section 1886(h)(3) (42 U.S.C. 1395ww(h)(3)) is amended by adding after subparagraph (C) the following:

''(D) PAYMENT FOR MEDICARE CHOICE ENROLLEES.—

''(i) IN GENERAL.—For portions of cost reporting periods occurring on or after January 1, 1998, the Secretary shall provide for an additional payment amount under this subsection for services furnished to individuals who are enrolled under a risk-sharing contract with an eligible organization under section 1876 and who are entitled to part A or with a Medicare Choice organization under part C. The amount of such a payment shall

equal the applicable percentage of the product of—

''(I) the aggregate approved amount (as defined in subparagraph (B)) for that period; and

''(II) the fraction of the total number of inpatient-bed days (as established by the Secretary) during the period which are attributable to such enrolled individuals.

''(ii) APPLICABLE PERCENTAGE.—For purposes of clause (i), the applicable percentage is—

''(I) 25 percent in 1998,

''(II) 50 percent in 1999,

''(III) 75 percent in 2000, and

''(IV) 100 percent in 2001 and subsequent years.

''(iii) SPECIAL RULE FOR HOSPITALS UNDER REIMBURSEMENT SYSTEM.—The Secretary shall establish rules for the application of this subparagraph to a hospital reimbursed under a reimbursement system authorized under section 1814(b)(3) in the same manner as it would apply to the hospital if it were not reimbursed under such section.''

(b) PAYMENT TO HOSPITALS OF INDIRECT MEDICAL EDUCATION COSTS.—Section 1886(d)(42 U.S.C. 1395ww(d)) is amended by adding at the end the following:

''(11) ADDITIONAL PAYMENTS FOR MANAGED CARE SAVINGS.—

''(A) IN GENERAL.—For portions of cost reporting periods occurring on or after January 1, 1998, the Secretary shall provide for an additional payment amount for each applicable discharge of any subsection (d) hospital (or any hospital reimbursed under a reimbursement system authorized under section 1814(b)(3)) that has an approved medical residency training program.

''(B) APPLICABLE DISCHARGE.—For purposes of this paragraph, the term 'applicable discharge' means the discharge of any individual who is enrolled under a risk-sharing contract with an eligible organization under section 1876 and who is entitled to benefits under part A or any individual who is enrolled with a Medicare Choice organization under part C.

''(C) DETERMINATION OF AMOUNT.—The amount of the payment under this paragraph with respect to any applicable discharge shall be equal to the applicable percentage (as defined in subsection (h)(3)(D)(ii)) of the estimated average per discharge amount that would otherwise have been paid under paragraph (1)(A) if the individuals had not been enrolled as described in subparagraph (B).''

SEC. 5452. DEMONSTRATION PROJECT ON USE OF CONSORTIA.

(a) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the ''Secretary'') shall establish a demonstration project under which, instead of making payments to teaching hospitals pursuant to section 1886(h) of the Social Security Act, the Secretary shall make payments under this section to each consortium that meets the requirements of subsection (b).

(b) QUALIFYING CONSORTIA.—For purposes of subsection (a), a consortium meets the requirements of this subsection if the consortium is in compliance with the following:

(1) The consortium consists of an approved medical residency training program in a teaching hospital and one or more of the following entities:

(A) A school of allopathic medicine or osteopathic medicine.

(B) Another teaching hospital, which may be a children's hospital.

(C) Another approved medical residency training program.

(D) A federally qualified health center.

(E) A medical group practice.

(F) A managed care entity.

(G) An entity furnishing outpatient services.

(I) Such other entity as the Secretary determines to be appropriate.

(2) The members of the consortium have agreed to participate in the programs of graduate medical education that are operated by the entities in the consortium.

(3) With respect to the receipt by the consortium of payments made pursuant to this section, the members of the consortium have agreed on a method for allocating the payments among the members.

(4) The consortium meets such additional requirements as the Secretary may establish.

(c) AMOUNT AND SOURCE OF PAYMENT.—The total of payments to a qualifying consortium for a fiscal year pursuant to subsection (a) shall not exceed the amount that would have been paid under section 1886(h) of the Social Security Act for the teaching hospital (or hospitals) in the consortium. Such payments shall be made in such proportion from each of the trust funds established under title XVIII of such Act as the Secretary specifies.

CHAPTER 4—OTHER HOSPITAL PAYMENTS

SEC. 5461. DISPROPORTIONATE SHARE PAYMENTS TO HOSPITALS FOR MANAGED CARE AND MEDICARE CHOICE ENROLLEES.

Section 1886(d) (42 U.S.C. 1395ww(d)) (as amended by section 5451) is amended by adding at the end the following:

''(12) ADDITIONAL PAYMENTS FOR MANAGED CARE AND MEDICARE CHOICE SAVINGS.—

''(A) IN GENERAL.—For portions of cost reporting periods occurring on or after January 1, 1998, the Secretary shall provide for an additional payment amount for each applicable discharge of—

(i) any subsection (d) hospital that is a disproportionate share hospital (as described in paragraph (5)(F)(i)); or

(ii) any hospital reimbursed under a reimbursement system authorized under section 1814(b)(3)) if such hospital would qualify as a disproportionate share hospital were it not so reimbursed.

''(B) APPLICABLE DISCHARGE.—For purposes of this paragraph, the term 'applicable discharge' means the discharge of any individual who is enrolled under a risk-sharing contract with an eligible organization under section 1876 and who is entitled to benefits under part A or any individual who is enrolled with a Medicare Choice organization under part C.

''(C) DETERMINATION OF AMOUNT.—The amount of the payment under this paragraph with respect to any applicable discharge shall be equal to the applicable percentage (as defined in subsection (h)(3)(D)(ii)) of the estimated average per discharge amount that would otherwise have been paid under paragraph (1)(A) if the individuals had not been enrolled as described in subparagraph (B).''.

SEC. 5462. REFORM OF DISPROPORTIONATE SHARE PAYMENTS TO HOSPITALS SERVING VULNERABLE POPULATIONS.

(a) IN GENERAL.—Section 1886(d)(5)(F) of the Social Security Act (42 U.S.C. 1395ww(d)(5)(F)) is amended—

(1) in clause (i), by inserting ''and before December 31, 1998,'' after ''May, 1, 1986,'';

(2) in clause (ii), by striking ''The amount'' and inserting ''Subject to clauses (ix) and (x), the amount''; and

(3) by adding at the end the following:

''(ix) In the case of discharges occurring on or after October 1, 1997, and before December 31, 1998, the additional payment amount otherwise determined under clause (ii) shall be reduced by 4 percent.

''(x)(I) In the case of discharges occurring during calendar years 1999 and succeeding calendar years, the additional payment amount shall be determined in accordance with the formula established under subclause (II).

''(II) Not later than January 1, 1999, the Secretary shall establish a formula for determining additional payment amounts under this subparagraph. In determining such formula the Secretary shall—

''(aa) establish a single threshold for costs incurred by hospitals in serving low-income patients,

''(bb) consider the costs described in subclause (III), and

''(cc) ensure that such formula complies with the requirement described in subclause (IV).

''(III) The costs described in this subclause are as follows:

''(aa) The costs incurred by the hospital during a period (as determined by the Secretary) of furnishing inpatient and outpatient hospital services to individuals who are entitled to benefits under part A of this title and are entitled to supplemental security income benefits under title XVI (excluding any supplementation of those benefits by a State under section 1616).

''(bb) The costs incurred by the hospital during a period (as so determined) of furnishing inpatient and outpatient hospital services to individuals who are eligible for medical assistance under the State plan under title XIX and are not entitled to benefits under part A of this title (including individuals enrolled in a health maintenance organization (as defined in section 1903(m)(1)(A)) or any other managed care plan under such title, individuals who are eligible for medical assistance under such title pursuant to a waiver approved by the Secretary under section 1115, and individuals who are eligible for medical assistance under the State plan under title XIX (regardless of whether the State has provided reimbursement for any such assistance provided under such title)).

''(cc) The costs incurred by the hospital during a period (as so determined) of furnishing inpatient and outpatient hospital services to individuals who are not described in item (aa) or (bb) and who do not have health insurance coverage (or any other source of third party payment for such services) and for which the hospital did not receive compensation.

''(IV)(aa) The requirement described in this subclause is that for each calendar year for which the formula established under this clause applies, the additional payment amount determined for such calendar year under such formula shall not exceed an amount equal to the additional payment amount that, in the absence of such formula, would have been determined under this subparagraph, reduced by the applicable percentage for such calendar year.

''(bb) For purposes of subclause (aa), the applicable percentage for—

''(AA) calendar year 1999 is 8 percent;

''(BB) calendar year 2000 is 12 percent;

''(CC) calendar year 2001 is 16 percent;

''(DD) calendar year 2002 is 20 percent;

''(EE) calendar year 2003 and subsequent calendar years, is 0 percent''.

(b) DATA COLLECTION.—

(1) IN GENERAL.—In developing the formula under section 1886(g)(5)(F)(x) of the Social Security Act (42 U.S.C. 1395ww(g)(5)(F)(x)), as added by subsection (a), and in implementing the provisions of and amendments made by this section, the Secretary of Health and Human Services may require any subsection (d) hospital (as defined in section 1886(d)(1)(B) of the Social Security Act (42 U.S.C. 1395ww(d)(1)(B))) receiving additional payments by reason of section 1886(d)(5)(F) of that Act (42 U.S.C. 1395ww(d)(5)(F)) (as amended by subsection (a) of this section) to

submit to the Secretary any information that the Secretary determines is necessary to implement the provisions of and amendments made by this section.

(2) FAILURE TO COMPLY.—Any subsection (d) hospital (as so defined) that fails to submit to the Secretary of Health and Human Services any information requested under paragraph (1), shall be deemed ineligible for an additional payment amount under section 1886(d)(5)(F) of the Social Security Act (42 U.S.C. 1395ww(d)(5)(F)) (as amended by subsection (a) of this section).

(c) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to discharges occurring on and after October 1, 1997.

SEC. 5463. MEDICARE CAPITAL ASSET SALES PRICE EQUAL TO BOOK VALUE.

(a) IN GENERAL.—Section 1861(v)(1)(O) (42 U.S.C. 1395x(v)(1)(O)) is amended—

(1) in clause (i)—

(A) by striking ''and (if applicable) a return on equity capital'';

(B) by striking ''hospital or skilled nursing facility'' and inserting ''provider of services'';

(C) by striking ''clause (iv)'' and inserting ''clause (iii)''; and

(D) by striking ''the lesser of the allowable acquisition cost'' and all that follows and inserting ''the historical cost of the asset, as recognized under this title, less depreciation allowed, to the owner of record as of the date of enactment of the Balanced Budget Act of 1997 (or, in the case of an asset not in existence as of that date, the first owner of record of the asset after that date).'';

(2) by striking clause (ii); and

(3) by redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) apply to changes of ownership that occur after the third month beginning after the date of enactment of this section.

SEC. 5464. ELIMINATION OF IME AND DSH PAYMENTS ATTRIBUTABLE TO OUTLIER PAYMENTS.

(a) INDIRECT MEDICAL EDUCATION.—Section 1886(d)(5)(B)(i)(I) (42 U.S.C. 1395ww(d)(5)(B)(i)(I)) is amended by inserting '', for cases qualifying for additional payment under subparagraph (A)(i),'' before ''the amount paid to the hospital under subparagraph (A)''.

(b) DISPROPORTIONATE SHARE ADJUSTMENTS.—Section 1886(d)(5)(F)(ii)(I) (42 U.S.C. 1395ww(d)(5)(F)(ii)(I)) is amended by inserting '', for cases qualifying for additional payment under subparagraph (A)(i),'' before ''the amount paid to the hospital under subparagraph (A)''.

(c) COST OUTLIER PAYMENTS.—Section 1886(d)(5)(A)(ii) (42 U.S.C. 1395ww(d)(5)(A)(ii)) is amended by striking ''exceed the applicable DRG prospective payment rate'' and inserting ''exceed the sum of the applicable DRG prospective payment rate plus any amounts payable under subparagraphs (B) and (F) of subsection (d)(5)''.

(d) EFFECTIVE DATE.—The amendments made by this section apply to discharges occurring after September 30, 1997.

SEC. 5465. TREATMENT OF TRANSFER CASES.

(a) TRANSFERS TO PPS EXEMPT HOSPITALS AND SKILLED NURSING FACILITIES.—Section 1886(d)(5)(I) (42 U.S.C. 1395ww(d)(5)(I)) is amended by adding at the end the following new clause:

''(iii) In carrying out this subparagraph, the Secretary shall treat the term 'transfer case' as including the case of an individual who, upon discharge from a subsection (d) hospital—

''(I) is admitted as an inpatient to a hospital or hospital unit that is not a subsection (d) hospital for the receipt of inpatient hospital services; or

''(II) is admitted to a skilled nursing facility or facility described in section 1861(y)(1) for the receipt of extended care services.''.

(b) TRANSFERS FOR PURPOSES OF HOME HEALTH SERVICES.—Section 1886(d)(5)(I) (42 U.S.C. 1395ww(d)(5)(I)), as amended by subsection (a), is amended—

(1) in clause (iii), by striking the period at the end and inserting ''; or'' and

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

''(III) receives home health services from a home health agency, if such services directly relate to the condition or diagnosis for which such individual received inpatient hospital services from the subsection (d) hospital, and if such services are provided within an appropriate period as determined by the Secretary in regulations promulgated not later than April 1, 1998.''.

(c) EFFECTIVE DATES.—

(1) The amendment made by subsection (a) shall apply with respect to discharges occurring on or after October 1, 1997.

(2) The amendment made by subsection (b) shall apply with respect to discharges occurring on or after April 1, 1998.

SEC. 5466. REDUCTIONS IN PAYMENTS FOR ENROLLEE BAD DEBT.

Section 1861(v)(1) (42 U.S.C. 1395x(v)(1)) is amended by adding at the end the following new subparagraph:

''(T) In determining such reasonable costs for hospitals, the amount of bad debts otherwise treated as allowable costs which are attributable to the deductibles and coinsurance amounts under this title shall be reduced—

''(i) for cost reporting periods beginning on or after October 1, 1997 and on or before December 31, 1998, by 25 percent of such amount otherwise allowable,

''(ii) for cost reporting periods beginning during calendar year 1999, by 40 percent of such amount otherwise allowable, and

''(iii) for cost reporting periods beginning during a subsequent calendar year, by 50 percent of such amount otherwise allowable.''.

SEC. 5467. FLOOR ON AREA WAGE INDEX.

(a) IN GENERAL.—For purposes of section 1886(d)(3)(E) of the Social Security Act (42 U.S.C. 1395ww(d)(3)(E)) for discharges occurring on or after October 1, 1997, the area wage index applicable under such section to any hospital which is not located in a rural area (as defined in section 1886(d)(2)(D) of such Act (42 U.S.C. 1395ww(d)(2)(D)) may not be less than the average of the area wage indices applicable under such section to hospitals located in rural areas in the State in which the hospital is located.

(b) IMPLEMENTATION.—The Secretary of Health and Human Services shall adjust the area wage indices referred to in subsection (a) for hospitals not described in such subsection in a manner which assures that the aggregate payments made under section 1886(d) of the Social Security Act (42 U.S.C. 1395ww(d)) in a fiscal year for the operating costs of inpatient hospital services are not greater or less than those which would have been made in the year if this section did not apply.

SEC. 4568. INCREASE BASE PAYMENT RATE TO PUERTO RICO HOSPITALS.

Section 1886(d)(9)(A) (42 U.S.C. 1395ww(d)(9)(A)) is amended—

(1) in the matter preceding clause (i), by striking ''in a fiscal year beginning on or after October 1, 1987,'',

(2) in clause (i), by striking ''75 percent'' and inserting ''for discharges beginning on or after October 1, 1997, 50 percent (and for discharges between October 1, 1987, and September 30, 1997, 75 percent)'', and

(3) in clause (ii), by striking ''25 percent'' and inserting ''for discharges beginning in a fiscal year beginning on or after October 1, 1997, 50 percent (and for discharges between October 1, 1987 and September 30, 1997, 25 percent)''.

SEC. 5469. PERMANENT EXTENSION OF HEMOPHILIA PASS-THROUGH.

Effective October 1, 1997, section 6011(d) of OBRA–1989 (as amended by section 13505 of OBRA–1993) is amended by striking ''and shall expire September 30, 1994''.

SEC. 5470. COVERAGE OF SERVICES IN RELIGIOUS NONMEDICAL HEALTH CARE INSTITUTIONS UNDER THE MEDICARE AND MEDICAID PROGRAMS.

(a) MEDICARE COVERAGE.—

(1) IN GENERAL.—Section 1861 of the Social Security Act (42 U.S.C. 1395x) (as amended by section 5361) is amended—

(1) in the sixth sentence of subsection (e)—

(A) by striking ''includes'' and all that follows up to ''but only'' and inserting ''includes a religious nonmedical health care institution (as defined in subsection (rr)(1)),'', and

(B) by inserting ''consistent with section 1821'' before the period;

(2) in subsection (y)—

(A) by amending the heading to read as follows:

''Extended Care in Religious Nonmedical Health Care Institutions'',

(B) in paragraph (1), by striking ''includes'' and all that follows up to ''but only'' and inserting ''includes a religious nonmedical health care institution (as defined in subsection (rr)(1)),'', and

(C) by inserting ''consistent with section 1821'' before the period; and

(3) by adding at the end the following:

''Religious Nonmedical Health Care Institution

''(rr)(1) The term 'religious nonmedical health care institution' means an institution that—

''(A) is described in subsection (c)(3) of section 501 of the Internal Revenue Code of 1986 and is exempt from taxes under subsection (a) of such section;

''(B) is lawfully operated under all applicable Federal, State, and local laws and regulations;

''(C) provides only nonmedical nursing items and services exclusively to patients who choose to rely solely upon a religious method of healing and for whom the acceptance of medical health services would be inconsistent with their religious beliefs;

''(D) provides such nonmedical items and services exclusively through nonmedical nursing personnel who are experienced in caring for the physical needs of such patients;

''(E) provides such nonmedical items and services to inpatients on a 24-hour basis;

''(F) on the basis of its religious beliefs, does not provide through its personnel or otherwise medical items and services (including any medical screening, examination, diagnosis, prognosis, treatment, or the administration of drugs) for its patients;

''(G) is not a part of, or owned by, or under common ownership with, or affiliated through ownership with, a health care facility that provides medical services;

''(H) has in effect a utilization review plan which—

''(i) provides for the review of admissions to the institution, of the duration of stays therein, of cases of continuous extended duration, and of the items and services furnished by the institution,

''(ii) requires that such reviews be made by an appropriate committee of the institution that includes the individuals responsible for overall administration and for supervision of nursing personnel at the institution,

''(iii) provides that records be maintained of the meetings, decisions, and actions of such committee, and

''(iv) meets such other requirements as the Secretary finds necessary to establish an effective utilization review plan;

''(I) provides the Secretary with such information as the Secretary may require to implement section 1821, to monitor quality of care, and to provide for coverage determinations; and

''(J) meets such other requirements as the Secretary finds necessary in the interest of the health and safety of individuals who are furnished services in the institution.

''(2) If the Secretary finds that the accreditation of an institution by a State, regional, or national agency or association provides reasonable assurances that any or all of the requirements of paragraph (1) are met or exceeded, the Secretary shall, to the extent the Secretary deems it appropriate, treat such institution as meeting the condition or conditions with respect to which the Secretary made such finding.

''(3)(A)(i) In administering this subsection and section 1821, the Secretary shall not require any patient of a religious nonmedical health care institution to undergo any medical screening, examination, diagnosis, prognosis, or treatment or to accept any other medical health care service, if such patient (or legal representative of the patient) objects thereto on religious grounds.

''(ii) Clause (i) shall not be construed as preventing the Secretary from requiring under section 1821(a)(2) the provision of sufficient information regarding an individual's condition as a condition for receipt of benefits under part A for services provided in such an institution.

''(B)(i) In administering this subsection and section 1821, the Secretary shall not subject a religious nonmedical health care institution to any medical supervision, regulation, or control, insofar as such supervision, regulation, or control would be contrary to the religious beliefs observed by the institution.

''(ii) Clause (i) shall not be construed as preventing the Secretary from reviewing items and services billed by the institution to the extent the Secretary determines such review to be necessary to determine whether such items and services were not covered under part A, are excessive, or are fraudulent.''.

(2) CONDITIONS OF COVERAGE.—Part A of title XVIII of the Social Security Act is amended by adding at the end the following new section:

''CONDITIONS FOR COVERAGE OF RELIGIOUS NONMEDICAL HEALTH CARE INSTITUTIONAL SERVICES

''SEC. 1821. (a) IN GENERAL.—Subject to subsections (c) and (d), payment under this part may be made for inpatient hospital services or post-hospital extended care services furnished an individual in a religious nonmedical health care institution only if—

''(1) the individual has an election in effect for such benefits under subsection (b); and

''(2) the individual has a condition such that the individual would qualify for benefits under this part for inpatient hospital services or extended care services, respectively, if the individual were an inpatient or resident in a hospital or skilled nursing facility that was not such an institution.

''(b) ELECTION.—

''(1) IN GENERAL.—An individual may make an election under this subsection in a form and manner specified by the Secretary consistent with this subsection. Unless otherwise provided, such an election shall take effect immediately upon its execution. Such an election, once made, shall continue in effect until revoked.

''(2) FORM.—The election form under this subsection shall include the following:

''(A) A statement, signed by the individual (or such individual's legal representative), that—

''(i) the individual is conscientiously opposed to acceptance of nonexcepted medical treatment; and

''(ii) the individual's acceptance of nonexcepted medical treatment would be inconsistent with the individual's sincere religious beliefs.

''(B) A statement that the receipt of nonexcepted medical services shall constitute a revocation of the election and may limit further receipt of services described in subsection (a).

''(3) REVOCATION.—An election under this subsection by an individual may be revoked in a form and manner specified by the Secretary and shall be deemed to be revoked if the individual receives medicare reimbursable non-excepted medical treatment, regardless of whether or not benefits for such treatment are provided under this title.

''(4) LIMITATION ON SUBSEQUENT ELECTIONS.—Once an individual's election under this subsection has been made and revoked twice—

''(A) the next election may not become effective until the date that is 1 year after the date of most recent previous revocation, and

''(B) any succeeding election may not become effective until the date that is 5 years after the date of the most recent previous revocation.

''(5) EXCEPTED MEDICAL TREATMENT.—For purposes of this subsection:

''(A) EXCEPTED MEDICAL TREATMENT.—The term 'excepted medical treatment' means medical care or treatment (including medical and other health services)—

''(i) for the setting of fractured bones,

''(ii) received involuntarily, or

''(iii) required under Federal or State law or law of a political subdivision of a State.

''(B) NON-EXCEPTED MEDICAL TREATMENT.—The term 'nonexcepted medical treatment' means medical care or treatment (including medical and other health services) other than excepted medical treatment.

''(c) MONITORING AND SAFEGUARD AGAINST EXCESSIVE EXPENDITURES.—

''(1) ESTIMATE OF EXPENDITURES.—Before the beginning of each fiscal year (beginning with fiscal year 2000), the Secretary shall estimate the level of expenditures under this part for services described in subsection (a)for that fiscal year.

''(2) ADJUSTMENT IN PAYMENTS.—

''(A) PROPORTIONAL ADJUSTMENT.—If the Secretary determines that the level estimated under paragraph (1) for a fiscal year will exceed the trigger level (as defined in subparagraph (C)) for that fiscal year, the Secretary shall, subject to subparagraph (B), provide for such a proportional reduction in payment amounts under this part for services described in subsection (a) for the fiscal year involved as will assure that such level (taking into account any adjustment under subparagraph (B)) does not exceed the trigger level for that fiscal year.

''(B) ALTERNATIVE ADJUSTMENTS.—The Secretary may, instead of making some or all of the reduction described in subparagraph (A), impose such other conditions or limitations with respect to the coverage of covered services (including limitations on new elections of coverage and new facilities) as may be appropriate to reduce the level of expenditures described in paragraph (1) to the trigger level.

''(C) TRIGGER LEVEL.—For purposes of this subsection, subject to adjustment under paragraph (3)(B), the 'trigger level' for—

''(i) fiscal year 1998, is $20,000,000, or

''(ii) a succeeding fiscal year is the amount specified under this subparagraph for the previous fiscal year increased by the percentage increase in the consumer price index for all urban consumers (all items; United States city average) for the 12-month period ending with July preceding the beginning of the fiscal year.

''(D) PROHIBITION OF ADMINISTRATIVE AND JUDICIAL REVIEW.—There shall be no administrative or judicial review under section 1869, 1878, or otherwise of the estimation of expenditures under subparagraph (A) or the application of reduction amounts under subparagraph (B).

''(E) EFFECT ON BILLING.—Notwithstanding any other provision of this title, in the case of a reduction in payment provided under this subsection for services of a religious nonmedical health care institution provided to an individual, the amount that the institution is otherwise permitted to charge the individual for such services is increased by the amount of such reduction.

''(3) MONITORING EXPENDITURE LEVEL.—

''(A) IN GENERAL.—The Secretary shall monitor the expenditure level described in paragraph (2)(A) for each fiscal year (beginning with fiscal year 1999).

''(B) ADJUSTMENT IN TRIGGER LEVEL.—If the Secretary determines that such level for a fiscal year exceeded, or was less than, the trigger level for that fiscal year, then the trigger level for the succeeding fiscal year shall be reduced, or increased, respectively, by the amount of such excess or deficit.

''(d) SUNSET.—If the Secretary determines that the level of expenditures described in subsection (c)(1) for 3 consecutive fiscal years (with the first such year being not earlier than fiscal year 2002) exceeds the trigger level for such expenditures for such years (as determined under subsection (c)(2)), benefits shall be paid under this part for services described in subsection (a) and furnished on or after the first January 1 that occurs after such 3 consecutive years only with respect to an individual who has an election in effect under subsection (b) as of such January 1 and only during the duration of such election.

''(e) ANNUAL REPORT.—At the beginning of each fiscal year (beginning with fiscal year 1999), the Secretary shall submit to the Committees on Ways and Means of the House of Representatives and the Committee on Finance of the Senate an annual report on coverage and expenditures for services described in subsection (a) under this part and under State plans under title XIX. Such report shall include—

''(1) level of expenditures described in subsection (c)(1) for the previous fiscal year and estimated for the fiscal year involved;

''(2) trends in such level; and

''(3) facts and circumstances of any significant change in such level from the level in previous fiscal years.''.

(b) MEDICAID.—

(1) The third sentence of section 1902(a) of such Act (42 U.S.C. 1396a(a)) is amended by striking all that follows ''shall not apply'' and inserting ''to a religious nonmedical health care institution (as defined in section 1861(rr)(1)).''.

(2) Section 1908(e)(1) of such Act (42 U.S.C. 1396g–1(e)(1)) is amended by striking all that follows ''does not include'' and inserting ''a religious nonmedical health care institution (as defined in section 1861(rr)(1)).''.

(c) CONFORMING AMENDMENTS.—

(1) Section 1122(h) of such Act (42 U.S.C. 1320a–1(h)) is amended by striking all that follows ''shall not apply to'' and inserting ''a religious nonmedical health care institution (as defined in section 1861(rr)(1)).''.

(2) Section 1162 of such Act (42 U.S.C. 1320c–11) is amended—

(A) by amending the heading to read as follows:

''EXEMPTIONS FOR RELIGIOUS NONMEDICAL HEALTH CARE INSTITUTIONS''; and

(B) by striking all that follows ''shall not apply with respect to a'' and inserting ''religious nonmedical health care institution (as defined in section 1861(rr)(1)).''.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act and shall apply to items and services furnished on or after such date. By not later than July 1, 1998, the Secretary of Health and Human Services shall first issue regulations to carry out such amendments. Such regulations may be issued so they are effective on an interim basis pending notice and opportunity for public comment. For periods before the effective date of such regulations, such regulations shall recognize elections entered into in good faith in order to comply with the requirements of section 1821(b) of the Social Security Act.

CHAPTER 5—PAYMENTS FOR HOSPICE SERVICES

SEC. 5481. PAYMENT FOR HOME HOSPICE CARE BASED ON LOCATION WHERE CARE IS FURNISHED.

(a) IN GENERAL.—Section 1814(i)(2) (42 U.S.C. 1395f(i)(2)) is amended by adding at the end the following:

''(D) A hospice program shall submit claims for payment for hospice care furnished in an individual's home under this title only on the basis of the geographic location at which the service is furnished, as determined by the Secretary.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) applies to cost reporting periods beginning on or after October 1, 1997.

SEC. 5482. HOSPICE CARE BENEFITS PERIODS.

(a) RESTRUCTURING OF BENEFIT PERIOD.—Section 1812 (42 U.S.C. 1395d) is amended in subsections (a)(4) and (d)(1), by striking '', a subsequent period of 30 days, and a subsequent extension period'' and inserting ''and an unlimited number of subsequent periods of 60 days each''.

(b) CONFORMING AMENDMENTS.—(1) Section 1812 (42 U.S.C. 1395d) is amended in subsection (d)(2)(B) by striking ''90- or 30-day period or a subsequent extension period'' and inserting ''90-day period or a subsequent 60-day period''.

(2) Section 1814(a)(7)(A) (42 U.S.C. 1395f(a)(7)(A)) is amended—

(A) in clause (i), by inserting ''and'' at the end;

(B) in clause (ii)—

(i) by striking ''30-day'' and inserting ''60-day''; and

(ii) by striking '', and'' at the end and inserting a period; and

(C) by striking clause (iii).

SEC. 5483. OTHER ITEMS AND SERVICES INCLUDED IN HOSPICE CARE.

Section 1861(dd)(1) (42 U.S.C. 1395x(dd)(1)) is amended—

(1) in subparagraph (G), by striking ''and'' at the end;

(2) in subparagraph (H), by striking the period at the end and inserting '', and''; and

(3) by inserting after subparagraph (H) the following:

''(I) any other item or service which is specified in the plan and for which payment may otherwise be made under this title.''.

SEC. 5484. CONTRACTING WITH INDEPENDENT PHYSICIANS OR PHYSICIAN GROUPS FOR HOSPICE CARE SERVICES PERMITTED.

Section 1861(dd)(2) (42 U.S.C. 1395x(dd)(2)) is amended—

(1) in subparagraph (A)(ii)(I), by striking ''(F),''; and

(2) in subparagraph (B)(i), by inserting ''or, in the case of a physician described in subclause (I), under contract with'' after ''employed by''.

SEC. 5485. WAIVER OF CERTAIN STAFFING REQUIREMENTS FOR HOSPICE CARE PROGRAMS IN NON-URBANIZED AREAS.

Section 1861(dd)(5) (42 U.S.C. 1395x(dd)(5)) is amended—

(1) in subparagraph (B), by inserting ''or (C)'' after ''subparagraph (A)'' each place it appears; and

(2) by adding at the end the following:

''(C) The Secretary may waive the requirements of paragraph clauses (i) and (ii) of paragraph (2)(A) for an agency or organization with respect to the services described in paragraph (1)(B) and, with respect to dietary counseling, paragraph (1)(H), if such agency or organization—

''(i) is located in an area which is not an urbanized area (as defined by the Bureau of the Census), and

''(ii) demonstrates to the satisfaction of the Secretary that the agency or organization has been unable, despite diligent efforts, to recruit appropriate personnel.''.

SEC. 5486. LIMITATION ON LIABILITY OF BENEFICIARIES FOR CERTAIN HOSPICE COVERAGE DENIALS.

Section 1879 (42 U.S.C. 1395pp) is amended—

(1) in subsection (a), in the matter following paragraph (2), by inserting ''and except as provided in subsection (i),'' after ''to the extent permitted by this title,'';

(2) in subsection (g)—

(A) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively, and indenting such subparagraphs appropriately;

(B) by striking ''is,'' and inserting ''is—'';

(C) by making the remaining text of subsection (g) (as amended) that follows ''is—'' a new paragraph (1) and indenting that paragraph appropriately;

(D) by striking the period at the end and inserting ''; and''; and

(E) by adding at the end the following:

''(2) with respect to the provision of hospice care to an individual, a determination that the individual is not terminally ill.''; and

(3) by adding at the end the following:

''(i) In any case involving a coverage denial with respect to hospice care described in subsection (g)(2), only the individual that received such care shall, notwithstanding such determination, be indemnified for any payments that the individual made to a provider or other person for such care that would, but for such denial, otherwise be paid to the individual under part A or B of this title.''.

SEC. 5487. EXTENDING THE PERIOD FOR PHYSICIAN CERTIFICATION OF AN INDIVIDUAL'S TERMINAL ILLNESS.

Section 1814(a)(7)(A)(i) (42 U.S.C. 1395f(a)(7)(A)(i)) is amended, in the matter following subclause (II), by striking '', not later than 2 days after hospice care is initiated (or, if each certify verbally not later than 2 days after hospice care is initiated, not later than 8 days after such care is initiated)'' and inserting ''at the beginning of the period''.

SEC. 5488. EFFECTIVE DATE.

Except as otherwise provided in this chapter, the amendments made by this chapter apply to benefits provided on or after the date of the enactment of this chapter, regardless of whether or not an individual has made an election under section 1812(d) of the Social Security Act (42 U.S.C. 1395d(d)) before such date.

Subtitle G—Provisions Relating to Part B Only

CHAPTER 1—PAYMENTS FOR PHYSICIANS AND OTHER HEALTH CARE PROVIDERS

SEC. 5501. ESTABLISHMENT OF SINGLE CONVERSION FACTOR FOR 1998.

(a) IN GENERAL.—Section 1848(d)(1) (42 U.S.C. 1395w–4(d)(1)) is amended to read as follows:

''(1) ESTABLISHMENT.—

''(A) IN GENERAL.—The conversion factor for each year shall be the conversion factor established under this subsection for the previous year, adjusted by the update established under paragraph (3) for the year involved.

''(B) SPECIAL RULE FOR 1998.—The single conversion factor for 1998 shall be the conversion factor for primary care services for 1997, increased by the Secretary's estimate of the weighted average of the 3 separate updates that would otherwise occur but for the enactment of chapter 1 of subtitle G of title V of the Balanced Budget Act of 1997.

''(C) PUBLICATION.—The Secretary shall, during the last 15 days of October of each year, publish the conversion factor which will apply to physicians' services for the following year and the update determined under paragraph (3) for such year.''

(b) CONFORMING AMENDMENT.—Section 1848(i)(1)(C) (42 U.S.C. 1395w–4(i)(1)(C)) is amended by striking ''conversion factors'' and inserting ''the conversion factor''.

SEC. 5502. ESTABLISHING UPDATE TO CONVERSION FACTOR TO MATCH SPENDING UNDER SUSTAINABLE GROWTH RATE.

(a) UPDATE.—

(1) IN GENERAL.—Section 1848(d)(3) (42 U.S.C. 1395w–4(d)(3)) is amended to read as follows:

''(3) UPDATE.—

''(A) IN GENERAL.—Unless otherwise provided by law, subject to subparagraph (D) and the budget-neutrality factor determined by the Secretary under subsection (c)(2)(B)(ii), the update to the single conversion factor established in paragraph (1)(B) for a year beginning with 1999 is equal to the product of—

''(i) 1 plus the Secretary's estimate of the percentage increase in the MEI (as defined in section 1842(i)(3)) for the year (divided by 100), and

''(ii) 1 plus the Secretary's estimate of the update adjustment factor for the year (divided by 100),

minus 1 and multiplied by 100.

''(B) UPDATE ADJUSTMENT FACTOR.—For purposes of subparagraph (A)(ii), the 'update adjustment factor' for a year is equal to the quotient (as estimated by the Secretary) of—

''(i) the difference between (I) the sum of the allowed expenditures for physicians' services (as determined under subparagraph (C)) for the period beginning July 1, 1997, and ending on June 30 of the year involved, and (II) the amount of actual expenditures for physicians' services furnished during the period beginning July 1, 1997, and ending on June 30 of the preceding year; divided by

''(ii) the actual expenditures for physicians' services for the 12-month period ending on June 30 of the preceding year, increased by the sustainable growth rate under subsection (f) for the fiscal year which begins during such 12-month period.

''(C) DETERMINATION OF ALLOWED EXPENDITURES.—For purposes of this paragraph, the allowed expenditures for physicians' services for the 12-month period ending with June 30 of—

''(i) 1997 is equal to the actual expenditures for physicians' services furnished during such 12-month period, as estimated by the Secretary; or

''(ii) a subsequent year is equal to the allowed expenditures for physicians' services for the previous year, increased by the sustainable growth rate under subsection (f) for the fiscal year which begins during such 12-month period.

''(D) RESTRICTION ON VARIATION FROM MEDICARE ECONOMIC INDEX.—Notwithstanding the amount of the update adjustment factor determined under subparagraph (B) for a year, the update in the conversion factor under this paragraph for the year may not be—

''(i) greater than 100 times the following amount: (1.03 + (MEI percentage/100)) − 1; or

''(ii) less than 100 times the following amount: (0.93 + (MEI percentage/100)) − 1,

where 'MEI percentage' means the Secretary's estimate of the percentage increase in the MEI (as defined in section 1842(i)(3)) for the year involved.''.

(b) ELIMINATION OF REPORT.—Section 1848(d) (42 U.S.C. 1395w–4(d)) is amended by striking paragraph (2).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to the update for years beginning with 1999.

SEC. 5503. REPLACEMENT OF VOLUME PERFORMANCE STANDARD WITH SUSTAINABLE GROWTH RATE.

(a) IN GENERAL.—Section 1848(f) (42 U.S.C. 1395w–4(f)) is amended by striking paragraphs (2) through (5) and inserting the following:

''(2) SPECIFICATION OF GROWTH RATE.—The sustainable growth rate for all physicians' services for a fiscal year (beginning with fiscal year 1998) shall be equal to the product of—

''(A) 1 plus the Secretary's estimate of the weighted average percentage increase (divided by 100) in the fees for all physicians' services in the fiscal year involved,

''(B) 1 plus the Secretary's estimate of the percentage change (divided by 100) in the average number of individuals enrolled under this part (other than Medicare Choice plan enrollees) from the previous fiscal year to the fiscal year involved,

''(C) 1 plus the Secretary's estimate of the projected percentage growth in real gross domestic product per capita (divided by 100) from the previous fiscal year to the fiscal year involved, and

''(D) 1 plus the Secretary's estimate of the percentage change (divided by 100) in expenditures for all physicians' services in the fiscal year (compared with the previous fiscal year) which will result from changes in law and regulations, determined without taking into account estimated changes in expenditures due to changes in the volume and intensity of physicians' services resulting from changes in the update to the conversion factor under subsection (d)(3),

minus 1 and multiplied by 100.

''(3) DEFINITIONS.—In this subsection:

''(A) SERVICES INCLUDED IN PHYSICIANS' SERVICES.—The term 'physicians' services' includes other items and services (such as clinical diagnostic laboratory tests and radiology services), specified by the Secretary, that are commonly performed or furnished by a physician or in a physician's office, but does not include services furnished to a Medicare Choice plan enrollee.

''(B) MEDICARE CHOICE PLAN ENROLLEE.—The term 'Medicare Choice plan enrollee' means, with respect to a fiscal year, an individual enrolled under this part who has elected to receive benefits under this title for the fiscal year through a Medicare Choice plan offered under part C, and also includes an individual who is receiving benefits under this part through enrollment with an eligible organization with a risk-sharing contract under section 1876.''.

(b) CONFORMING AMENDMENTS.—So much of section 1848(f) (42 U.S.C. 1395w–4(f)) as precedes paragraph (2) is amended to read as follows:

''(f) SUSTAINABLE GROWTH RATE.—

''(1) PUBLICATION.—The Secretary shall cause to have published in the Federal Register the sustainable growth rate for each fiscal year beginning with fiscal year 1998. Such publication shall occur in the last 15 days of October of the year in which the fiscal year begins, except that such rate for fiscal year 1998 shall be published not later than January 1, 1998.''

SEC. 5504. PAYMENT RULES FOR ANESTHESIA SERVICES.

(a) IN GENERAL.—Section 1848(d)(1) (42 U.S.C. 1395w–4(d)(1)), as amended by section 5501, is amended—

(A) in subparagraph (B), striking ''The single'' and inserting ''Except as provided in subparagraph (C), the single'';

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

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

''(C) SPECIAL RULES FOR ANESTHESIA SERVICES.—The separate conversion factor for anesthesia services for a year shall be equal to 46 percent of the single conversion factor established for other physicians' services, except as adjusted for changes in work, practice expense, or malpractice relative value units.''.

(b) CLASSIFICATION OF ANESTHESIA SERVICES.—The first sentence of section 1848(j)(1) (42 U.S.C. 1395w–4(j)(1)) is amended—

(1) by striking ''and including anesthesia services''; and

(2) by inserting before the period the following: ''(including anesthesia services)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to services furnished on or after January 1, 1998.

SEC. 5505. IMPLEMENTATION OF RESOURCE-BASED PHYSICIAN PRACTICE EXPENSE.

(a) ADJUSTMENTS TO RELATIVE VALUE UNITS FOR 1998.—Section 1848(c)(2) (42 U.S.C. 1395w–4(c)(2)) is amended by adding at the end the following new subparagraph:

''(G) ADJUSTMENTS IN RELATIVE VALUE UNITS FOR 1998.—

''(i) IN GENERAL.—The Secretary shall—

''(I) reduce the practice expense relative value units applied to any services described in clause (ii) furnished in 1998 to a number equal to 110 percent of the number of work relative value units, and

''(II) increase the practice expense relative value units for primary care services provided in an office setting during 1998 by a uniform percentage which the Secretary estimates will result in an aggregate increase in payments for such services equal to the aggregate decrease in payments by reason of subclause (I).

''(ii) SERVICES COVERED.—For purposes of clause (i), the services described in this clause are physicians' services that are not described in clause (iii) and for which—

''(I) there are work relative value units, and

''(II) the number of practice expense relative value units (determined for 1998) exceeds 110 percent of the number of work relative value units (determined for such year).

''(iii) EXCLUDED SERVICES.—For purposes of clause (ii), the services described in this clause are services which the Secretary determines at least 75 percent of which are provided under this title in an office setting.''

(b) PHASED-IN IMPLEMENTATION.—Section 1848(c)(2) (42 U.S.C. 1395w–4(c)(2)), as amended by subsection (a), is amended—

(1) in subparagraph (C)(ii), in the matter following subclause (II), by inserting '', to the extent provided under subparagraph (H),'' after ''based'', and

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

''(H) TRANSITIONAL RULE FOR RESOURCE-BASED PRACTICE EXPENSE UNITS.—In applying subparagraph (C)(ii) for 1998, 1999, 2000, and any subsequent year, the number of units under such subparagraph shall be based 75 percent, 50 percent, 25 percent, and 0 percent, respectively, on the practice expense relative value units in effect in 1997 (or the Secretary's imputation of such units for new or revised codes) and the remainder on the relative value expense resources involved in furnishing the service.''

(c) REVIEW BY COMPTROLLER GENERAL.—The Comptroller General of the United States shall review and evaluate the proposed rule on resource-based methodology for practice expenses issued by the Health Care Financing Administration. The Comptroller General shall, within 6 months of the date of the enactment of this Act, report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate the results of its evaluation, including an analysis of—

(1) the adequacy of the data used in preparing the rule,

(2) categories of allowable costs,

(3) methods for allocating direct and indirect expenses,

(4) the potential impact of the rule on beneficiary access to services, and

(5) any other matters related to the appropriateness of resource-based methodology for practice expenses.

The Comptroller General shall consult with representatives of physicians' organizations with respect to matters of both data and methodology.

(d) CONSULTATION.—

(1) IN GENERAL.—The Secretary of Health and Human Services shall assemble a group of physicians with expertise in both surgical and nonsurgical areas (including primary care physicians and academics), accounting experts, and the chair of the Prospective Payment Review Commission (or its successor) to solicit their individual views on whether sufficient data exist to allow the Health Care Financing Administration to proceed with implementation of the rule described in subsection (c). After hearing the views of individual members of the group, the Secretary shall determine whether sufficient data exists to proceed with practice expense relative value determination and shall report on such views of the individual members to the committees described in subsection (c), including any recommendations for modifying such rule.

(2) ACTION.—If the Secretary determines under paragraph (1) that insufficient data exists or that the rule described in subsection (c) needs to be revised, the Secretary shall provide for additional data collection and such other actions to correct any deficiencies.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning on and after January 1, 1998.

SEC. 5506. INCREASED MEDICARE REIMBURSEMENT FOR NURSE PRACTITIONERS AND CLINICAL NURSE SPECIALISTS.

(a) REMOVAL OF RESTRICTIONS ON SETTINGS.—

(1) IN GENERAL.—Clause (ii) of section 1861(s)(2)(K) (42 U.S.C. 1395x(s)(2)(K)) is amended to read as follows:

''(ii) services which would be physicians' services if furnished by a physician (as defined in subsection (r)(1)) and which are performed by a nurse practitioner or clinical nurse specialist (as defined in subsection (aa)(5)) working in collaboration (as defined in subsection (aa)(6)) with a physician (as defined in subsection (r)(1)) which the nurse practitioner or clinical nurse specialist is legally authorized to perform by the State in

which the services are performed, and such services and supplies furnished as an incident to such services as would be covered under subparagraph (A) if furnished incident to a physician's professional service, but only if no facility or other provider charges or is paid any amounts with respect to the furnishing of such services;''.

(2) CONFORMING AMENDMENTS.—(A) Section 1861(s)(2)(K) of such Act (42 U.S.C. 1395x(s)(2)(K)) is further amended—

(i) in clause (i), by inserting ''and such services and supplies furnished as incident to such services as would be covered under subparagraph (A) if furnished incident to a physician's professional service; and'' after ''are performed,''; and

(ii) by striking clauses (iii) and (iv).

(B) Section 1861(b)(4) (42 U.S.C. 1395x(b)(4)) is amended by striking ''clauses (i) or (iii) of subsection (s)(2)(K)'' and inserting ''subsection (s)(2)(K)''.

(C) Section 1862(a)(14) (42 U.S.C. 1395y(a)(14)) is amended by striking ''section 1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)'' and inserting ''section 1861(s)(2)(K)''.

(D) Section 1866(a)(1)(H) (42 U.S.C. 1395cc(a)(1)(H)) is amended by striking ''section 1861(s)(2)(K)(i) or 1861(s)(2)(K)(iii)'' and inserting ''section 1861(s)(2)(K)''.

(E) Section 1888(e)(2)(A)(ii) (42 U.S.C. 1395yy(e)(2)(A)(ii)), as added by section 5301(a), is amended by striking ''through (iii)'' and inserting ''and (ii)''.

(b) INCREASED PAYMENT.—

(1) FEE SCHEDULE AMOUNT.—Clause (O) of section 1833(a)(1) (42 U.S.C. 1395l(a)(1)) is amended to read as follows: ''(O) with respect to services described in section 1861(s)(2)(K)(ii) (relating to nurse practitioner or clinical nurse specialist services), the amounts paid shall be equal to 80 percent of (i) the lesser of the actual charge or 85 percent of the fee schedule amount provided under section 1848, or (ii) in the case of services as an assistant at surgery, the lesser of the actual charge or 85 percent of the amount that would otherwise be recognized if performed by a physician who is serving as an assistant at surgery; and''.

(2) CONFORMING AMENDMENTS.—(A) Section 1833(r) (42 U.S.C. 1395l(r)) is amended—

(i) in paragraph (1), by striking ''section 1861(s)(2)(K)(iii) (relating to nurse practitioner or clinical nurse specialist services provided in a rural area)'' and inserting ''section 1861(s)(2)(K)(ii) (relating to nurse practitioner or clinical nurse specialist services)'';

(ii) by striking paragraph (2);

(iii) in paragraph (3), by striking ''section 1861(s)(2)(K)(iii)'' and inserting ''section 1861(s)(2)(K)(ii)''; and

(iv) by redesignating paragraph (3) as paragraph (2).

(B) Section 1842(b)(12)(A) (42 U.S.C. 1395u(b)(12)(A)) is amended, in the matter preceding clause (i), by striking ''clauses (i), (ii), or (iv) of section 1861(s)(2)(K) (relating to a physician assistants and nurse practitioners)'' and inserting ''section 1861(s)(2)(K)(i) (relating to physician assistants)''.

(c) DIRECT PAYMENT FOR NURSE PRACTITIONERS AND CLINICAL NURSE SPECIALISTS.—

(1) IN GENERAL.—Section 1832(a)(2)(B)(iv) (42 U.S.C. 1395k(a)(2)(B)(iv)) is amended by striking ''provided in a rural area (as defined in section 1886(d)(2)(D))'' and inserting ''but only if no facility or other provider charges or is paid any amounts with respect to the furnishing of such services''.

(2) CONFORMING AMENDMENT.—Section 1842(b)(6)(C) (42 U.S.C. 1395u(b)(6)(C)) is amended—

(A) by striking ''clauses (i), (ii), or (iv)'' and inserting ''clause (i)''; and

(B) by striking ''or nurse practitioner''.

(d) DEFINITION OF CLINICAL NURSE SPECIALIST CLARIFIED.—Section 1861(aa)(5) (42 U.S.C. 1395x(aa)(5)) is amended—

(1) by inserting ''(A)'' after ''(5)'';

(2) by striking ''The term 'physician assistant'' and all that follows through ''who performs'' and inserting ''The term 'physician assistant' and the term 'nurse practitioner' mean, for purposes of this title, a physician assistant or nurse practitioner who performs''; and

(3) by adding at the end the following new subparagraph:

''(B) The term 'clinical nurse specialist' means, for purposes of this title, an individual who—

''(i) is a registered nurse and is licensed to practice nursing in the State in which the clinical nurse specialist services are performed; and

''(ii) holds a master's degree in a defined clinical area of nursing from an accredited educational institution.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to services furnished and supplies provided on and after January 1, 1998.

SEC. 5507. INCREASED MEDICARE REIMBURSEMENT FOR PHYSICIAN ASSISTANTS.

(a) REMOVAL OF RESTRICTION ON SETTINGS.—Section 1861(s)(2)(K)(i) (42 U.S.C. 1395x(s)(2)(K)(i)), as amended by the section 5506, is amended—

(1) by striking ''(I) in a hospital'' and all that follows through ''shortage area,'', and

(2) by adding at the end the following: ''but only if no facility or other provider charges or is paid any amounts with respect to the furnishing of such services,''.

(b) INCREASED PAYMENT.—Paragraph (12) of section 1842(b) (42 U.S.C. 1395u(b)), as amended by section 5506(b)(2)(B), is amended to read as follows:

''(12) With respect to services described in section 1861(s)(2)(K)(i)—

''(A) payment under this part may only be made on an assignment-related basis; and

''(B) the amounts paid under this part shall be equal to 80 percent of (i) the lesser of the actual charge or 85 percent of the fee schedule amount provided under section 1848 for the same service provided by a physician who is not a specialist; or (ii) in the case of services as an assistant at surgery, the lesser of the actual charge or 85 percent of the amount that would otherwise be recognized if performed by a physician who is serving as an assistant at surgery.''.

(c) REMOVAL OF RESTRICTION ON EMPLOYMENT RELATIONSHIP.—Section 1842(b)(6) (42 U.S.C. 1395u(b)(6)) is amended by adding at the end the following new sentence: ''For purposes of clause (C) of the first sentence of this paragraph, an employment relationship may include any independent contractor arrangement, and employer status shall be determined in accordance with the law of the State in which the services described in such clause are performed.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to services furnished and supplies provided on and after January 1, 1998.

SEC. 5508. CHIROPRACTIC SERVICES COVERAGE DEMONSTRATION PROJECT.

(a) DEMONSTRATION.—The Secretary of Health and Human Services (in this section referred to as the ''Secretary'') shall conduct demonstration projects, for a period of 2 years, to begin not later than 1 year after the date of enactment of this Act, for the purpose of evaluating methods under which access to chiropractic services by individuals entitled to benefits under part A of title XVIII of the Social Security Act (42 U.S.C. 1395c et seq.) and enrolled under part B of such title (42 U.S.C. 1395j et seq.) (in this section referred to as ''medicare beneficiaries'') would be provided, on a cost effective basis, as a benefit to medicare beneficiaries.

(b) ELEMENTS OF THE DEMONSTRATION PROJECT.—A demonstration project conducted under this section shall include the evaluation of the following elements:

(1) The effect on the medicare program of allowing chiropractors to order x-rays and to receive payment under the medicare program for providing such x-rays.

(2) The effect on the medicare program of eliminating the requirement for an x-ray under section 1861(r)(5) of such Act (42 U.S.C. 1395x(r)(5)).

(3) The effect on the medicare program of allowing chiropractors, within the scope of their licensure, to provide physicians' services (as defined in section 1861(q) of the Social Security Act (42 U.S.C. 1395x(q))) to medicare beneficiaries.

(4) The cost effectiveness of allowing a medicare beneficiary who is enrolled with an eligible organization under section 1876 of the Social Security Act (42 U.S.C. 1395mm) or with a Medicare Choice organization under part C of such Act to have direct access to chiropractors.

In this section, the term ''direct access'' means allowing a medicare beneficiary to go directly to a chiropractor affiliated with the organizations referred to in paragraph (4) without prior approval from a physician (other than another chiropractor) or other entity.

(c) CONDUCT OF THE DEMONSTRATION PROJECT.—

(1) PROJECT LOCATIONS.—A demonstration project (that includes each element under subsection (b)) shall be conducted in—

(A) 3 or more rural areas (as defined in section 1886(d)(2)(D) of the Social Security Act (42 U.S.C. 1395ww(d)(2)(D)));

(B) 3 or more urban areas (as defined in such section); and

(C) 3 or more areas having a shortage of primary medical care professionals (as designed under section 332 of the Public Health Service Act (42 U.S.C. 254e)).

(2) CONSULTATION.—For the design and conduct of the demonstration project, the Secretary shall consult, on a ongoing basis, with chiropractors, organizations representing chiropractors, and representatives of medicare beneficiary consumer groups.

(3) DIRECT ACCESS ELEMENT.—

(A) IN GENERAL.—The Secretary shall study the element to be evaluated under subsection (b)(4) by involving at least l0 eligible organizations under section 1876 of the Social Security Act (42 U.S.C. 1395mm) or Medicare Choice organizations under part C of such title that have voluntarily elected to participate in the demonstration project.

(B) PAYMENT.—The Secretary shall provide a small incentive payment to each such organization participating in the demonstration project.

(C) FULL SCOPE OF SERVICES.—Any such organization may allow chiropractors to practice the full scope of services for which they are licensed by the State in which those services are furnished, as if those services were both a covered benefit under the medicare program and included in such organization's contract under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.). The Secretary shall agree to as many of such proposals as possible, giving due regard for the overall design of the demonstration project.

(d) EVALUATION.—The Secretary shall evaluate the demonstration projects, taking into account the differences in demonstration project locations, in order to determine—

(1) whether medicare beneficiaries who receive chiropractic services use a lesser overall amount of items and services under the

medicare program than medicare beneficiaries who do not receive chiropractic services;

(2) the overall cost effects on medicare program spending of the increased access of medicare beneficiaries to chiropractors;

(3) beneficiary satisfaction with chiropractic services, including quality of care; and

(4) such other matters as the Secretary deems appropriate.

(e) REPORT TO CONGRESS.—

(1) PRELIMINARY REPORT.—Not later than 2 years after the date of enactment of this Act, the Secretary shall submit a preliminary report to the Committee on Ways and Means and the Committee on Commerce of the House of Representatives and to the Committee on Finance of the Senate on the progress made in the demonstration programs, including—

(A) a description of the locations in which the demonstration projects under this section are being conducted; and

(B) the chiropractic services being furnished in each location.

(2) FINAL REPORT.—

(A) IN GENERAL.—Not later than January l, 2001, the Secretary shall submit a final report on the demonstration project to the committees described in paragraph (1).

(B) CONTENTS.—The report submitted under subparagraph (A) shall include a summary of the evaluation prepared under subsection (d) and recommendations for appropriate legislative changes.

(C) RECOMMENDED LEGISLATION.—The legislative recommendations described in subparagraph (B) shall include a legislative draft of specific amendments to the Social Security Act that authorize payment under the medicare program for elements described in subsection (b) that the Secretary determines to be cost effective, based on the results of the demonstration projects.

(f) FUNDING.—

(1) IN GENERAL.—The Secretary shall provide for the transfer from the Federal Supplementary Insurance Trust Fund under title XVIII of the Social Security Act (42 U.S.C. 1395t) such funds as the Secretary determines to be necessary for the costs of carrying out the demonstration projects under this section.

(2) PAYMENTS OF AMOUNTS.—Grants and payments under contracts for purposes of the demonstration project may be made either in advance or by reimbursement, as determined by the Secretary, and shall be made in such installments and on such conditions as the Secretary finds necessary to carry out the purpose of this section.

(g) WAIVER AUTHORITY.—The Secretary shall waive compliance with the requirements of titles XI, XVIII, and XIX of the Social Security Act (42 U.S.C. 1301 et seq., 1395 et seq., 1396 et seq.) to such extent and for such period as the Secretary determines is necessary to conduct demonstration projects under this section.

(h) IMPLEMENTING EXPANDED COVERAGE OF CHIROPRACTIC SERVICES.—As soon as possible after the submission of a final report under subsection (e), the Secretary shall issue regulations to implement, on a permanent basis, the elements of the demonstration project that are cost effective for the medicare program.

CHAPTER 2—OTHER PAYMENT PROVISIONS

SEC. 5521. REDUCTION IN UPDATES TO PAYMENT AMOUNTS FOR CLINICAL DIAGNOSTIC LABORATORY TESTS; STUDY ON LABORATORY SERVICES.

(a) CHANGE IN UPDATE.—Section 1833(h)(2)(A)(ii) (42 U.S.C. 1395l(h)(2)(A)(ii)) is amended by striking ''and'' at the end of subclause (III), by striking the period at the end of subclause (IV) and inserting '', and'', and by adding at the end the following:

''(V) the annual adjustment in the fee schedules determined under clause (i) for each of the years 1998 through 2002 shall be reduced (but not below zero) by 2.0 percentage points.''

(b) LOWERING CAP ON PAYMENT AMOUNTS.—Section 1833(h)(4)(B) (42 U.S.C. 1395l(h)(4)(B)) is amended—

(1) in clause (vi), by striking ''and'' at the end;

(2) in clause (vii)—

(A) by inserting ''and before January 1, 1998,'' after ''1995,'', and

(B) by striking the period at the end and inserting '', and''; and

(3) by adding at the end the following new clause:

''(viii) after December 31, 1997, is equal to 74 percent of such median.''.

(c) STUDY AND REPORT ON CLINICAL LABORATORY SERVICES.—

(1) IN GENERAL.—The Secretary shall request the Institute of Medicine of the National Academy of Sciences to conduct a study of payments under part B of title XVIII of the Social Security Act for clinical laboratory services. The study shall include a review of the adequacy of the current methodology and recommendations regarding alternative payment systems. The study shall also analyze and discuss the relationship between such payment systems and access to high quality laboratory services for medicare beneficiaries, including availability and access to new testing methodologies.

(2) REPORT TO CONGRESS.—The Secretary shall, not later than 2 years after the date of enactment of this section, report to the appropriate committees of Congress the results of the study described in paragraph (1), including any recommendations for legislation.

SEC. 5522. IMPROVEMENTS IN ADMINISTRATION OF LABORATORY SERVICES BENEFIT.

(a) SELECTION OF REGIONAL CARRIERS.—

(1) IN GENERAL.—The Secretary of Health and Human Services (in this section referred to as the ''Secretary'') shall—

(A) divide the United States into no more than 5 regions, and

(B) designate a single carrier for each such region,

for the purpose of payment of claims under part B of title XVIII of the Social Security Act with respect to clinical diagnostic laboratory services furnished on or after such date (not later than January 1, 1999) as the Secretary specifies.

(2) DESIGNATION.—In designating such carriers, the Secretary shall consider, among other criteria—

(A) a carrier's timeliness, quality, and experience in claims processing, and

(B) a carrier's capacity to conduct electronic data interchange with laboratories and data matches with other carriers.

(3) SINGLE DATA RESOURCE.—The Secretary shall select one of the designated carriers to serve as a central statistical resource for all claims information relating to such clinical diagnostic laboratory services handled by all the designated carriers under such part.

(4) ALLOCATION OF CLAIMS.—The allocation of claims for clinical diagnostic laboratory services to particular designated carriers shall be based on whether a carrier serves the geographic area where the laboratory specimen was collected or other method specified by the Secretary.

(5) TEMPORARY EXCEPTION.—Paragraph (1) shall not apply with respect to clinical diagnostic laboratory services furnished by independent physician offices until such time as the Secretary determines that such offices would not be unduly burdened by the application of billing responsibilities with respect to more than one carrier.

(b) ADOPTION OF UNIFORM POLICIES FOR CLINICAL LABORATORY BENEFITS.—

(1) IN GENERAL.—Not later than July 1, 1998, the Secretary shall first adopt, consistent with paragraph (2), uniform coverage, administration, and payment policies for clinical diagnostic laboratory tests under part B of title XVIII of the Social Security Act, using a negotiated rulemaking process under subchapter III of chapter 5 of title 5, United States Code.

(2) CONSIDERATIONS IN DESIGN OF UNIFORM POLICIES.—The policies under paragraph (1) shall be designed to promote program integrity and uniformity and simplify administrative requirements with respect to clinical diagnostic laboratory tests payable under such part in connection with the following:

(A) Beneficiary information required to be submitted with each claim or order for laboratory services.

(B) Physicians' obligations regarding documentation requirements and recordkeeping.

(C) Procedures for filing claims and for providing remittances by electronic media.

(D) The documentation of medical necessity.

(E) Limitation on frequency of coverage for the same tests performed on the same individual.

(3) CHANGES IN LABORATORY POLICIES PENDING ADOPTION OF UNIFORM POLICY.—During the period that begins on the date of the enactment of this Act and ends on the date the Secretary first implements uniform policies pursuant to regulations promulgated under this subsection, a carrier under such part may implement changes relating to requirements for the submission of a claim for clinical diagnostic laboratory tests.

(4) USE OF INTERIM POLICIES.—After the date the Secretary first implements such uniform policies, the Secretary shall permit any carrier to develop and implement interim policies of the type described in paragraph (1), in accordance with guidelines established by the Secretary, in cases in which a uniform national policy has not been established under this subsection and there is a demonstrated need for a policy to respond to aberrant utilization or provision of unnecessary services. Except as the Secretary specifically permits, no policy shall be implemented under this paragraph for a period of longer than 2 years.

(5) INTERIM NATIONAL GUIDELINES.—After the date the Secretary first designates regional carriers under subsection (a), the Secretary shall establish a process under which designated carriers can collectively develop and implement interim national guidelines of the type described in paragraph (1). No such policy shall be implemented under this paragraph for a period of longer than 2 years.

(6) BIENNIAL REVIEW PROCESS.—Not less often than once every 2 years, the Secretary shall solicit and review comments regarding changes in the uniform policies established under this subsection. As part of such biennial review process, the Secretary shall specifically review and consider whether to incorporate or supersede interim, regional, or national policies developed under paragraph (4) or (5). Based upon such review, the Secretary may provide for appropriate changes in the uniform policies previously adopted under this subsection.

(7) REQUIREMENT AND NOTICE.—The Secretary shall ensure that any guidelines adopted under paragraph (3), (4), or (5) shall apply to all laboratory claims payable under part B of title XVIII of the Social Security Act, and shall provide for advance notice to interested parties and a 45-day period in

which such parties may submit comments on the proposed change.

(c) INCLUSION OF LABORATORY REPRESENTATIVE ON CARRIER ADVISORY COMMITTEES.—The Secretary shall direct that any advisory committee established by such a carrier, to advise with respect to coverage, administration or payment policies under part B of title XVIII of the Social Security Act, shall include an individual to represent the interest and views of independent clinical laboratories and such other laboratories as the Secretary deems appropriate. Such individual shall be selected by such committee from among nominations submitted by national and local organizations that represent independent clinical laboratories.

SEC. 5523. PAYMENTS FOR DURABLE MEDICAL EQUIPMENT.

(a) REDUCTION IN PAYMENT AMOUNTS FOR ITEMS OF DURABLE MEDICAL EQUIPMENT.—

(1) FREEZE IN UPDATE FOR COVERED ITEMS.—Section 1834(a)(14) (42 U.S.C. 1395m(a)(14)) is amended to read as follows:

''(14) COVERED ITEM UPDATE.—In this subsection—

''(A) IN GENERAL.—The term 'covered item update' means, with respect to any year, the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year.

''(B) REDUCTION FOR CERTAIN YEARS.—In the case of each of the years 1998 through 2002, the covered item update under subparagraph (A) shall be reduced (but not below zero) by 2.0 percentage points.''

(2) UPDATE FOR ORTHOTICS AND PROSTHETICS.—Section 1834(h)(4)(A) (42 U.S.C. 1395m(h)(4)(A)) is amended to read as follows:

''(A) the term 'applicable percentage increase' means, with respect to any year, the percentage increase in the consumer price index for all urban consumers (U.S. city average) for the 12-month period ending with June of the previous year, except that in each of the years 1998 through 2000, such increase shall be reduced (but not below zero) by 2.0 percentage points;''.

(3) EFFECTIVE DATE.—The amendments made by this subsection applies to items furnished on and after January 1, 1998.

(b) REDUCTION IN INCREASE FOR PARENTERAL AND ENTERAL NUTRIENTS, SUPPLIES, AND EQUIPMENT.—The reasonable charge under part B of title XVIII of the Social Security Act for parenteral and enteral nutrients, supplies, and equipment furnished during each of the years 1998 through 2002, shall not exceed the reasonable charge for such items furnished during the previous year (after application of this subsection), increased by the percentage increase in the consumer price index for all urban consumers (United States city average) for the 12-month period ending with June of the previous year reduced (but not below zero) by 2.0 percentage points.

SEC. 5524. OXYGEN AND OXYGEN EQUIPMENT.

(a) IN GENERAL.—Section 1834(a)(9)(B) (42 U.S.C. 1395m(a)(9)(B)) is amended—

(1) by striking ''and'' at the end of clause (iii);

(2) in clause (iv)—

(A) by striking ''a subsequent year'' and inserting ''1995, 1996, and 1997'', and

(B) by striking the period at the end and inserting a semicolon; and

(3) by adding at the end the following new clauses:

''(v) in 1998, 75 percent of the amount determined under this subparagraph for 1997;

''(vi) in 1999, 62.5 percent of the amount determined under this subparagraph for 1997; and

''(vii) for each subsequent year, the amount determined under this subparagraph for the preceding year increased by the covered item update for such subsequent year.''

(b) UPGRADED DURABLE MEDICAL EQUIPMENT.—Section 1834(a) (42 U.S.C. 1395m(a)) is amended by inserting after paragraph (15) the following new paragraph:

''(16) CERTAIN UPGRADED ITEMS.—

''(A) INDIVIDUAL'S RIGHT TO CHOOSE UPGRADED ITEM.—Notwithstanding any other provision of law, effective on the date on which the Secretary issues regulations under subparagraph (C), an individual may purchase or rent from a supplier an item of upgraded durable medical equipment for which payment would be made under this subsection if the item were a standard item.

''(B) PAYMENTS TO SUPPLIER.—In the case of the purchase or rental of an upgraded item under subparagraph (A)—

''(i) the supplier shall receive payment under this subsection with respect to such item as if such item were a standard item; and

''(ii) the individual purchasing or renting the item shall pay the supplier an amount equal to the difference between the supplier's charge and the amount under clause (i).

In no event may the supplier's charge for an upgraded item exceed the applicable fee schedule amount (if any) for such item.

''(C) CONSUMER PROTECTION SAFEGUARDS.—The Secretary shall issue regulations providing for consumer protection standards with respect to the furnishing of upgraded equipment under subparagraph (A). Such regulations shall provide for—

''(i) determination of fair market prices with respect to an upgraded item;

''(ii) full disclosure of the availability and price of standard items and proof of receipt of such disclosure information by the beneficiary before the furnishing of the upgraded item;

''(iii) conditions of participation for suppliers in the simplified billing arrangement;

''(iv) sanctions of suppliers who are determined to engage in coercive or abusive practices, including exclusion; and

''(v) such other safeguards as the Secretary determines are necessary.''

(c) ESTABLISHMENT OF CLASSES FOR PAYMENT.—Section 1848(a)(9) (42 U.S.C. 1395m(a)(9)) is amended by adding at the end the following:

''(D) AUTHORITY TO CREATE CLASSES.—

''(i) IN GENERAL.—Subject to clause (ii), the Secretary may establish separate classes for any item of oxygen and oxygen equipment and separate national limited monthly payment rates for each of such classes.

''(ii) BUDGET NEUTRALITY.—The Secretary may take actions under clause (i) only to the extent such actions do not result in expenditures for any year to be more or less than the expenditures which would have been made if such actions had not been taken.''

(d) STANDARDS AND ACCREDITATION.—The Secretary shall as soon as practicable establish service standards and accreditation requirements for persons seeking payment under part B of title XVIII of the Social Security Act for the providing of oxygen and oxygen equipment to beneficiaries within their homes.

(e) ACCESS TO HOME OXYGEN EQUIPMENT.—

(1) STUDY.—The Comptroller General of the United States shall study issues relating to access to home oxygen equipment and shall, within 6 months after the date of the enactment of this Act, report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate the results of the study, including recommendations (if any) for legislation.

(2) PEER REVIEW EVALUATION.—The Secretary of Health and Human Services shall arrange for peer review organizations established under section 1154 of the Social Security Act to evaluate access to, and quality of, home oxygen equipment.

(f) DEMONSTRATION PROJECT.—Not later than 6 months after the date of enactment of this Act, the Secretary shall, in consultation with appropriate organizations, initiate a demonstration project in which the Secretary utilizes a competitive bidding process for the furnishing of home oxygen equipment to medicare beneficiaries under title XVIII of the Social Security Act.

(g) EFFECTIVE DATE.—

(1) OXYGEN.—The amendments made by subsection (a) shall apply to items furnished on and after January 1, 1998.

(2) OTHER PROVISIONS.—The amendments made by this section other than subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 5525. UPDATES FOR AMBULATORY SURGICAL SERVICES.

Section 1833(i)(2)(C) (42 U.S.C. 1395l(i)(2)(C)) is amended by inserting at the end the following: ''In each of the fiscal years 1998 through 2002, the increase under this subparagraph shall be reduced (but not below zero) by 2.0 percentage points.''

SEC. 5526. REIMBURSEMENT FOR DRUGS AND BIOLOGICALS.

(a) IN GENERAL.—Section 1842 (42 U.S.C. 1395u) is amended by inserting after subsection (n) the following new subsection:

''(o)(1) If a physician's, supplier's, or any other person's bill or request for payment for services includes a charge for a drug or biological for which payment may be made under this part and the drug or biological is not paid on a cost or prospective payment basis as otherwise provided in this part, the amount payable for the drug or biological is equal to 95 percent of the average wholesale price, as specified by the Secretary.

''(2) In the case of any drug or biological for which payment was made under this part on May 1, 1997, the amount determined under paragraph (1) shall not exceed the amount payable under this part for such drug or biological on such date.

''(3) If payment for a drug or biological is made to a licensed pharmacy approved to dispense drugs or biologicals under this part, the Secretary shall pay a dispensing fee (less the applicable deductible and insurance amounts) to the pharmacy, as the Secretary determines appropriate.''

(b) EFFECTIVE DATE.—The amendments made by subsection (a) apply to drugs and biologicals furnished on or after January 1, 1999.

CHAPTER 3—PART B PREMIUM AND RELATED PROVISIONS

SEC. 5541. PART B PREMIUM.

(a) IN GENERAL.—Section 1839(a)(3) (42 U.S.C. 1395r(a)(3)) is amended by striking the first 3 sentences and inserting the following: ''The Secretary, during September of each year, shall determine and promulgate a monthly premium rate for the succeeding calendar year that is equal to 50 percent of the monthly actuarial rate for enrollees age 65 and over, determined according to paragraph (1), for that succeeding calendar year.''.

(b) CONFORMING AND TECHNICAL AMENDMENTS.—

(1) SECTION 1839.—Section 1839 (42 U.S.C. 1395r) is amended—

(A) in subsection (a)(2), by striking ''(b) and (e)'' and inserting ''(b), (c), and (f)'',

(B) in the last sentence of subsection (a)(3)—

(i) by inserting ''rate'' after ''premium'', and

(ii) by striking ''and the derivation of the dollar amounts specified in this paragraph'',

(C) by striking subsection (e), and

(D) by redesignating subsection (g) as subsection (e) and inserting that subsection after subsection (d).

(2) SECTION 1844.—Subparagraphs (A)(i) and (B)(i) of section 1844(a)(1) (42 U.S.C. 1395w(a)(1)) are each amended by striking ''or 1839(e), as the case may be''.

Subtitle H—Provisions Relating to Parts A and B

CHAPTER 1—SECONDARY PAYOR PROVISIONS

SEC. 5601. EXTENSION AND EXPANSION OF EXISTING REQUIREMENTS.

(a) DATA MATCH.—

(1) ELIMINATION OF MEDICARE SUNSET.—Section 1862(b)(5)(C) (42 U.S.C. 1395y(b)(5)(C)) is amended by striking clause (iii).

(2) ELIMINATION OF INTERNAL REVENUE CODE SUNSET.—Section 6103(l)(12) of the Internal Revenue Code of 1986 is amended by striking subparagraph (F).

(b) APPLICATION TO DISABLED INDIVIDUALS IN LARGE GROUP HEALTH PLANS.—

(1) IN GENERAL.—Section 1862(b)(1)(B) (42 U.S.C. 1395y(b)(1)(B)) is amended—

(A) in clause (i), by striking ''clause (iv)'' and inserting ''clause (iii)'';

(B) by striking clause (iii); and

(C) by redesignating clause (iv) as clause (iii).

(2) CONFORMING AMENDMENTS.—Paragraphs (1) through (3) of section 1837(i) (42 U.S.C. 1395p(i)) and the second sentence of section 1839(b) (42 U.S.C. 1395r(b)) are each amended by striking ''1862(b)(1)(B)(iv)'' each place it appears and inserting ''1862(b)(1)(B)(iii)''.

(c) INDIVIDUALS WITH END STAGE RENAL DISEASE.—Section 1862(b)(1)(C) (42 U.S.C. 1395y(b)(1)(C)) is amended—

(1) in the last sentence by striking ''October 1, 1998'' and inserting ''the date of enactment of the Balanced Budget Act of 1997''; and

(2) by adding at the end the following: ''Effective for items and services furnished on or after the date of enactment of the Balanced Budget Act of 1997, (with respect to periods beginning on or after the date that is 18 months prior to such date), clauses (i) and (ii) shall be applied by substituting '30-month' for '12-month' each place it appears.''.

SEC. 5602. IMPROVEMENTS IN RECOVERY OF PAYMENTS.

(a) PERMITTING RECOVERY AGAINST THIRD PARTY ADMINISTRATORS OF PRIMARY PLANS.—Section 1862(b)(2)(B)(ii) (42 U.S.C. 1395y(b)(2)(B)(ii)) is amended—

(1) by striking ''under this subsection to pay'' and inserting ''(directly, as a third-party administrator, or otherwise) to make payment''; and

(2) by adding at the end the following: ''The United States may not recover from a third-party administrator under this clause in cases where the third-party administrator would not be able to recover the amount at issue from the employer or group health plan for whom it provides administrative services due to the insolvency or bankruptcy of the employer or plan.''.

(b) EXTENSION OF CLAIMS FILING PERIOD.—Section 1862(b)(2)(B) (42 U.S.C. 1395y(b)(2)(B)) is amended by adding at the end the following:

''(v) CLAIMS-FILING PERIOD.—Notwithstanding any other time limits that may exist for filing a claim under an employer group health plan, the United States may seek to recover conditional payments in accordance with this subparagraph where the request for payment is submitted to the entity required or responsible under this subsection to pay with respect to the item or service (or any portion thereof) under a primary plan within the 3-year period beginning on the date on which the item or service was furnished.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply to items and services furnished on or after the date of enactment of this Act.

CHAPTER 2—OTHER PROVISIONS

SEC. 5611. INCREASED CERTIFICATION PERIOD FOR CERTAIN ORGAN PROCUREMENT ORGANIZATIONS.

Section 1138(b)(1)(A)(ii) (42 U.S.C. 1320b–8(b)(1)(A)(ii)) is amended by striking ''two years'' and inserting ''2 years (3 years if the Secretary determines appropriate for an organization on the basis of its past practices)''.

HUTCHISON (AND SANTORUM) AMENDMENT NO. 446

Mrs. HUTCHISON (for herself and Mr. SANTORUM) proposed an amendment to the bill, S. 947, supra; as follows:

At the end of title I, add the following:

SEC. 10___. DENIAL OF FOOD STAMPS FOR PRISONERS.

(a) STATE PLANS.—

(1) IN GENERAL.—Section 11(e) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)) is amended by striking paragraph (20) and inserting the following:

''(20) that the State agency shall establish a system and take action on a periodic basis—

''(A) to verify and otherwise ensure that an individual does not receive coupons in more than 1 jurisdiction within the State; and

''(B) to verify and otherwise ensure that an individual who is placed under detention in a Federal, State, or local penal, correctional, or other detention facility for more than 30 days shall not be eligible to participate in the food stamp program as a member of any household, except that—

''(i) the Secretary may determine that extraordinary circumstances make it impracticable for the State agency to obtain information necessary to discontinue inclusion of the individual; and

''(ii) a State agency that obtains information collected under section 1611(e)(1)(I)(i)(I) of the Social Security Act (42 U.S.C. 1382(e)(1)(I)(i)(I)) through an agreement under section 1611(e)(1)(I)(ii)(II) of that Act (42 U.S.C. 1382(e)(1)(I)(ii)(II)), or under another program determined by the Secretary to be comparable to the program carried out under that section, shall be considered in compliance with this subparagraph.''.

(2) LIMITS ON DISCLOSURE AND USE OF INFORMATION.—Section 11(e)(8)(E) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(8)(E)) is amended by striking ''paragraph (16)'' and inserting ''paragraph (16) or (20)(B)''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall take effect on the date that is 1 year after the date of enactment of this Act.

(B) EXTENSION.—The Secretary of Agriculture may grant a State an extension of time to comply with the amendments made by this subsection, not to exceed beyond the date that is 2 years after the date of enactment of this Act, if the chief executive officer of the State submits a request for the extension to the Secretary—

(i) stating the reasons why the State is not able to comply with the amendments made by this subsection by the date that is 1 year after the date of enactment of this Act;

(ii) providing evidence that the State is making a good faith effort to comply with the amendments made by this subsection as soon as practicable; and

(iii) detailing a plan to bring the State into compliance with the amendments made by this subsection as soon as practicable and not later than the date of the requested extension.

(b) INFORMATION SHARING.—Section 11 of the Food Stamp Act of 1977 (7 U.S.C. 2020) is amended by adding at the end the following:

''(q) DENIAL OF FOOD STAMPS FOR PRISONERS.—The Secretary shall assist States, to the maximum extent practicable, in implementing a system to conduct computer matches or other systems to prevent prisoners described in section 11(e)(20)(B) from receiving food stamp benefits.''.

SEC. 10___. NUTRITION EDUCATION.

Section 11(f) of the Food Stamp Act of 1977 (7 U.S.C. 2020(f)) is amended—

(1) by striking ''(f) To encourage'' and inserting the following:

''(f) NUTRITION EDUCATION.—

''(1) IN GENERAL.—To encourage''; and

(2) by adding at the end the following:

''(2) GRANTS.—

''(A) IN GENERAL.—The Secretary shall make available not more than $600,000 for each of fiscal years 1998 through 2001 to pay the Federal share of grants made to eligible private nonprofit organizations and State agencies to carry out subparagraph (B).

''(B) ELIGIBILITY.—A private nonprofit organization or State agency shall be eligible to receive a grant under subparagraph (A) if the organization or agency agrees—

''(i) to use the funds to direct a collaborative effort to coordinate and integrate nutrition education into health, nutrition, social service, and food distribution programs for food stamp participants and other low-income households; and

''(ii) to design the collaborative effort to reach large numbers of food stamp participants and other low-income households through a network of organizations, including schools, child care centers, farmers' markets, health clinics, and outpatient education services.

''(C) PREFERENCE.—In deciding between 2 or more private nonprofit organizations or State agencies that are eligible to receive a grant under subparagraph (B), the Secretary shall give a preference to an organization or agency that conducted a collaborative effort described in subparagraph (B) and received funding for the collaborative effort from the Secretary before the date of enactment of this paragraph.

''(D) FEDERAL SHARE.—

''(i) IN GENERAL.—Subject to subparagraph (E), the Federal share of a grant under this paragraph shall be 50 percent.

''(ii) NO IN-KIND CONTRIBUTIONS.—The non-Federal share of a grant under this paragraph shall be in cash.

''(iii) PRIVATE FUNDS.—The non-Federal share of a grant under this paragraph may include amounts from private nongovernmental sources.

''(E) LIMIT ON INDIVIDUAL GRANT.—A grant under subparagraph (A) may not exceed $200,000 for a fiscal year.''.

HUTCHISON AMENDMENT NO. 447

Mrs. HUTCHISON proposed an amendment to the bill, S. 9947, supra; as follows:

Beginning on page 770, strike line 18 and all that follows through page 774, line 15, and insert the following:

''(2) DETERMINATION OF STATE DSH ALLOTMENTS FOR FISCAL YEARS 1998 THROUGH 2002.—

''(A) NON HIGH DSH STATES.—

''(i) IN GENERAL.—Except as provided in subparagraph (B) and paragraph (4), the DSH allotment for a State for each of fiscal years 1999 through 2002 is equal to the applicable percentage of the State 1995 DSH spending amount.

''(ii) APPLICABLE PERCENTAGE.—For purposes of clause (i), the applicable percentage with respect to a State described in that clause is—

''(A) for fiscal year 1998, 98 percent;

''(A) for fiscal year 1999, 95 percent;

''(B) for fiscal year 2000, 93 percent;

''(C) for fiscal year 2001, 90 percent; and

''(D) for fiscal year 2002, 85 percent.

''(B) HIGH DSH STATES.—

''(i) IN GENERAL.—In the case of any State that is a high DSH State, the DSH allotment for that State for each of fiscal years 1999 through 2002 is equal to the applicable reduction percentage of the high DSH State modified 1995 spending amount for that fiscal year.

''(ii) HIGH DSH STATE MODIFIED 1995 SPENDING AMOUNT.—

''(i) IN GENERAL.—For purposes of clause (i), the high DSH State modified 1995 spending amount means, with respect to a State and a fiscal year, the sum of—

''(aa) the Federal share of payment adjustments made to hospitals in the State under subsection (c) that are attributable to the 1995 DSH allotment for inpatient hospital services provided (based on reporting data specified by the State on HCFA Form 64 as inpatient DSH); and

''(bb) the applicable mental health percentage for such fiscal year of the Federal share of payment adjustments made to hospitals in the State under subsection (c) that are attributable to the 1995 DSH allotment for services provided by institutions for mental diseases and other mental health facilities (based on reporting data specified by the State on HCFA Form 64 as mental health DSH).

''(II) APPLICABLE MENTAL HEALTH PERCENTAGE.—For purposes of subclause (I)(bb), the applicable mental health percentage for such fiscal year is—

''(aa) for fiscal year 1999, 50 percent;

''(bb) for fiscal year 2000, 20 percent; and

''(cc) for fiscal year 2001 and 2002, 0 percent.

''(iii) APPLICABLE REDUCTION PERCENTAGE.—For purposes of clause (i), the applicable reduction percentage described in that clause is—

''(A) for fiscal year 1998, 98 percent;

''(A) for fiscal year 1999, 93 percent;

''(A) for fiscal year 2000, 90 percent;

''(A) for fiscal year 2001, 85 percent; and

''(B) for fiscal year 2002, 80 percent.

CHAFEE (AND OTHERS) AMENDMENT NO. 448

Mr. CHAFEE (for himself, Mr. ROCKEFELLER, Mr. JEFFORDS, and Mr. D'AMATO) proposed an amendment to the bill, S. 947, supra; as follows:

Beginning on page 846, strike line 18 and all that follows through page 861, line 26, and insert the following:

''(5) FEHBP-EQUIVALENT CHILDREN'S HEALTH INSURANCE COVERAGE.—The term 'FEHBP-equivalent children's health insurance coverage' means, with respect to a State, any plan or arrangement that provides, or pays the cost of, health benefits that the Secretary has certified are equivalent to or better than the services covered for a child, including hearing and vision services, under the standard Blue Cross/Blue Shield preferred provider option service benefit plan offered under chapter 89 of title 5, United States Code.

''(6) INDIANS.—The term 'Indians' has the meaning given that term in section 4(c) of the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).

''(7) LOW-INCOME CHILD.—The term 'low-income child' means a child in a family whose income is below 200 percent of the poverty line for a family of the size involved.

''(8) POVERTY LINE.—The term 'poverty line' has the meaning given that term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), including any revision required by such section.

''(9) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

''(10) STATE.—The term 'State' means each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.

''(11) STATE CHILDREN'S HEALTH EXPENDITURES.—The term 'State children's health expenditures' means the State share of expenditures by the State for providing children with health care items and services under—

''(A) the State plan for medical assistance under title XIX;

''(B) the maternal and child health services block grant program under title V;

''(C) the preventive health services block grant program under part A of title XIX of the Public Health Services Act (42 U.S.C. 300w et seq.);

''(D) State-funded programs that are designed to provide health care items and services to children;

''(E) school-based health services programs;

''(F) State programs that provide uncompensated or indigent health care;

''(G) county-indigent care programs for which the State requires a matching share by a county government or for which there are intergovernmental transfers from a county to State government; and

''(H) any other program under which the Secretary determines the State incurs uncompensated expenditures for providing children with health care items and services.

''(12) STATE MEDICAID PROGRAM.—The term 'State medicaid program' means the program of medical assistance provided under title XIX.

''SEC. 2103. APPROPRIATION.

''(a) APPROPRIATION.—

''(1) IN GENERAL.—Subject to subsection (b), out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for the purpose of carrying out this title—

''(A) for fiscal year 1998, $2,500,000,000;

''(B) for each of fiscal years 1999 and 2000, $3,200,000,000;

''(C) for fiscal year 2001, $3,600,000,000;

''(D) for fiscal year 2002, $3,500,000,000; and

''(E) for each of fiscal years 2003 through 2007, $4,580,000,000.

''(2) AVAILABILITY.—Funds appropriated under this section shall remain available without fiscal year limitation, as provided under section 2105(b)(4).

''(b) REDUCTION FOR INCREASED MEDICAID EXPENDITURES.—With respect to each of the fiscal years described in subsection (a)(1), the amount appropriated under subsection (a)(1) for each such fiscal year shall be reduced by an amount equal to the amount of the total Federal outlays under the medicaid program under title XIX resulting from—

''(1) the amendment made by section 5732 of the Balanced Budget Act of 1997 (regarding the State option to provide 12-month continuous eligibility for children);

''(2) increased enrollment under State plans approved under such program as a result of outreach activities under section 2106(a); and

''(3) the requirement under section 2102(3)A) to provide eligibility for medical assistance under the State plan under title XIX for all children under 19 years of age who have families with income that is at or below the poverty line.

''(c) STATE ENTITLEMENT.—This title constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided in accordance with the provisions of this title.

''(d) EFFECTIVE DATE.—No State is eligible for payments under section 2105 for any calendar quarter beginning before October 1, 1997.

''SEC. 2104. PROGRAM OUTLINE.

''(a) GENERAL DESCRIPTION.—A State shall submit to the Secretary a program outline, consistent with the requirements of this title, that—

''(1) identifies which of the 2 options described in section 2101 the State intends to use to provide low-income children in the State with health insurance coverage;

''(2) describes the manner in which such coverage shall be provided;

''(3) describes any cost-sharing intended to be imposed under the State option under section 2107 that is consistent with the requirements of subsection (a)(4) of such section; and

''(4) provides such other information as the Secretary may require.

''(b) OTHER REQUIREMENTS.—The program outline submitted under this section shall include the following:

''(1) ELIGIBILITY STANDARDS AND METHODOLOGIES.—A summary of the standards and methodologies used to determine the eligibility of low-income children for health insurance coverage under a State program funded under this title.

''(2) ELIGIBILITY SCREENING; COORDINATION WITH OTHER HEALTH COVERAGE.—A description of the procedures to be used to ensure—

''(A) through both intake and followup screening, that only low-income children are furnished health insurance coverage through funds provided under this title; and

''(B) that any health insurance coverage provided for children through funds under this title does not reduce the number of children who are provided such coverage through any other publicly or privately funded health plan.

''(3) INDIANS.—A description of how the State will ensure that Indians are served through a State program funded under this title.

''(c) DEADLINE FOR SUBMISSION.—A State program outline shall be submitted to the Secretary by not later than March 31 of any fiscal year (October 1, 1997, in the case of fiscal year 1998).

''SEC. 2105. DISTRIBUTION OF FUNDS.

''(a) ESTABLISHMENT OF FUNDING POOLS.—

''(1) IN GENERAL.—From the amount appropriated under section 2103(a)(1) for each fiscal year, determined after the reduction required under section 2103(b), the Secretary shall, for purposes of fiscal year 1998, reserve 85 percent of such amount for distribution to eligible States through the basic allotment pool under subsection (b) and 15 percent of such amount for distribution through the new coverage incentive pool under subsection (c)(2)(B)(ii).

''(2) ANNUAL ADJUSTMENT OF RESERVE PERCENTAGES.—The Secretary shall annually adjust the amount of the percentages described in paragraph (1) in order to provide sufficient basic allotments and sufficient new coverage incentives to achieve the purpose of this title.

''(b) DISTRIBUTION OF FUNDS UNDER THE BASIC ALLOTMENT POOL.—

''(1) STATES.—

''(A) IN GENERAL.—From the total amount reserved under subsection (a) for a fiscal year for distribution through the basic allotment pool, the Secretary shall first set aside

0.25 percent for distribution under paragraph (2) and shall allot from the amount remaining to each eligible State not described in such paragraph the State's allotment percentage for such fiscal year.

''(B) STATE'S ALLOTMENT PERCENTAGE.—

''(i) IN GENERAL.—For purposes of subparagraph (A), the allotment percentage for a fiscal year for each State is the percentage equal to the ratio of the number of low-income children in the base period in the State to the total number of low-income children in the base period in all States not described in paragraph (2).

''(ii) NUMBER OF LOW-INCOME CHILDREN IN THE BASE PERIOD.—In clause (i), the number of low-income children in the base period for a fiscal year in a State is equal to the average of the number of low-income children in the State for the period beginning on October 1, 1992, and ending on September 30, 1995, as reported in the March 1994, March 1995, and March 1996 supplements to the Current Population Survey of the Bureau of the Census.

''(2) OTHER STATES.—

''(A) IN GENERAL.—From the amount set aside under paragraph (1)(A) for each fiscal year, the Secretary shall make allotments for such fiscal year in accordance with the percentages specified in subparagraph (B) to Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands, if such States are eligible States for such fiscal year.

''(B) PERCENTAGES SPECIFIED.—The percentages specified in this subparagraph are in the case of—

''(i) Puerto Rico, 91.6 percent;

''(ii) Guam, 3.5 percent;

''(iii) the Virgin Islands, 2.6 percent;

''(iv) American Samoa, 1.2 percent; and

''(v) the Northern Mariana Islands, 1.1 percent.

''(3) THREE-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Amounts allotted to a State pursuant to this subsection for a fiscal year shall remain available for expenditure by the State through the end of the second succeeding fiscal year.

''(4) PROCEDURE FOR DISTRIBUTION OF UNUSED FUNDS.—The Secretary shall determine an appropriate procedure for distribution of funds to eligible States that remain unused under this subsection after the expiration of the availability of funds required under paragraph (3). Such procedure shall be developed and administered in a manner that is consistent with the purpose of this title.

''(c) PAYMENTS.—

''(1) IN GENERAL.—The Secretary shall—

''(A) before October 1 of any fiscal year, pay an eligible State an amount equal to 1 percent of the amount allotted to the State under subsection (b) for conducting the outreach activities required under section 2106(a); and

''(B) make quarterly fiscal year payments to an eligible State from the amount remaining of such allotment for such fiscal year in an amount equal to the Federal medical assistance percentage for the State, as determined under section 1905(b)(1), of the Federal and State incurred cost of providing health insurance coverage for a low-income child in the State plus the applicable bonus amount.

''(2) APPLICABLE BONUS.—

''(A) IN GENERAL.—For purposes of paragraph (1), the applicable bonus amount is—

''(i) 5 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the base-year covered low-income child population (measured in full year equivalency); and

''(ii) 10 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the number (as so measured) of low-income children that are in excess of such population.

''(B) SOURCE OF BONUSES.—

''(i) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—A bonus described in subparagraph (A)(i) shall be paid out of an eligible State's allotment for a fiscal year.

''(ii) FOR OTHER LOW-INCOME CHILD POPULATIONS.—A bonus described in subparagraph (A)(ii) shall be paid out of the new coverage incentive pool reserved under subsection (a)(1).

''(3) DEFINITION OF COST OF PROVIDING HEALTH INSURANCE COVERAGE.—For purposes of this subsection the cost of providing health insurance coverage for a low-income child in the State means—

''(A) in the case of an eligible State that opts to use funds provided under this title through the medicaid program, the cost of providing such child with medical assistance under the State plan under title XIX; and

''(B) in the case of an eligible State that opts to use funds provided under this title under section 2107, the cost of providing such child with health insurance coverage under such section.

''(4) LIMITATION ON TOTAL PAYMENTS.—With respect to a fiscal year, the total amount paid to an eligible State under this title (including any bonus payments) shall not exceed 85 percent of the total cost of a State program conducted under this title for such fiscal year.

''(5) MAINTENANCE OF EFFORT.—No funds shall be paid to a State under this title if—

''(A) in the case of fiscal year 1998, the State children's health expenditures are less than the amount of such expenditures for fiscal year 1996; and

''(B) in the case of any succeeding fiscal year, the State children's health expenditures described in section 2102(11)(A) are less than the amount of such expenditures for fiscal year 1996, increased by a medicaid child population growth factor determined by the Secretary.

''(6) ADVANCE PAYMENT; RETROSPECTIVE ADJUSTMENT.—The Secretary may make payments under this subsection for each quarter on the basis of advance estimates of expenditures submitted by the State and such other investigation as the Secretary may find necessary, and shall reduce or increase the payments as necessary to adjust for any overpayment or underpayment for prior quarters.

''SEC. 2106. USE OF FUNDS.

''(a) SET-ASIDE FOR OUTREACH ACTIVITIES.—

''(1) IN GENERAL.—From the amount allotted to a State under section 2105(b) for a fiscal year, each State shall conduct outreach activities described in paragraph (2).

''(2) OUTREACH ACTIVITIES DESCRIBED.—The outreach activities described in this paragraph include activities to—

''(A) identify and enroll children who are eligible for medical assistance under the State plan under title XIX; and

''(B) conduct public awareness campaigns to encourage employers to provide health insurance coverage for children.

''(b) STATE OPTIONS FOR REMAINDER.—A State may use the amount remaining of the allotment to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), in accordance with section 2107 or the State medicaid program (but not both).

''(c) PROHIBITION ON USE OF FUNDS.—No funds provided under this title may be used to provide health insurance coverage for—

''(1) families of State public employees; or

''(2) children who are committed to a penal institution.

''(d) USE LIMITED TO STATE PROGRAM EXPENDITURES.—Funds provided to an eligible State under this title shall only be used to carry out the purpose of this title (as described in section 2101), and any health insurance coverage provided with such funds may include coverage of abortion only if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest.

''(e) ADMINISTRATIVE EXPENDITURES.—Not more than 10 percent of the amount allotted to a State under section 2105(b), determined after the payment required under section 2105(c)(1)(A), shall be used for administrative expenditures for the program funded under this title.

''(f) NONAPPLICATION OF FIVE-YEAR LIMITED ELIGIBILITY FOR MEANS-TESTED PUBLIC BENEFITS.—The provisions of section 403 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613) shall not apply with respect to a State program funded under this title.

''SEC. 2107. STATE OPTION FOR THE PURCHASE OR PROVISION OF CHILDREN'S HEALTH INSURANCE.

''(a) STATE OPTION.—

''(1) IN GENERAL.—An eligible State that opts to use funds provided under this title under this section shall use such funds to—

''(A) subsidize payment of employee contributions for health insurance coverage for a dependent low-income child that is available through group health insurance coverage offered by an employer in the State; or

''(B) to provide FEHBP-equivalent children's health insurance coverage for low-income children who reside in the State.

''(2) PRIORITY FOR LOW-INCOME CHILDREN.—A State that uses funds provided under this title under this section shall not cover low-income children with higher family income without covering such children with a lower family income.

''(3) DETERMINATION OF ELIGIBILITY AND FORM OF ASSISTANCE.—An eligible State may establish any additional eligibility criteria for the provision of health insurance coverage for a low-income child through funds provided under this title, so long as such criteria and assistance are consistent with the purpose and provisions of this title.

''(4) COST SHARING REQUIREMENTS.—

''(A) NOMINAL COST SHARING FOR VERY LOW-INCOME CHILDREN.—Only nominal cost sharing may be imposed by an eligible State that opts to use funds provided under this title under this section for children in families with income that is less than 133 percent of the poverty line.

''(B) SECRETARIAL REVIEW OF ADEQUACY OF COST-SHARING FOR OTHER LOW-INCOME CHILDREN.—The Secretary shall review the State program outline submitted under section 2104 to ensure that cost sharing for low-income children not described in subparagraph (A) is reasonable, according to such standards as the Secretary shall establish. Such standards shall require consideration of family income and other types of expenses generally incurred by families of low-income children, and shall ensure that any cost sharing requirements imposed by a State program under this section do not unreasonably reduce access to the coverage provided under such program.

''(C) DEFINITION OF COST SHARING.—In this paragraph, the term 'cost sharing' includes premiums, deductibles, coinsurance, copayments, and other required financial contributions for health care insurance coverage or health care items or services.

WELLSTONE (AND OTHERS) AMENDMENT NO. 449

Mr. WELLSTONE (for himself, Mr. DOMENICI, Mr. REID, and Mr. CONRAD)

proposed an amendment to the bill, S. 947, supra; as follows:

On page 862, between lines 14 and 15, insert the following:

"SEC. 2107A. MENTAL HEALTH PARITY.

''(a) PROHIBITION.—In the case of a health plan that enrolls children through the use of assistance provided under a grant program conducted under this title, such plan, if the plan provides both medical and surgical benefits and mental health benefits, shall not impose treatment limitations or financial requirements on the coverage of mental health benefits if similar limitations or requirements are not imposed on medical and surgical benefits.

''(b) RULE OF CONSTRUCTION.—Nothing in this section shall be construed—

''(1) as prohibiting a health plan from requiring preadmission screening prior to the authorization of services covered under the plan or from applying other limitations that restrict coverage for mental health services to those services that are medically necessary; and

''(2) as requiring a health plan to provide any mental health benefits.

''(c) SEPARATE APPLICATION TO EACH OPTION OFFERED.—In the case of a health plan that offers a child described in subsection (a) 2 or more benefit package options under the plan, the requirements of this section shall be applied separately with respect to each such option.

''(d) DEFINITIONS.—In this section:

''(1) MEDICAL OR SURGICAL BENEFITS.—The term 'medical or surgical benefits' means benefits with respect to medical or surgical services, as defined under the terms of the plan, but does not include mental health benefits.

''(2) MENTAL HEALTH BENEFITS.—The term 'mental health benefits' means benefits with respect to mental health services, as defined under the terms of the plan, but does not include benefits with respect to the treatment of substance abuse and chemical dependency.

DURBIN (AND OTHERS) AMENDMENT NO. 450

Mr. DURBIN (for himself, Mr. WELLSTONE, and Mrs. BOXER) proposed an amendment to the bill, S. 947, supra; as follows:

At the end of title I, add the following:

SEC. 10 . FOOD STAMP BENEFITS FOR CHILD IMMIGRANTS.

(a) IN GENERAL.—Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)) is amended by adding at the end the following:

''(E) CHILD IMMIGRANTS.—In the case of the program specified in paragraph (3)(B), paragraph (1) shall not apply to a qualified alien who is under 18 years of age.''.

(b) ALLOCATION OF ADMINISTRATIVE COSTS.—Section 408(a) of the Social Security Act (42 U.S.C. 608(a)) is amended by adding at the end the following:

''(12) DESIGNATION OF GRANTS UNDER THIS PART AS PRIMARY PROGRAM IN ALLOCATING ADMINISTRATIVE COSTS.—

''(A) IN GENERAL.—Notwithstanding any other provision of law, a State shall designate the program funded under this part as the primary program for the purpose of allocating costs incurred in serving families eligible or applying for benefits under the State program funded under this part and any other Federal means-tested benefits.

''(B) ALLOCATION OF COSTS.—

''(i) IN GENERAL.—The Secretary shall require that costs described in subparagraph (A) be allocated in the same manner as the costs were allocated by State agencies that designated part A of title IV as the primary program for the purpose of allocating administrative costs before August 22, 1996.

''(ii) FLEXIBLE ALLOCATION.—The Secretary may allocate costs under clause (i) differently, if a State can show good cause for or evidence of increased costs, to the extent that the administrative costs allocated to the primary program are not reduced by more than 33 percent.

''(13) FAILURE TO ALLOCATE ADMINISTRATIVE COSTS TO GRANTS PROVIDED UNDER THIS PART.—If the Secretary determines that, with respect to a preceding fiscal year, a State has not allocated administrative costs in accordance with paragraph (12), the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the succeeding fiscal year by an amount equal to—

''(A) the amount the Secretary determines should have been allocated to the program funded under this part in such preceding fiscal year; minus

''(B) the amount that the State allocated to the program funded under this part in such preceding fiscal year.''.

D'AMATO (AND OTHERS) AMENDMENT NO. 451

Mr. D'AMATO (for himself, Mr. HARKIN, Mr. SPECTER, Mr. MACK, Mr. ROCKEFELLER, Mr. DASCHLE, Mrs. BOXER, Mr. KERRY, Mr. DURBIN, and Mr. KENNEDY) proposed an amendment to the bill, S. 947, supra; as follows:

On page 1027, between lines 7 and 8, insert the following:

Subtitle N—National Fund for Health Research

SEC. 5995. SHORT TITLE.

This subtitle may be cited as the ''National Fund for Health Research Act''.

SEC. 5996. FINDINGS.

Congress makes the following findings:

(1) Nearly 4 of 5 peer reviewed research projects deemed worthy of funding by the National Institutes of Health are not funded.

(2) Less than 3 percent of the nearly one trillion dollars our Nation spends on health care is devoted to health research, while the defense industry spends 15 percent of its budget on research and development.

(3) Public opinion surveys have shown that Americans want more Federal resources put into health research and are willing to pay for it.

(4) Ample evidence exists to demonstrate that health research has improved the quality of health care in the United States. Advances such as the development of vaccines, the cure of many childhood cancers, drugs that effectively treat a host of diseases and disorders, a process to protect our Nation's blood supply from the HIV virus, progress against cardiovascular disease including heart attack and stroke, and new strategies for the early detection and treatment of diseases such as colon, breast, and prostate cancer clearly demonstrates the benefits of health research.

(5) Health research which holds the promise of prevention of intentional and unintentional injury and cure and prevention of disease and disability, is critical to holding down health care costs in the long term.

(6) Expanded medical research is also critical to holding down the long-term costs of the medicare program under title XVIII of the Social Security Act. For example, recent research has demonstrated that delaying the onset of debilitating and costly conditions like Alzheimer's disease could reduce general health care and medicare costs by billions of dollars annually.

(7) The state of our Nation's research facilities at the National Institutes of Health and at universities is deteriorating significantly. Renovation and repair of these facilities are badly needed to maintain and improve the quality of research.

(8) Because discretionary spending is likely to decline in real terms over the next 5 years, the Nation's investment in health research through the National Institutes of Health is likely to decline in real terms unless corrective legislative action is taken.

(9) A health research fund is needed to maintain our Nation's commitment to health research and to increase the percentage of approved projects which receive funding at the National Institutes of Health.

(10) Americans purchase health insurance and participate in the medicare program to protect themselves and their families against the high cost of illness and disability. Because of this, it makes sense to devote 1 cent of every health insurance dollar to finding preventions, cures, and improved treatments for illnesses and disabilities through medical research.

SEC. 5997. ESTABLISHMENT OF FUND.

(a) ESTABLISHMENT.—There is established in the Treasury of the United States a fund, to be known as the ''National Fund for Health Research'' (hereafter in this section referred to as the ''Fund''), consisting of such amounts as are transferred to the Fund under subsection (b) other amounts subsequently enacted into law and any interest earned on investment of amounts in the Fund.

(b) TRANSFERS TO FUND.—

(1) IN GENERAL.—The Secretary of Health and Human Services shall transfer to the Fund amounts equivalent to amounts described in paragraph (2).

(2) AMOUNTS.—

(A) IN GENERAL.—Amounts described in this paragraph for each of the fiscal years 1998 through 2002 shall be equal to the amount of Federal savings derived for each such fiscal year under the medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) and the medicaid program under title XIX of such Act (42 U.S.C. 1396 et seq.) that exceeds the amount of Federal savings estimated by the Congressional Budget Office as of the date of enactment, to be achieved in each such program for each such fiscal year for purposes of the Balanced Budget Act of 1997.

(B) DETERMINATION BY SECRETARY.—Not later than 6 months after the end of each of the fiscal years described in subparagraph (A), the Secretary of Health and Human Services shall—

(i) make a determination as to the amount to be transferred to the Fund for the fiscal year involved under this subsection; and

(ii) subject to subparagraphs (E) and subsection (d), transfer such amount to the Fund.

(C) SEPARATE ESTIMATES.—In making a determination under subparagraph (B)(i), the Secretary of Health and Human Services shall maintain a separate estimate for each of the programs described in subparagraph (A).

(D) LIMITATION.—Any savings to which subparagraph (A) applies shall not be counted for purposes of making a transfer under this paragraph if such savings, under current procedures implemented by the Health Care Financing Administration, are specifically dedicated to reducing the incidence of waste, fraud, and abuse in the programs described in subparagraph (A).

(E) CAP ON TRANSFER.—Amounts transferred to the Fund under this subsection for any year in the 5-fiscal year period beginning on October 1, 1997, shall not in combination

with the appropriated sum exceed an amount equal to the amount appropriated for the National Institutes of Health for fiscal year 1997 multiplied by 2.

(c) OBLIGATIONS FROM FUND.—

(1) IN GENERAL.—Subject to the provisions of paragraph (4), with respect to the amounts made available in the Fund in a fiscal year, the Secretary of Health and Human Services shall distribute—

(A) 2 percent of such amounts during any fiscal year to the Office of the Director of the National Institutes of Health to be allocated at the Director's discretion for the following activities:

(i) for carrying out the responsibilities of the Office of the Director, including the Office of Research on Women's Health and the Office of Research on Minority Health, the Office of Alternative Medicine, the Office of Rare Disease Research, the Office of Behavioral and Social Sciences Research (for use for efforts to reduce tobacco use), the Office of Dietary Supplements, and the Office for Disease Prevention; and

(ii) for construction and acquisition of equipment for or facilities of or used by the National Institutes of Health;

(B) 2 percent of such amounts for transfer to the National Center for Research Resources to carry out section 1502 of the National Institutes of Health Revitalization Act of 1993 concerning Biomedical and Behavioral Research Facilities;

(C) 1 percent of such amounts during any fiscal year for carrying out section 301 and part D of title IV of the Public Health Service Act with respect to health information communications; and

(D) the remainder of such amounts during any fiscal year to member institutes and centers, including the Office of AIDS Research, of the National Institutes of Health in the same proportion to the total amount received under this section, as the amount of annual appropriations under appropriations Acts for each member institute and Centers for the fiscal year bears to the total amount of appropriations under appropriations Acts for all member institutes and Centers of the National Institutes of Health for the fiscal year.

(2) PLANS OF ALLOCATION.—The amounts transferred under paragraph (1)(D) shall be allocated by the Director of the National Institutes of Health or the various directors of the institutes and centers, as the case may be, pursuant to allocation plans developed by the various advisory councils to such directors, after consultation with such directors.

(3) GRANTS AND CONTRACTS FULLY FUNDED IN FIRST YEAR.—With respect to any grant or contract funded by amounts distributed under paragraph (1), the full amount of the total obligation of such grant or contract shall be funded in the first year of such grant or contract, and shall remain available until expended.

(4) TRIGGER AND RELEASE OF MONIES.—

(A) TRIGGER AND RELEASE.—No expenditure shall be made under paragraph (1) during any fiscal year in which the annual amount appropriated for the National Institutes of Health is less than the amount so appropriated for the prior fiscal year.

(B) PHASE-IN.—The Secretary of Health and Human Services shall phase-in the distributions required under paragraph (1) so that—

(i) 25 percent of the amount in the Fund is distributed in the first fiscal year for which funds are available;

(ii) 50 percent of the amount in the Fund is distributed in the second fiscal year for which funds are available;

(iii) 75 percent of the amount in the Fund is distributed in the third fiscal year for which funds are available; and

(iv) 100 percent of the amount in the Fund is distributed in the fourth and each succeeding fiscal year for which funds are available.

(d) REQUIRED APPROPRIATION.—No transfer may be made for a fiscal year under subsection (b) unless an appropriations Act providing for such a transfer has been enacted with respect to such fiscal year.

(e) BUDGET TREATMENT OF AMOUNTS IN FUND.—The amounts in the Fund shall be excluded from, and shall not be taken into account, for purposes of any budget enforcement procedure under the Congressional Budget Act of 1974 or the Balanced Budget and Emergency Deficit Control Act of 1985.

LIEBERMAN (AND OTHERS) AMENDMENT NO. 452

Mr. DOMENICI (for Mr. LIEBERMAN, Mr. JEFFORDS, Mr. CHAFEE, Mr. KERREY, Mr. BREAUX, Mr. WYDEN, and Mr. KENNEDY) proposed an amendment to the bill, S. 947, supra; as follows:

At the end of proposed section 1941(d) of the Social Security Act (as added by section 5701), add the following:

''(3) PROVISION OF COMPARATIVE INFORMATION.—

''(A) BY STATE.—A State that requires individuals to enroll with managed care entities under this part shall annually provide to all enrollees and potential enrollees a list identifying the managed care entities that are (or will be) available and information described in subparagraph (C) concerning such entities. Such information shall be presented in a comparative, chart-like form.

''(B) BY ENTITY.—Upon the enrollment, or renewal of enrollment, of an individual with a managed care entity under this part, the entity shall provide such individual with the information described in subparagraph (C) concerning such entity and other entities available in the area, presented in a comparative, chart-like form.

''(C) REQUIRED INFORMATION.—Information under this subparagraph, with respect to a managed care entity for a year, shall include the following:

''(i) BENEFITS.—The benefits covered by the entity, including—

''(I) covered items and services beyond those provided under a traditional fee-for-service program;

''(II) any beneficiary cost sharing; and

''(III) any maximum limitations on out-of-pocket expenses.

''(ii) PREMIUMS.—The net monthly premium, if any, under the entity.

''(iii) SERVICE AREA.—The service area of the entity.

''(iv) QUALITY AND PERFORMANCE.—To the extent available, quality and performance indicators for the benefits under the entity (and how they compare to such indicators under the traditional fee-for-service programs in the area involved), including—

''(I) disenrollment rates for enrollees electing to receive benefits through the entity for the previous 2 years (excluding disenrollment due to death or moving outside the service area of the entity);

''(II) information on enrollee satisfaction;

''(III) information on health process and outcomes;

''(IV) grievance procedures;

''(V) the extent to which an enrollee may select the health care provider of their choice, including health care providers within the network of the entity and out-of-network health care providers (if the entity covers out-of-network items and services); and

''(VI) an indication of enrollee exposure to balance billing and the restrictions on coverage of items and services provided to such enrollee by an out-of-network health care provider.

''(v) SUPPLEMENTAL BENEFITS OPTIONS.—Whether the entity offers optional supplemental benefits and the terms and conditions (including premiums) for such coverage.

''(vi) PHYSICIAN COMPENSATION.—An overall summary description as to the method of compensation of participating physicians.

FEINSTEIN AMENDMENT NO. 453

Mr. DOMENICI (for Mrs. FEINSTEIN) proposed an amendment to the bill, S. 947, supra; as follows:

At the end of proposed section 1852(e) of the Social Security Act (as added by section 5001) add the following:

''(6) ANNUAL REPORT ON NON-HEALTH EXPENDITURES.—Each Medicare Choice organization shall at the request of the enrollee annually provide to enrollees a statement disclosing the proportion of the premiums and other revenues received by the organization that are expended for non-health care items and services.

At the end of proposed section 1945 of the Social Security Act (as added by section 5701) add the following:

''(h) ANNUAL REPORT ON NON-HEALTH EXPENDITURES.—Each medicaid managed care organization shall annually provide to enrollees a statement disclosing the proportion of the premiums and other revenues received by the organization that are expended for non-health care items and services.

CRAIG (AND BINGAMAN) AMENDMENT NO. 454

Mr. DOMENICI (for Mr. CRAIG, for himself and Mr. BINGAMAN) proposed an amendment to the bill, S. 947, supra; as follows:

On page 412, between lines 3 and 4, insert the following:

SEC. 5105. STUDY ON MEDICAL NUTRITION THERAPY SERVICES.

(a) STUDY.—The Secretary of Health and Human Services shall request the National Academy of Sciences, in conjunction with the United States preventive Services Task force, to analyze the expansion or modification of the preventive benefits provided to medicare beneficiaries under title XVIII of the Social Security Act to include medical nutrition therapy services by a registered dietitian.

(b) REPORT.—

(1) INITIAL REPORT.—Not later than 2 years after the date of the enactment of this Act, the Secretary shall submit a report on the findings of the analysis conducted under subsection (a) to the Committee on Ways and Means and the Committee on Commerce of the House of Representatives and the Committee on Finance of the Senate.

(2) CONTENTS.—Such report shall include specific findings with respect to the expansion or modification of coverage of medical nutrition therapy services by a registered dietitian for medicare beneficiaries regarding—

(A) cost to the medicare system;

(B) savings to the medicare system;

(C) clinical outcomes; and

(D) short and long term benefits to the medicare system.

(3) FUNDING.—From funds appropriated to the Department of Health and Human Services for fiscal years 1998 and 1999, the Secretary shall provide for such funding as may be necessary for the conduct of the analysis by the National Academy of Sciences under this section.

MURKOWSKI AMENDMENT NO. 455

Mr. DOMENICI (for Mr. MURKOWSKI) proposed an amendment to the bill, S. 947, supra; as follows:

On page 130, line 3, strike ''2002'' and insert ''2007''.

ABRAHAM (AND LEVIN) AMENDMENT NO. 456

Mr. DOMENICI for Mr. ABRAHAM, (for himself and Mr. LEVIN) proposed an amendment to the bill, S. 947, supra; as follows:

At the appropriate place in the bill, insert the following new section:

SEC. . EXTENSION OF MORATORIUM.

Section 6408(a)(3) of the Omnibus Budget Reconciliation Act of 1989, as amended by section 13642 of the Omnibus Budget Reconciliation Act of 1993 is amended by striking ''December 31, 1995'' and inserting ''December 3, 2002.''.

HARKIN (AND MCCAIN) AMENDMENT NO. 457

Mr. DOMENICI (for Mr. HARKIN, for himself and Mr. MCCAIN) proposed an amendment to the bill, S. 947, supra; as follows:

At the end of the bill, add the following:

SEC. . IMPROVING INFORMATION TO MEDICARE BENEFICIARIES.

(a) CLARIFICATION OF REQUIREMENT TO PROVIDE EXPLANATION OF MEDICARE BENEFITS.—Section 1804 of the Social Security Act (42 U.S.C. 1395b–2) is amended by adding at the end the following new subsection:

''(c)(1) The Secretary shall provide a statement which explains the benefits provided under this title with respect to each item or service for which payment may be made under this title which is furnished to an individual without regard to whether or not a deductible or coinsurance may be imposed against the individual with respect to such item or service.

''(2) Each explanation of benefits provided under paragraph (1) shall include—

''(A) a statement which indicates that because errors do occur and because medicare fraud, waste and abuse is a significant problem, beneficiaries should carefully check the statement for accuracy and report any errors of questionable charges by calling the toll-free phone number described in (C)

(B) a statement of the beneficiary's right to request an itemized bill (as provided in section 1128A(n)); and

''(C) a toll-free telephone number for reporting errors, questionable charges or other acts that would constitute medicare fraud, waste, or abuse, which may be the same number as described in subsection (b).''.

(b) REQUEST FOR ITEMIZED BILL FOR MEDICARE ITEMS AND SERVICES.—

(1) IN GENERAL.—Section 1128A of the Social Security Act (42 U.S.C. 1320a–7a) is amended by adding at the end the following new subsection:

''(m) WRITTEN REQUEST FOR ITEMIZED BILL.—

''(1) IN GENERAL.—A beneficiary may submit a written request for an itemized bill for medical or other items or services provided to such beneficiary by any person (including an organization, agency, or other entity) that receives payment under title XVIII for providing such items for services to such beneficiary.

''(2) 30-DAY PERIOD TO RECEIVE BILL.—

''(A) IN GENERAL.—Not later than 30 days after the date on which a request under paragraph (1) has been received, a person described in such paragraph shall furnish an itemized bill describing each medical or other item or service provided to the beneficiary requesting the itemized bill.

''(B) PENALTY.—Whoever knowingly fails to furnish an itemized bill in accordance with subparagraph (A) shall be subject to a civil fine of not more than $100 for each such failure.

''(3) REVIEW OF ITEMIZED BILL.—

''(A) IN GENERAL.—Not later than 90 days after the receipt of an itemized bill furnished under paragraph (1), a beneficiary may submit a written request for a review of the itemized bill to the appropriate fiscal intermediary or carrier with a contract under section 1816 or 1842.

''(B) SPECIFIC ALLEGATIONS.—A request for a review of the itemized bill shall identify—

''(i) specific medical or other items or services that the beneficiary believes were not provided as claimed, or

''(ii) any other billing irregularity (including duplicate billing).

''(4) FINDINGS OF FISCAL INTERMEDIARY OR CARRIER.—Each fiscal intermediary or carrier with a contract under section 1816 or 1842 shall, with respect to each written request submitted to the fiscal intermediary or carrier under paragraph (3), determine whether the itemized bill identifies specific medical or other items or services that were not provided as claimed or any other billing irregularity (including duplicate billing) that has resulted in unnecessary payments under title XVIII.

''(5) RECOVERY OF AMOUNTS.—The Secretary shall require fiscal intermediaries and carriers to take all appropriate measures to recover amounts unnecessarily paid under title XVIII with respect to a bill described in paragraph (4).''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to medical or other items or services provided on or after January 1, 1998.

SEC. . PROHIBITING UNNECESSARY AND WASTEFUL MEDICARE PAYMENTS FOR CERTAIN ITEMS.

Section 1861(v) of the Social Security Act is amended by adding at the end the following new paragraph:

''(8) ITEMS UNRELATED TO PATIENT CARE—

Reasonable costs do not include costs for the following:

(i) entertainment;

(ii) gifts or donations;

(iii) costs for fines and penalties resulting from violations Federal, State or local laws; and,

(iv) education expenses for spouses or other dependents of providers of services, their employees or contractors.

SEC. . REDUCING EXCESSIVE BILLINGS AND UTILIZATION FOR CERTAIN ITEMS.

Section 1834(a)(15) of the Social Security Act (42 U.S.C. 1395m(a)(15)) is amended by striking ''Secretary may'' both places it appears and inserting ''Secretary shall''.

HELMS AMENDMENTS NOS. 458–459

Mr. DOMENICI (for Mr. HELMS) proposed two amendments to the bill, S. 947, supra; as follows:

AMENDMENT NO. 458

At the appropriate place in division 1 of title V, insert the following:

SEC. . INCLUSION OF STANLY COUNTY, N.C. IN A LARGE URBAN AREA UNDER MEDICARE PROGRAM.

(a) IN GENERAL.—For purposes of section 1886(d) of the Social Security Act (42 U.S.C. 1395ww(d)), the large urban area of Charlotte-Gastonia-Rock Hill-North Carolina-South Carolina may be deemed to include Stanly County, North Carolina.

(b) EFFECTIVE DATE.—This section shall apply with respect to discharges occurring on or after October 1, 1997.

AMENDMENT NO. 459

At the appropriate place in division 1 of title V, insert the following:

SEC. . INCLUSION OF STANLY COUNTY, N.C. IN A LARGE URBAN AREA UNDER MEDICARE PROGRAM.

(a) IN GENERAL.—For purposes of section 1886(d) of the Social Security Act (42 U.S.C. 1395ww(d)), the large urban area of Charlotte-Gastonia-Rock Hill-North Carolina-South Carolina be deemed to include Stanly County, North Carolina.

(b) EFFECTIVE DATE.—This section shall apply with respect to discharges occurring on or after October 1, 1997.

MCCAIN (AND WYDEN) AMENDMENT NO. 460

Mr. DOMENICI (for Mr. MCCAIN, for himself and Mr. WYDEN) proposed an amendment to the bill, S. 947, supra; as follows:

On page 844, between lines 7 and 8, insert the following:

SEC. 5768. CONTINUATION OF STATE-WIDE SECTION 1115 MEDICAID WAIVERS.

(a) IN GENERAL.—Section 1115 of the Social Security Act (42 U.S.C. 1315) is amended by adding at the end the following:

''(d)(1) The provisions of this subsection shall apply to the extension of statewide comprehensive research and demonstration projects (in this subsection referred to as 'waiver project') for which waivers of compliance with the requirements of title XIX are granted under subsection (a). With respect to a waiver project that, but for the enactment of this subsection, would expire, the State at its option may—

''(A) not later than 1 year before the waiver under subsection (a) would expire (acting through the chief executive officer of the State who is operating the project), submit to the Secretary a written request for an extension of such waiver project for up to 3 years; or

''(B) permanently continue the waiver project if the project meets the requirements of paragraph (2).

''(2) The requirements of this paragraph are that the waiver project—

''(A) has been successfully operated for 5 or more years; and

''(B) has been shown, through independent evaluations sponsored by the Health Care Financing Administration, to successfully contain costs and provide access to health care.

''(3)(A) In the case of waiver projects described in paragraph (1)(A), if the Secretary fails to respond to the request within 6 months after the date on which the request was submitted, the request is deemed to have been granted.

''(B) If the request is granted or deemed to have been granted, the deadline for submittal of a final report shall be 1 year after the date on which the waiver project would have expired but for the enactment of this subsection.

''(C) The Secretary shall release an evaluation of each such project not later than 1 year after the date of receipt of the final report.

''(D) Phase-down provisions which were applicable to waiver projects before an extension was provided under this subsection shall not apply.

''(4) The extension of a waiver project under this subsection shall be on the same terms and conditions (including applicable terms and conditions related to quality and access of services, budget neutrality as adjusted for inflation, data and reporting requirements and special population protections), except for any phase down provisions, and subject to the same set of waivers that applied to the project or were granted before the extension of the project under this subsection. The permanent continuation of a

waiver project shall be on the same terms and conditions, including financing, and subject to the same set of waivers. No test of budget neutrality shall be applied in the case of projects described in paragraph (2) after that date on which the permanent extension was granted.

''(5) In the case of a waiver project described in paragraph (2), the Secretary, acting through the Health Care Financing Administration shall, deem any State's request to expand medicaid coverage in whole or in part to individuals who have an income at or below the Federal poverty level as budget neutral if independent evaluations sponsored by the Health Care Financing Administration have shown that the State's medicaid managed care program under such original waiver is more cost effective and efficient than the traditional fee-for-service medicaid program that, in the absence of any managed care waivers under this section, would have been provided in the State.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on the date of enactment of this Act.

MCCAIN (AND KERRY) AMENDMENT NO. 461

Mr. DOMENICI (for Mr. MCCAIN, for himself and Mr. KERRY) proposed an amendment to the bill, S. 947, supra; as follows:

On page 874, between lines 7 and 8, insert the following:

SEC. 5817A. TREATMENT OF CERTAIN AMERASIAN IMMIGRANTS AS REFUGEES.

(a) AMENDMENTS TO EXCEPTIONS FOR REFUGEES/ASYLEES.—

(1) FOR PURPOSES OF SSI AND FOOD STAMPS.—Section 402(a)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)(A)) is amended—

(A) by striking ''; or'' at the end of clause (ii);

(B) by striking the period at the end of clause (iii) and inserting ''; or''; and

(C) by adding at the end the following:

''(iv) an alien who is admitted to the United States as an Amerasian immigrant pursuant to section 584 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1988 (as contained in section 101(e) of Public Law 100–202 and amended by the 9th proviso under MIGRATION AND REFUGEE ASSISTANCE in title II of the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1989, Public Law 100–461, as amended).''.

(2) FOR PURPOSES OF TANF, SSBG, AND MEDICAID.—Section 402(b)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)(A)) is amended—

(A) by striking ''; or'' at the end of clause (ii);

(B) by striking the period at the end of clause (iii) and inserting ''; or''; and

(C) by adding at the end the following:

''(iv) an alien described in subsection (a)(2)(A)(iv) until 5 years after the date of such alien's entry into the United States.''.

(3) FOR PURPOSES OF EXCEPTION FROM 5-YEAR LIMITED ELIGIBILITY OF QUALIFIED ALIENS.—Section 403(b)(1) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613(b)(1)) is amended by adding at the end the following:

''(D) An alien described in section 402(a)(2)(A)(iv).''.

(4) FOR PURPOSES OF CERTAIN STATE PROGRAMS.—Section 412(b)(1) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1622(b)(1)) is amended by adding at the end the following new subparagraph:

''(D) An alien described in section 402(a)(2)(A)(iv).''.

(b) FUNDING.—

(1) LEVY OF FEE.—The Attorney General through the Immigration and Naturalization Service shall levy a $150 processing fee upon each alien that the Service determines—

(A) is unlawfully residing in the United States;

(B) has been arrested by a Federal law enforcement officer for the commission of a felony; and

(C) merits deportation after having been determined by a court of law to have committed a felony while residing illegally in the United States.

(2) COLLECTION AND USE.—In addition to any other penalty provided by law, a court shall impose the fee described in paragraph (1) upon an alien described in such paragraph upon the entry of a judgment of deportation by such court. Funds collected pursuant to this subsection shall be credited by the Secretary of the Treasury as offsetting increased Federal outlays resulting from the amendments made by section 5817A of the Balanced Budget Act of 1997.

(c) EFFECTIVE DATE.—The amendments made by this section shall be effective with respect to the period beginning on or after October 1, 1997.

JEFFORDS AMENDMENTS NOS. 462–463

Mr. DOMENICI (for Mr. JEFFORDS) proposed two amendments to the bill, S. 947, supra; as follows:

AMENDMENT NO. 462

On page 685, after line 25, add the following:

SEC. . REQUIREMENT TO PROVIDE INFORMATION REGARDING CERTAIN COST-SHARING ASSISTANCE.

(a) IN GENERAL.—Section 1804(a) (42 U.S.C. 1395b–2(a)) is amended—

(1) in paragraph (2), by striking ''and'' at the end;

(2) in paragraph (3), by striking the period and inserting '', and''; and

(3) by adding at the end, the following:

''(4) an explanation of the medicare cost sharing assistance described in section 1905(p)(3)(A)(ii) that is available for individuals described in section 1902(a)(10)(E)(iii) and information regarding how to request that the Secretary arrange to have an application for such assistance made available to an individual.''.

(b) EFFECTIVE DATE.—The information required to be provided under the amendment made by subsection (a) applies to notices distributed on and after October 1, 1997.

AMENDMENT NO. 463

On page 852, between lines 12 and 13, insert the following:

''(d) EVALUATION AND QUALITY ASSURANCE.—

''(1) IN GENERAL.—Not later than 1 year after the date on which the Secretary approves the program outline of a State, and annually thereafter, the State shall prepare and submit to the Secretary such information as the Secretary may require to enable the Secretary to evaluate the progress of the State with respect to the program outline. Such information shall address the manner in which the State in implementing the program outline has—

''(A) expanded health care coverage to low-income uninsured children;

''(B) provided quality health care to low-income children;

''(C) improved the health status of low-income children;

''(D) served the health care needs of special populations of low-income children; and

''(E) utilized available resources in a cost effective manner.

''(2) AVAILABILITY OF EVALUATIONS.—The Secretary shall make the results of the evaluations conducted under paragraph (1) available to Congress and the States.

''(3) REPORTS.—The Secretary shall annually prepare and submit to the appropriate committees of Congress, and make available to the States, a report containing the findings of the Secretary as a result of the evaluations conducted under paragraph (1) and the recommendations of the Secretary for achieving or exceeding the objectives of this title.

BROWNBACK (AND KOHL) AMENDMENT NO. 464

Mr. DOMENICI (for Mr. BROWNBACK, for himself and Mr. KOHL) proposed an amendment to the bill, S. 947, supra; as follows:

At the end of the ___, add the following:

TITLE ___—BUDGET CONTROL

SEC. ___01. SHORT TITLE; PURPOSE.

(a) SHORT TITLE.—This title may be cited as the ''Bipartisan Budget Enforcement Act of 1997''.

(b) PURPOSE.—The purpose of this title is—

(1) to ensure a balanced Federal budget by fiscal year 2002;

(2) to ensure that the Bipartisan Budget Agreement is implemented; and

(3) to create a mechanism to monitor total costs of direct spending programs, and, in the event that actual or projected costs exceed targeted levels, to require the President and Congress to address adjustments in direct spending.

SEC. ___02. ESTABLISHMENT OF DIRECT SPENDING TARGETS.

(a) IN GENERAL.—The initial direct spending targets for each of fiscal years 1998 through 2002 shall equal total outlays for all direct spending except net interest as determined by the Director of the Office of Management and Budget (hereinafter referred to in this title as the ''Director'') under subsection (b).

(b) INITIAL REPORT BY DIRECTOR.—

(1) IN GENERAL.—Not later than 30 days after the date of enactment of this title, the Director shall submit a report to Congress setting forth projected direct spending targets for each of fiscal years 1998 through 2002.

(2) PROJECTIONS AND ASSUMPTIONS.—The Director's projections shall be based on legislation enacted as of 5 days before the report is submitted under paragraph (1). The Director shall use the same economic and technical assumptions used in preparing the concurrent resolution on the budget for fiscal year 1998 (H.Con.Res. 84).

SEC. ___03. ANNUAL REVIEW OF DIRECT SPENDING AND RECEIPTS BY PRESIDENT.

As part of each budget submitted under section 1105(a) of title 31, United States Code, the President shall provide an annual review of direct spending and receipts, which shall include—

(1) information on total outlays for programs covered by the direct spending targets, including actual outlays for the prior fiscal year and projected outlays for the current fiscal year and the 5 succeeding fiscal years; and

(2) information on the major categories of Federal receipts, including a comparison between the levels of those receipts and the levels projected as of the date of enactment of this title.

SEC. ___04. SPECIAL DIRECT SPENDING MESSAGE BY PRESIDENT.

(a) TRIGGER.—If the information submitted by the President under section ___03 indicates—

(1) that actual outlays for direct spending in the prior fiscal year exceeded the applicable direct spending target; or

(2) that outlays for direct spending for the current or budget year are projected to exceed the applicable direct spending targets,

the President shall include in his budget a special direct spending message meeting the requirements of subsection (b).

(b) CONTENTS.—

(1) INCLUSIONS.—The special direct spending message shall include—

(A) an analysis of the variance in direct spending over the direct spending targets; and

(B) the President's recommendations for addressing the direct spending overages, if any, in the prior, current, or budget year.

(2) ADDITIONAL MATTERS.—The President's recommendations may consist of any of the following:

(A) Proposed legislative changes to recoup or eliminate the overage for the prior, current, and budget years in the current year, the budget year, and the 4 outyears.

(B) Proposed legislative changes to recoup or eliminate part of the overage for the prior, current, and budget year in the current year, the budget year, and the 4 outyears, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, only some of the overage should be recouped or eliminated by outlay reductions or revenue increases, or both.

(C) A proposal to make no legislative changes to recoup or eliminate any overage, accompanied by a finding by the President that, because of economic conditions or for other specified reasons, no legislative changes are warranted.

(c) PROPOSED SPECIAL DIRECT SPENDING RESOLUTION.—If the President recommends reductions consistent with subsection (b)(2)(A) or (B), the special direct spending message shall include the text of a special direct spending resolution implementing the President's recommendations through reconciliation directives instructing the appropriate committees of the House of Representatives and Senate to determine and recommend changes in laws within their jurisdictions. If the President recommends no reductions pursuant to (b)(2)(C), the special direct spending message shall include the text of a special resolution concurring in the President's recommendation of no legislative action.

SEC. ___05. REQUIRED RESPONSE BY CONGRESS.

(a) IN GENERAL.—It shall not be in order in the House of Representatives or the Senate to consider a concurrent resolution on the budget unless that concurrent resolution fully addresses the entirety of any overage contained in the applicable report of the President under section ___04 through reconciliation directives.

(b) WAIVER AND SUSPENSION.—This section may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn. This section shall be subject to the provisions of section 258 of the Balanced Budget and Emergency Deficit Control Act of 1985.

(c) APPEALS.—Appeals in the Senate from the decisions of the Chair relating to any provision of this section shall be limited to 1 hour, to be equally divided between, and controlled by, the appellant and the manager of the bill or joint resolution, as the case may be. An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this section.

SEC. ___06. RELATIONSHIP TO BALANCED BUDGET AND EMERGENCY DEFICIT CONTROL ACT.

Reductions in outlays or increases in receipts resulting from legislation reported pursuant to section ___05 shall not be taken into account for purposes of any budget enforcement procedures under the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. ___07. ESTIMATING MARGIN.

For any fiscal year for which the overage is less than one-half of 1 percent of the direct spending target for that year, the procedures set forth in sections ___04 and ___05 shall not apply.

SEC. ___08. EFFECTIVE DATE.

This title shall apply to direct spending targets for fiscal years 1998 through 2002 and shall expire at the end of fiscal year 2002.

ALLARD AMENDMENT NO. 465

Mr. DOMENICI (for Mr. ALLARD) proposed an amendment to the bill, S. 947, supra as follows:

On page 865, between lines 2 and 3, insert the following:

SEC. . EXPANSION OF MEDICAL SAVINGS ACCOUNTS TO FAMILIES WITH UNINSURED CHILDREN.

(a) IN GENERAL.—Section 220 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(k) FAMILIES WITH UNINSURED CHILDREN.—

''(1) IN GENERAL.—In the case of an individual who has a qualified dependent as of the first day of any month—

''(A) WAIVER OF EMPLOYER REQUIREMENT.—Clause (iii) of subsection (c)(1)(A) shall not apply.

''(B) WAIVER OF COMPENSATION LIMITATION.—Paragraph (4) of subsection (b) shall not apply.

''(C) COORDINATION WITH EXCLUSION FOR EMPLOYER CONTRIBUTIONS.—In lieu of the limitation of subsection (b)(5), the amount allowable for a taxable year as a deduction under subsection (a) to such individual shall be reduced (but not below zero) by the amount not includible in such individual's gross income for such taxable year solely by reason of section 106(b).

''(D) NUMERICAL LIMITATIONS.—Subsection (i) shall not apply to such individual if such individual is the account holder of a medical savings account by reason of this subsection, and subsection (j) shall be applied without regard to any such medical savings account.

''(2) QUALIFIED DEPENDENT.—For purposes of this subsection, the term 'qualified dependent' means a dependent (within the meaning of section 152) who—

''(A) has not attained the age of 19 as of the close of the calendar year in which the taxable year of the taxpayer begins, and with respect to whom the taxpayer is entitled to a deduction for the taxable year under section 151(c),

''(B) is covered by a high deductible health plan, and

''(C) prior to such coverage, was a previously uninsured individual (as defined by subsection (j)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years ending after the date of the enactment of this Act.

CHAFEE AMENDMENT NO. 466

Mr. DOMENICI (for Mr. CHAFEE) proposed an amendment to the bill, S. 947, supra; as follows:

At the end of the bill, add the following:

TITLE IX—COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

SEC. 9001. NUCLEAR REGULATORY COMMISSION ANNUAL CHARGES.

Section 6101 of the Omnibus Budget Reconciliation Act of 1990 (42 U.S.C. 2214) is amended—

(1) in subsection (a)(3), by striking ''September 30, 1998'' and inserting ''September 30, 2002''; and

(2) in subsection (c)—

(A) by striking paragraph (2) and inserting the following:

''(2) AGGREGATE AMOUNT OF CHARGES.—The aggregate amount of the annual charge collected from all licensees shall equal an amount that approximates 100 percent of the budget authority of the Commission for the fiscal year for which the charge is collected, less, with respect to the fiscal year, the sum of—

''(A) any amount appropriated to the Commission from the Nuclear Waste Fund;

''(B) the amount of fees collected under subsection (b); and

''(C) for fiscal year 1999 and each fiscal year thereafter, to the extent provided in paragraph (5), the costs of activities of the Commission with respect to which a determination is made under paragraph (5).''; and

(B) by adding at the end the following:

''(5) EXCLUDED BUDGET COSTS.—

''(A) IN GENERAL.—The rulemaking under paragraph (3) shall include a determination of the costs of activities of the Commission for which it would not be fair and equitable to assess annual charges on a Nuclear Regulatory Commission licensee or class of licensee.

''(B) CONSIDERATIONS.—In making the determination under subparagraph (a), the Commission shall consider—

''(i) the extend to which activities of the Commission provide benefits to persons that are not licensees of the Commission;

''(ii) the extent to which the Commission is unable to assess fees or charges on a licensee or class of licensee that benefits from the activities; and

''(iii) the extent to which the costs to the Nuclear Regulatory Commission of activities are commensurate with the benefits provided to the licensees from the activities.

''(C) MAXIMUM EXCLUDED COSTS.—The total amount of costs excluded by the Commission pursuant to the determination under subparagraph (A) shall not exceed $30,000,000 for any fiscal year.''.

GRASSLEY AMENDMENT NO. 467

Mr. DOMENICI (for Mr. GRASSLEY) proposed an amendment to the bill, S. 947, supra; as follows:

On page 689, between lines 2 and 3, insert the following:

''(iii) RELIGIOUS CHOICE.—The State, in permitting an individual to choose a managed care entity under clause (i) shall permit the individual to have access to appropriate faith-based facilities. With respect to such access, the State shall permit an individual to select a facility that is not a part of the network of the managed care entity if such network does not provide access to appropriate faith-based facilities. A faith-based facility that provides care under this clause shall accept the terms and conditions offered by the managed care entity to other providers in the network.

KYL AMENDMENT NO. 468

Mr. DOMENICI (for Mr. KYL) proposed an amendment to the bill, S. 947, supra; as follows:

On page 685, after line 25, add the following:

SEC. . FACILITATING THE USE OF PRIVATE CONTRACTS UNDER THE MEDICARE PROGRAM.

(a) IN GENERAL.—Title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) is amended by inserting after section 1804 of such Act (42 U.S.C. 1395b–2) the following:

''CLARIFICATION OF PRIVATE CONTRACTS FOR HEALTH SERVICES

''SEC. 1805. (a) IN GENERAL.—Nothing in this title shall prohibit a physician or another health care professional who does not provide items or services under the program under this title from entering into a private contract with a medicare beneficiary for health services for which no claim for payment is to be submitted under this title.

''(b) LIMITATION ON ACTUAL CHARGE NOT APPLICABLE.— Section 1848(g) shall not apply with respect to a health service provided to a medicare beneficiary under a contract described in subsection (a).

''(c) DEFINITION OF MEDICARE BENEFICIARY.—In this section, the term 'medicare beneficiary' means an individual who is entitled to benefits under part A or enrolled under part B.

''(d) REPORT.—Not later than October 1, 2001, the Administrator of the Health Care Financing Administration shall submit a report to Congress on the effect on the program under this title of private contracts entered into under this section. Such report shall include—

''(1) analyses regarding—

''(A) the fiscal impact of such contracts on total Federal expenditures under this title and on out-of-pocket expenditures by medicare beneficiaries for health services under this title; and

''(B) the quality of the health services provided under such contracts; and

''(2) recommendations as to whether medicare beneficiaries should continue to be able to enter private contracts under this section and if so, what legislative changes, if any should be made to improve such contracts.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to contracts entered into on and after October 1, 1997.

SPECTER (AND ROCKEFELLER) AMENDMENT NO. 469

Mr. DOMENICI (for Mr. SPECTER, for himself and Mr. ROCKEFELLER) proposed an amendment to the bill, S. 947, supra; as follows:

Strike section 5544 and in its place insert the following:

SEC. 5544. EXTENSION OF SLMB PROTECTION.

(a) IN GENERAL.—Section 1902(a)(10)(E)(iii) (42 U.S.C. 1396a(a)(10)(E)(iii)) is amended by striking ''and 120 percent in 1995 and years thereafter'' and inserting '', 120 percent in 1995 through 1997, 125 percent in 1998, 130 percent in 1999, 135 percent in 2000, 140 percent in 2001, 145 percent in 2002, and 150 percent in 2003 and years thereafter''.

(b) 100 PERCENT FMAP.—Section 1905(b) (42 U.S.C. 1396d(b)) is amended by adding at the end the following: ''Notwithstanding the first sentence of this section, the Federal medical assistance percentage shall be 100 percent with respect to amounts expended as medical assistance for medical assistance described in section 1902(a)(10(E)(iii) for individuals described in such section whose income exceeds 120 percent of the official poverty line referred to in such section.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply on and after October 1, 1997.

SPECTER (AND OTHERS) AMENDMENT NO. 470

Mr. DOMENICI (for Mr. SPECTER for himself, Mr. LEVIN, Mr. LIEBERMAN, Mr. SMITH of Oregon, and Mr. ABRAHAM) proposed an amendment to the bill, S. 947, supra; as follows:

Beginning on page 778, strike line 1 and all that follows through pag3 779, line 23.

SPECTER AMENDMENT NO. 471

Mr. DOMENICI (for Mr. SPECTER) proposed an amendment to the bill, S. 947, supra; as follows:

Beginning on page 585, strike line 21 and all that follows through page 586, line 25.

BURNS AMENDMENT NO. 472

Mr. DOMENICI (for Mr. BURNS) proposed an amendment to the bill, S. 947, supra; as follows:

On page 999, between lines 15 and 16, insert the following:

(f) NATIONAL DIRECTORY OF NEW HIRES.—Section 453(i)92) (42 U.S.C. 653(i)(2)) is amended by adding at the end the following: ''Information entered into such data base shall be deleted 6 months after the date of entry.''.

HUTCHINSON AMENDMENT NO. 473

Mr. DOMENICI (for Mr. HUTCHINSON) proposed an amendment to the bill, S. 947, supra; as follows:

Beginning on page 929, strike line 20 and all that follows through page 930, line 14 and insert the following:

(k) CLARIFICATION OF NUMBER OF INDIVIDUALS COUNTED AS PARTICIPATING IN WORK ACTIVITIES.—Section 407 (42 U.S.C. 607) is amended—.

(1) in subsection (c)—

(A) in paragraph (1)(A), by striking ''(8)''; and

(B) in paragraph (2)(D)—

(i) in the heading, by striking ''PARTICIPATION IN VOCATIONAL EDUCATION ACTIVITIES''; and

(ii) by striking ''determined to be engaged in work in the State for a month by reason of participation in vocational educational training or'': and

(2) by striking subsection (d)(8).

MCCAIN AMENDMENT NO. 474

Mr. DOMENICI (for Mr. MCCAIN) proposed an amendment to the bill, S. 947, supra; as follows:

On page 92, beginning with line 6, strike through line 24 on page 128 and insert the following:

SEC. 3001. SPECTRUM AUCTIONS.

(a) EXTENION AND EXPANSION OF AUCTION AUTHORITY.—

(1) IN GENERAL.—Section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j) is amended—

(A) by striking paragraphs (1) and (2) and inserting in lieu thereof the following:

''(1) GENERAL AUTHORITY.—If mutually exclusive applications are accepted for any initial license or construction permit that will involve an exclusive use of the electromagnetic spectrum, then, except as provided in paragraph (2), the Commission shall grant the license or permit to a qualified applicant through a system of competitive bidding that meets the requirements of this subsection. The Commission, subject to paragraphs (2) and (7) of this subsection, also may use auctions as a means to assign spectrum when it determines that such an auction is consistent with the public interest, convenience, and necessity, and the purposes of this Act.

''(2) EXCEPTIONS.—The competitive bidding authority granted by this subsection shall not apply to a license or construction permit the Commission issues—

''(A) for public safety services, including private internal radio services used by State and local governments and non-government entities that—

''(i) are used to protect the safety of life, health, or property; and

''(ii) are not made commercially available to the public;

''(B) for public telecommunications services, as defined in section 397(14) of this Act, when the license application is for channels reserved for noncommercial use;

''(C) for spectrum and associated orbits used in the provision of any communications within a global satellite system;

''(D) for initial licenses or construction permits for new digital television service given to existing terrestrial broadcast licensees to replace their current television licenses;

''(E) for terrestrial radio and television broadcasting when the Commission determines that an alternative method of resolving mutually exclusive applications serves the public interest substantially better than competitive bidding; or

''(F) for spectrum allocated for unlicensed use pursuant to part 15 of the Commission's regulations (47 C.F.R. part 15), if the competitive bidding for licenses would interfere with operation of end-user products permitted under such regulations.'';

(B) by striking ''1998'' in paragraph (11) and inserting ''2007''; and

(C) by inserting after paragraph (13) the following:

''(14) OUT-OF-BAND EFFECTS.—The Commission and the National Telecommunications and Information Administration shall seek to create incentives to minimize the effects of out-of-band emissions to promote more efficient use of the electromagnetic spectrum. The Commission and the National Telecommunications and Information Administration also shall encourage licensees to minimize the effects of interference.''.

(2) CONFORMING AMENDMENTS.—Subsection (i) of section 309 of the Communications Act of 1934 is repealed.

(b) AUCTION OF 45 MEGAHERTZ LOCATED AT 1,710–1,755 MEGAHERTZ.—

(1) IN GENERAL.—The Commission shall assign by competitive bidding 45 megahertz located at 1,710–1,755 megahertz no later than December 31, 2001, for commercial use.

(2) FEDERAL GOVERNMENT USERS.—Any Federal government station that, on the date of enactment of this Act, is assigned to use electromagnetic spectrum located in the 1,710–1,755 megahertz band shall retain that use until December 31, 2003, unless exempted from relocation.

(c) COMMISSION TO MAKE ADDITIONAL SPECTRUM AVAILABLE BY AUCTION.—

(1) IN GENERAL.—The Federal Communications Commission shall complete all actions necessary to permit the assignment, by September 30, 2002, by competitive bidding pursuant to section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)), of licenses for the use of bands of frequencies currently allocated by the Commission that—

(A) in the aggregate span not less than 55 megahertz;

(B) are located below 3 gigahertz; and

(C) as of the date of enactment of this Act, have not been—

(i) designated by Commission regulation for assignment pursuant to section 309(j);

(ii) identified by the Secretary of Commerce pursuant to section 113 of the National Telecommunications and Information

Administration Organization Act (47 U.S.C. 923); or

(III) allocated for Federal Government use pursuant to section 305 of the Communications Act of 1934 (47 U.S.C. 305).

(2) CRITERIA FOR REASSIGNMENT.—In making available bands of frequencies for competitive bidding pursuant to paragraph (1), the Commission shall—

(A) seek to promote the most efficient use of the electromagnetic spectrum;

(B) consider the cost to incumbent licensees of relocating existing uses to other bands of frequencies or other means of communication;

(C) consider the needs of public safety radio services;

(D) comply with the requirements of international agreements concerning spectrum allocations; and

(E) coordinate with the Secretary of Commerce when there is any impact on Federal Government spectrum use.

(3) NOTIFICATION TO THE SECRETARY OF COMMERCE.—The Commission shall attempt to accommodate incumbent licensees displaced under this section by relocating them to other frequencies available to the Commission. The Commission shall notify the Secretary of Commerce whenever the Commission is not able to provide for the effective relocation of an incumbent licensee to a band of frequencies available to the Commission for assignment. The notification shall include—

(A) specific information on the incumbent licensee;

(B) the bands the Commission considered for relocation of the licensee; and

(C) the reasons the incumbent cannot be accommodated in these bands.

(4) REPORT TO THE SECRETARY OF COMMERCE.—

(A) TECHNICAL REPORT.—The Commission, in consultation with the National Telecommunications and Information Administration, shall submit a detailed technical report to the Secretary of Commerce setting forth—

(i) the reasons the incumbent licensees described in paragraph (5) could not be accommodated in existing non-government spectrum; and

(ii) the Commission's recommendations for relocating those incumbents.

(B) NTIA USE OF REPORT.—The National Telecommunications and Information Administration shall review this report when assessing whether a commercial licensee can be accommodated by being reassigned to a frequency allocated for government use.

(d) IDENTIFICATION AND REALLOCATION OF FREQUENCIES.—

(1) IN GENERAL.—Section 113 of the National Telecommunications and Information Administration Organization Act (47 U.S.C. 901 et seq.) is amended by adding at the end thereof the following:

''(f) ADDITIONAL REALLOCATION REPORT.—If the Secretary receives a report from the Commission pursuant to section 3001(c)(6) of the Balanced Budget Act of 1997, the Secretary shall submit to the President, the Congress, and the Commission a report with the Secretary's recommendations.

''(g) REIMBURSEMENT OF FEDERAL SPECTRUM USERS FOR RELOCATION COSTS.—

''(1) IN GENERAL.—

''(A) ACCEPTANCE OF COMPENSATION AUTHORIZED.—In order to expedite the efficient use of the electromagnetic spectrum, and notwithstanding section 3302(b) of title 31, United States Code, any Federal entity that operates a Federal Government station that has been identified by NTIA for relocation may accept payment, including in-kind compensation and shall be reimbursed if required to relocate by the service applicant, provider, licensee, or representative entering the band as a result of a license assignment by the Commission or otherwise authorized by Commission rules.

''(B) DUTY TO COMPENSATE OUSTED FEDERAL ENTITY.—Any such service applicant, provider, licensee, or representative shall compensate the Federal entity in advance for relocating through monetary or in-kind payment for the cost of relocating the Federal entity's operations from one or more electromagnetic spectrum frequencies to any other frequency or frequencies, or to any other telecommunications transmission media.

''(C) COMPENSABLE COSTS.—Compensation shall include, but not be limited to, the costs of any modification, replacement, or reissuance of equipment, facilities, operating manuals, regulations, or other relocation expenses incurred by that entity.

''(D) DISPOSITION OF PAYMENTS.—Payments, other than in-kind compensation, pursuant to this section shall be deposited by electronic funds transfer in a separate agency account or accounts which shall be used to pay directly the costs of relocation, to repay or make advances to appropriations or funds which do or will initially bear all or part of such costs, or to refund excess sums when necessary, and shall remain available until expended.

''(E) APPLICATION TO CERTAIN OTHER RELOCATIONS.—The provisions of this paragraph also apply to any Federal entity that operates a Federal Government station assigned to use electromagnetic spectrum identified for rellocation under subsection (a), if before the date of enactment of the Balanced Budget Act of 1997 the Commission has not identified that spectrum for service or assigned licenses or otherwise authorized service for that spectrum.

''(2) PETITIONS FOR RELOCATION.—Any person seeking to relocate a Federal Government station that has been assigned a frequency within a band allocated for mixed Federal and non-Federal use under this Act shall submit a petition for relocation to NTIA. The NTIA shall limit or terminate the Federal Government station's operating license within 6 months after receiving the petition if the following requirements are met:

''(A) The proposed relocation is consistent with obligations undertaken by the United States in international agreements and with United States national security and public safety interests.

''(B) The person seeking relocation of the Federal Government station has guaranteed to defray entirely, through payment in advance, advance in-kind payment of costs, or a combination of payment in advance and advance in-kind payment, all relocation costs incurred by the Federal entity, including, but not limited to, all engineering, equipment, site acquisition and construction, and regulatory fee costs.

''(C) The person seeking relocation completes all activities necessary for implementing the relocation, including construction of replacement facilities (if necessary and appropriate and identifying and obtaining on the Federal entity's behalf new frequencies for use by the relocated Federal Government station (if the station is not relocating to spectrum reserved exclusively for Federal use).

''(D) Any necessary replacement facilities, equipment modifications, or other changes have been implemented and tested by the Federal entity to ensure that the Federal Government station is able to accomplish successfully its purposes including maintaining communication system performance.

''(E) The Secretary has determined that the proposed use of any spectrum frequency band to which a Federal entity relocates its operations is suitable for the technical characteristics of the band and consistent with other uses of the band. In exercising authority under this subparagraph, the Secretary shall consult with the Secretary of Defense, the Secretary of State, and other appropriate Federal officials.

''(3) RIGHT TO RECLAIM.—If within one year after the relocation of a Federal Government station, the Federal entity affected demonstrates to the Secretary and the Commission that the new facilities or spectrum are not comparable to the facilities or spectrum from which the Federal Government station was relocated, the person who sought the relocation shall take reasonable steps to remedy any defects or pay the Federal entity for the costs of returning the Federal Government station to the electromagnetic spectrum from which the station was relocated.

''(h) FEDERAL ACTION TO EXPEDITE SPECTRUM TRANSFER.—Any Federal Government station which operates on electromagnetic spectrum that has been identified for reallocation under this Act for mixed Federal and non-Federal use in any reallocation report under subsection (a), to the maximum extent practicable through the use of subsection (g) and any other applicable law, shall take prompt action to make electromagnetic spectrum available for use in a manner that maximizes efficient use of the electromagnetic spectrum.

''(i) FEDERAL SPECTRUM ASSIGNMENT RESPONSIBILITY.—This section does not modify NTIA's authority under section 103(b)(2)(A) of this Act.

''(j) DEFINITIONS.—As used in this section—

''(1) the term 'Federal entity' means any department, agency, or instrumentality of the Federal Government that utilizes a Government station license obtained under section 305 of the 1934 Act (47 U.S.C. 305);

''(2) the term 'digital television services' means television services provided using digital technology to enhance audio quality and video resolution, as further defined in the Memorandum Opinion, Report, and Order of the Commission entitled 'Advanced Television Systems and Their Impact Upon the Existing Television Service,' MM Docket No. 87–268 and any subsequent FCC proceedings dealing with digital television; and

''(3) the term 'analog television licenses' means licenses issued pursuant to 47 CFR 73.682 et seq. .''.

(2) Section 114(a) of that Act (47 U.S.C. 924(a)) is amended by striking ''(a) or (d)(1)'' and inserting ''(a), (d)(1), or (f)''.

(e) IDENTIFICATION AND REALLOCATION OF AUCTIONABLE FREQUENCIES.—

(1) SECOND REPORT REQUIRED.—Section 113(a) of the National Telecommunications and Information Administration Organization Act (47 U.S.C. 923(a)) is amended by inserting ''and within 6 months after the date of enactment of the Balanced Budget Act of 1997'' after ''Act of 1993''.

(2) IN GENERAL.—Section 113(b) of the National Telecommunications and Information Administration Organization Act (47 U.S.C. 923(b)) is amended—

(A) by striking the caption of paragraph (1) and inserting ''INITIAL REALLOCATION REPORT.—'';

(B) by inserting ''in the initial report required by subsection (a)'' after ''recommend for reallocation'' in paragraph (1);

(C) by inserting ''or (3)'' after ''paragraph (1)'' each place it appears in paragraph (2); and

(D) by adding at the end thereof the following:

''(3) SECOND REALLOCATION REPORT.—The Secretary shall make available for reallocation a total of 20 megahertz in the second report required by subsection (a), for use other than by Federal Government stations under section 305 of the 1934 Act (47 U.S.C. 305),

that is located below 3 gigahertz and that meets the criteria specified in paragraphs (1) through (5) of subsection (a).''.

(3) ALLOCATION AND ASSIGNMENT.—Section 115 of that Act (47 U.S.C. 925) is amended—

(A) by striking ''the report required by section 113(a)'' in subsection (b) and inserting ''the initial reallocation report required by section 113(a)''; and

(B) by adding at the end thereof the following:

''(c) ALLOCATION AND ASSIGNMENT OF FREQUENCIES IDENTIFIED IN THE SECOND ALLOCATION REPORT.—

''(1) PLAN.—Within 12 months after it receives a report from the Secretary under section 113(f) of this Act, the Commission shall—

''(A) submit a plan, prepared in coordination with the Secretary of Commerce, to the President and to the Senate Committee on Commerce, Science, and Transportation and the House of Representatives Committee on Commerce, for the allocation and assignment under the 1934 Act of frequencies identified in the report; and

''(B) implement the plan.

''(2) CONTENTS.—The plan prepared by the Commission under paragraph (1) shall consist of a schedule of reallocation and assignment of those frequencies in accordance with section 309(j) of the 1934 Act in time for the assignment of those licenses or permits by September 30, 2002.''.

SEC. 3002. DIGITAL TELEVISION SERVICES.

Section 309(j) of the Communications Act of 1934 (47 U.S.C. 309(j)) is amended by adding at the end thereof the following:

''(15) AUCTION OF RECAPTURED BROADCAST TELEVISION SPECTRUM AND POTENTIAL DIGITAL TELEVISION LICENSE FEES.—

''(A) LIMITATIONS ON TERMS OF TERRESTRIAL TELEVISION BROADCAST LICENSES.—

''(i) A television license that authorizes analog television services may not be renewed to authorize such services for a period that extends beyond December 31, 2006. The Commission shall extend or waive this date for any station in any television market unless 95 percent of the television households have access to digital local television signals, either by direct off-air reception or by other means.

''(ii) A commercial digital television license that is issued shall expire on September 30, 2003. A commercial digital television license shall be re-issued only subject to fulfillment of the licensee's obligations under subparagraph (C).

''(iii) No later than December 31, 2001, and every 2 years thereafter, the Commission shall report to Congress on the status of digital television conversion in each television market. In preparing this report, the Commission shall consult with other departments and agencies of the Federal government. The report shall contain the following information:

''(I) Actual consumer purchases of analog and digital television receivers, including the price, availability, and use of conversion equipment to allow analog sets to receive a digital signal.

''(II) The percentage of television households in each market that has access to digital local television signals as defined in paragraph (a)(1), whether such access is attained by direct off-air reception or by some other means.

''(II) The cost to consumers of purchasing digital television receivers (or conversion equipment to prevent obsolescence of existing analog equipment) and other related changes in the marketplace such as increases in the cost of cable converter boxes.

''(B) SPECTRUM REVERSION AND RESALE.—

''(i) The Commission shall—

''(I) ensure that, as analog television licenses expire pursuant to subparagraph (A)(i), each broadcaster shall return electromagnetic spectrum according to the Commission's direction; and

''(II) reclaim and organize the electromagnetic spectrum in a manner to maximize the deployment of new and existing services.

''(ii) Licenses for new services occupying electromagnetic spectrum previously used for the broadcast of analog television shall be selected by competitive bidding. The Commission shall start the competitive bidding process by July 1, 2001, with payment pursuant to the competitive bidding rules established by the Commission. The Commission shall report the total revenues from the competitive bidding by January 1, 2002.

''(C) DEFINITIONS.—As used in this paragraph—

''(i) the term 'digital television services' means television services provided using digital technology to enhance audio quality and video resolution, as further defined in the Memorandum Opinion, Report, and Order of the Commission entitled 'Advanced Television Systems and their Impact Upon the Existing Television Service,' MM Docket No. 87–268 and any subsequent Commission proceedings dealing with digital television; and

''(ii) the term 'analog television licenses' means licenses issued pursuant to 47 CFR 73.682 et seq. .''.

SEC. 3003. ALLOCATION AND ASSIGNMENT OF NEW PUBLIC SAFETY AND COMMERCIAL LICENSES.

(a) IN GENERAL.—The Federal Communications Commission, not later than January 1, 1998, shall allocate from electromagnetic spectrum between 746 megahertz and 806 megahertz—

(1) 24 megahertz of that spectrum for public safety services according to terms and conditions established by the Commission, in consultation with the Secretary of Commerce and the Attorney General; and

(2) 36 megahertz of that spectrum for commercial purposes to be assigned by competitive bidding.

(b) ASSIGNMENT.—The Commission shall—

(1) commence assignment of the licenses for public safety created pursuant to subsection (a) no later than September 30, 1998; and

(2) commence competitive bidding for the commercial licenses created pursuant to subsection (a) no later than March 31, 1998.

(c) LICENSING OF UNUSED FREQUENCIES FOR PUBLIC SAFETY RADIO SERVICES.—

(1) USE OF UNUSED CHANNELS FOR PUBLIC SAFETY.—It shall be the policy of the Federal Communications Commission, notwithstanding any other provision of this Act or any other law, to waive whatever licensee eligibility and other requirements (including bidding requirements) are applicable in order to permit the use of unassigned frequencies for public safety purposes by a State or local government agency upon a showing that—

(A) no other existing satisfactory public safety channel is immediately available to satisfy the requested use;

(B) the proposed use is technically feasible without causing harmful interference to existing stations in the frequency band entitled to protection from such interference under the rules of the Commission; and

(C) use of the channel for public safety purposes is consistent with other existing public safety channel allocations in the geographic area of proposed use.

(2) APPLICABILITY.—Paragraph (1) shall apply to any application—

(A) is pending before the Commission on the date of enactment of this Act;

(B) was not finally determined under section 402 or 405 of the Communications Act of 1934 (47 U.S.C. 402 or 405) on May 15, 1997; or

(C) is filed after May 15, 1997.

(d) PROTECTION OF BROADCAST TV LICENSEES DURING DIGITAL TRANSITION.—Public safety and commercial licenses granted pursuant to this subsection—

(1) shall enjoy flexibility in use, subject to—

(A) interference limits set by the Commission at the boundaries of the electromagnetic spectrum block and service area; and

(B) any additional technical restrictions imposed by the Commission to protect full-service analog and digital television licenses during a transition to digital television;

(2) may aggregate multiple licenses to create larger spectrum blocks and service areas;

(3) may disaggregate or partition licenses to create smaller spectrum blocks or service areas; and

(4) may transfer a license to any other person qualified to be a licensee.

(e) PROTECTION OF PUBLIC SAFETY LICENSEES DURING DIGITAL TRANSITION.—The Commission shall establish rules insuring that public safety licensees using spectrum reallocated pursuant to subsection (a)(1) shall not be subject to harmful interference from television broadcast licensees.

(f) DIGITAL TELEVISION ALLOTMENT.—In assigning temporary transitional digital licenses, the Commission shall—

(1) minimize the number of allotments between 746 and 806 megahertz and maximize the amount of spectrum available for public safety and new services;

(2) minimize the number of allotments between 698 and 746 megahertz in order to facilitate the recovery of spectrum at the end of the transition;

(3) consider minimizing the number of allotments between 54 and 72 megahertz to facilitate the recovery of spectrum at the end of the transition; and

(4) develop an allotment plan designed to recover 79 megahertz of spectrum to be assigned by competitive bidding, in addition to the 60 megahertz identified in paragraph (a) of this subsection.

(g) INCUMBENT BROADCAST LICENSEES.—Any person who holds an analog television license or a digital television license between 746 and 806 megahertz—

(1) may not operate at that frequency after the date on which the digital television services transition period terminates, as determined by the Commission; and

(2) shall surrender immediately the license or permit to construct pursuant to Commission rules.

(h) DEFINITIONS.—For purposes of this section—

(1) COMMISSION.—The term ''Commission'' means the Federal Communications Commission.

(2) DIGITAL TELEVISION (DTV) SERVICE.—The term ''digital television (DTV) service'' means terrestrial broadcast services provided using digital technology to enhance audio quality and video resolution, as further defined in the Memorandum Opinion, Report, and Order of the Commission entitled ''Advanced Television Systems and Their Impact Upon the Existing Television Service,'' MM Docket No. 87–268, or subsequent findings of the Commission.

(3) DIGITAL TELEVISION LICENSE.—The term ''digital television license'' means a full-service license issued pursuant to rules adopted for digital television service.

(4) ANALOG TELEVISION LICENSE.—The term ''analog television license'' means a full-service license issued pursuant to 47 CFR 73.682 et seq.

(5) PUBLIC SAFETY SERVICES.—The term ''public safety services'' means services whose sole or principal purpose is to protect the safety of life, health, or property.

(6) SERVICE AREA.—The term ''service area'' means the geographic area over which a licensee may provide service and is protected from interference.

(7) SPECTRUM BLOCK.—The term ''spectrum block'' means the range of frequencies over which the apparatus licensed by the Commission is authorized to transmit signals.

SEC. 3004. FLEXIBLE USE OF ELECTROMAGNETIC SPECTRUM.

Section 303 of the Communications Act of 1934 (47 U.S. 303) is amended by adding at the end thereof the following:

''(y) Shall allocate electromagnetic spectrum so as to provide flexibility of use, except—

''(1) as required by international agreements relating to global satellite systems or other telecommunication services to which the United States is a party;

''(2) as required by public safety allocations;

''(3) to the extent that the Commission finds, after notice and an opportunity for public comment, that such an allocation would not be in the public interest;

''(4) to the extent that flexible use would retard investment in communications services and systems, or technology development thereby lessening the value of the electromagnetic spectrum; or

''(5) to the extent that flexible use would result in harmful interference among users.''.

LAUTENBERG AMENDMENT NO. 475

Mr. LAUTENBERG proposed an amendment to the bill, S. 947, supra; as follows:

On page 871, strike lines 9–11.

KERREY AMENDMENT NO. 476

Mr. LAUTENBERG (for Mr. KERREY) proposed an amendment to the bill, S. 947, supra; as follows:

At the appropriate place in the bill insert the following:

SEC. . RESERVE PRICE.

In any auction conducted or supervised by the Federal Communications Commission (hereinafter the Commission) for any license, permit or right which has value, a reasonable reserve price shall be set by the Commission for each unit in the auction. The reserve price shall establish a minimum bid for the unit to be auctioned. If no bid is received above the reserve price for a unit, the unit shall be retained. The Commission shall reassess the reserve price for that unit and place the unit in the next scheduled or next appropriate auction.

DURBIN (AND OTHERS) AMENDMENT NO. 477

Mr. LAUTENBERG (for Mr. DURBIN, for himself, Mr. WELLSTONE, and Mrs. BOXER) proposed an amendment to the bill, S. 947, supra; as follows:

At the end of title I, add the following:

SEC. 10. FOOD STAMP BENEFITS FOR CHILD IMMIGRANTS.

(a) IN GENERAL.—Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)) is amended by adding at the end the following:

''(E) CHILD IMMIGRANTS.—In the case of the program specified in paragraph (3)(B), paragraph (1) shall not apply to a qualified alien who is under 18 years of age.''.

(b) ALLOCATION OF ADMINISTRATIVE COSTS.—Section 408(a) of the Social Security Act (42 U.S.C. 608(a)) is amended by adding at the end the following:

''(12) DESIGNATION OF GRANTS UNDER THIS PART AS PRIMARY PROGRAM IN ALLOCATING ADMINISTRATIVE COSTS——

''(A) IN GENERAL.—Notwithstanding any other provision of law, a State shall designate the program funded under this part as the primary program for the purpose of allocating costs incurred in serving families eligible or applying for benefits under the State program funded under this part and any other Federal means-tested benefits.

''(B) ALLOCATION OF COSTS.——

''(i) IN GENERAL.—The Secretary shall require that costs described in subparagraph (A) be allocated in the same manner as the costs were allocated by State agencies that designated part A of title IV as the primary program for the purpose of allocating administrative costs before August 22, 1996.

''(iii) FLEXIBLE ALLOCATION.—The Secretary may allocate costs under clause (i) differently, if a State can show good cause for or evidence of increased costs, to the extent that the administrative costs allocated to the primary program are not reduced by more than 33 percent.

''(13) FAILURE TO ALLOCATE ADMINISTRATIVE COSTS TO GRANTS PROVIDED UNDER THIS PART.—If the Secretary determines that, with respect to a preceding fiscal year, a State has not allocated administrative costs in accordance with paragraph (12), the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the succeeding fiscal year by an amount equal to——

''(A) the amount the Secretary determines should have been allocated to the program funded under this part in such preceding fiscal year; minus

''(B) the amount that the State allocated to the program funded under this part in such preceding fiscal year.''.

ROCKEFELLER (AND WYDEN) AMENDMENT NO. 478

Mr. LAUTENBERG (for Mr. ROCKEFELLER, for himself and Mr. WYDEN) proposed an amendment to the bill, S. 947, supra; as follows:

On page 214, strike lines 21 through 24 and insert the following:

''(3) EXCEPTION FOR MSA PLANS AND UNRESTRICTED FEE-FOR-SERVICE PLANS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraphs (1) and (2) do not apply to an MSA plan or an unrestricted fee-for-service plan.

''(B) APPLICATION OF BALANCE BILLING FOR PHYSICIAN SERVICES.—Section 1848(g) shall apply to the provision of physician services (as defined in section 1848(j)(3)) to an individual enrolled in an unrestricted fee-for-service plan under this title in the same manner as such section applies to such services that are provided to an individual who is not enrolled in a Medicare Choice plan under this title.

DODD AMENDMENT NO. 479

Mr. LAUTENBERG (for Mr. DODD) proposed an amendment to the bill, S. 947, supra; as follows:

On page 874, between lines 7 and 8, insert the following:

SEC. 5817A. CONTINUATION OF MEDICAID ELIGIBILITY FOR DISABLED CHILDREN WHO LOSE SSI BENEFITS.

(a) IN GENERAL.—Section 1902(a)(10)(A)(i)(II) (42 U.S.C. 1396a(a)(10)(A)(i)(II)) is amended by inserting ''(or were being paid as of the date of enactment of section 211(a) of the Personal Responsibility and Work Opportunity Act of 1996 (Public law 104–193; 110 Stat. 2188) and would continue to be paid but for the enactment of that section)'' after ''title XVI''.

(b) OFFSET.—Section 2103(b) of the Social Security Act (as added by section 5801) is amended——

(1) in paragraph (2), by striking ''and'' and at the end;

(2) in paragraph (3), by striking the period and inserting ''; and''; and

(3) by adding at the end the following:

''(4) the amendment made by section 5817A(a) of the Balanced Budget Act of 1997 (relating to continued eligibility for certain disabled children).''.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) applies to medical assistance furnished on or after July 1, 1997.

MURRAY (AND WELLSTONE) AMENDMENT NO. 480

Mr. LAUTENBERG (for Mrs. MURRAY, for herself and Mr. WELLSTONE) proposed an amendment to the bill, S. 947, supra; as follows:

On page 960, between lines 3 and 4, insert the following:

SEC. _____. PROTECTING VICTIMS OF FAMILY VIOLENCE.

(a) FINDINGS.—Congress finds that—

(1) the intent of Congress in amending part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) in section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104–193; 110 Stat 2112) was to allow States to take into account the effects of the epidemic of domestic violence in establishing their welfare programs, by giving States the flexibility to grant individual, temporary waivers for good cause to victims of domestic violence who meet the criteria set forth in section 402(a)(7)(B) of the Social Security Act (42 U.S.C. 602(a)(7)(B));

(2) the allowance of waivers under such sections was not intended to be limited by other, separate, and independent provisions of part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.);

(3) under section 402(a)(7)(A)(iii) of such Act (42 U.S.C. 602(a)(7)(A)(iii)), requirements under the temporary assistance for needy families program under part A of title IV of such Act may, for good cause, be waived for so long as necessary; and

(4) good cause waivers granted pursuant to section 402(a)(7)(A)(iii) of such Act (42 U.S.C. 602(a)(7)(A)(iii)) are intended to be temporary and directed only at particular program requirements when needed on an individual case-by-case basis, and are intended to facilitate the ability of victims of domestic violence to move forward and meet program requirements when safe and feasible without interference by domestic violence.

(b) CLARIFICATION OF WAIVER PROVISIONS.—

(1) IN GENERAL.—Section 402(a)(7) (42 U.S.C. 602(a)(7)) is amended by adding at the end the following:

''(C) NO NUMERICAL LIMITS.—In implementing this paragraph, a State shall not be subject to any numerical limitation in the granting of good cause waivers under subparagraph (A)(iii).

''(D) WAIVERED INDIVIDUALS NOT INCLUDED FOR PURPOSES OF CERTAIN OTHER PROVISIONS OF THIS PART.—Any individual to whom a good cause waiver of compliance with this Act has been granted in accordance with subparagraph (A)(iii) shall not be included for purposes of determining a State's compliance with the participation rate requirements set forth in section 407, for purposes of applying the limitation described in section 408(a)(7)(C)(ii), or for purposes of determining

whether to impose a penalty under paragraph (3), (5), or (9) of section 409(a).''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) takes effect as if it had been included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104–193; 110 Stat. 2112).

(c) FEDERAL PARENT LOCATOR SERVICE.—

(1) IN GENERAL.—Section 453 (42 U.S.C. 653), as amended by section 5938, is further amended—

(A) in subsection (b)(2)—

(i) in the matter preceding subparagraph (A), by inserting ''or that the health, safety, or liberty of a parent or child would by unreasonably put at risk by the disclosure of such information,'' before ''provided that'';

(ii) in subparagraph (A), by inserting '', that the health, safety, or liberty of a parent or child would by unreasonably put at risk by the disclosure of such information,'' before ''and that information''; and

(iii) in subparagraph (B)(i), by striking ''be harmful to the parent or the child'' and inserting ''place the health, safety, or liberty of a parent or child unreasonably at risk''; and

(B) in subsection (c)(2), by inserting '', or to serve as the initiating court in an action to seek and order,'' before ''against a noncustodial''.

(2) STATE PLAN.—Section 454(26) (42 U.S.C. 654), as amended by section 5956, is further amended—

(A) in subparagraph (C), by striking ''result in physical or emotional harm to the party or the child'' and inserting ''place the health, safety, or liberty of a parent or child unreasonably at risk'';

(B) in subparagraph (D), by striking ''of domestic violence or child abuse against a party or the child and that the disclosure of such information could be harmful to the party or the child'' and inserting ''that the health, safety, or liberty of a parent or child would be unreasonably put at risk by the disclosure of such information''; and

(C) in subparagraph (E), by striking ''of domestic violence'' and all that follows through the semicolon and inserting ''that the health, safety, or liberty of a parent or child would be unreasonably put at risk by the disclosure of such information pursuant to section 453(b)(2), the court shall determine whether disclosure to any other person or persons of information received from the Secretary could place the health, safety, or liberty or a parent or child unreasonably at risk (if the court determines that disclosure to any other person could be harmful, the court and its agents shall not make any such disclosure);''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect 1 day after the effective date described in section 5961(a).

DODD (AND OTHERS) AMENDMENT NO. 481

Mr. LAUTENBERG (for Mr. DODD, for himself, Mr. D'AMATO, and Mr. LEAHY) proposed an amendment to the bill, S. 947, supra; as follows:

On page 562, between line 20 and 21, insert the following:

''(XIV) for calendar year 1999 for hospitals in all areas, the market basket percentage increase minus 1.3 percentage points,''.

On page 562, line 21, strike ''(XIV) for calendar year 1999'' and insert ''(XV) for calendar year 2000.''.

On page 563, line 1, strike ''(XV)'' and insert ''(XVI)''.

On page 604, line 22, strike ''upon discharge from a subsection (d) hospital'' and insert ''immediately upon discharge from, and pursuant to the discharge planning process (as defined in section 1861(ee)) of, a subsection (d) hospital''.

Beginning on page 605, strike line 7 and all that follows through page 606, line 6, and insert the following:

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to discharges occurring on or after October 1, 1997.

LEVIN (AND JEFFORDS) AMENDMENT NO. 482

Mr. LAUTENBERG (for Mr. LEVIN, for himself and Mr. JEFFORDS) proposed an amendment to the bill, S. 947, supra; as follows:

On page 930, between lines 14 and 15, insert the following:

(l) VOCATIONAL EDUCATIONAL TRAINING.—Section 407(d)(8) (42 U.S.C. 607(d)(8)) is amended by striking ''12'' and inserting ''24''.

WYDEN AMENDMENT NO. 483

Mr. LAUTENBERG (for Mr. WYDEN) proposed an amendment to the bill, S. 947, supra; as follows:

On page 844, between lines 7 and 8, insert the following:

SEC. 5768. CONTINUATION OF STATE-WIDE SECTION 1115 MEDICAID WAIVERS.

(a) IN GENERAL.—Section 1115 of the Social Security Act (42 U.S.C. 1315) is amended by adding at the end the following:

''(d)(1) The provisions of this subsection shall apply to the extension of statewide comprehensive research and demonstration projects (in this subsection referred to as 'waiver project') for which waivers of compliance with the requirements of title XIX are granted under subsection (a). With respect to a waiver project that, but for the enactment of this subsection, would expire, the State at its option may—

''(A) not later than 1 year before the waiver under subsection (a) would expire (acting through the chief executive officer of the State who is operating the project), submit to the Secretary a written request for an extension of such waiver project for up to 3 years; or

''(B) permanently continue the waiver project if the project meets the requirements of paragraph (2).

''(2) The requirements of this paragraph are that the waiver project—

''(A) has been successfully operated for 5 or more years; and

''(B) has been shown, through independent evaluations sponsored by the Health Care Financing Administration, to successfully contain costs and provide access to health care.

''(3)(A) In the case of waiver projects described in paragraph (1)(A), if the Secretary fails to respond to the request within 6 months after the date on which the request was submitted, the request is deemed to have been granted.

''(B) If the request is granted or deemed to have been granted, the deadline for submittal of a final report shall be 1 year after the date on which the waiver project would have expired but for the enactment of this subsection.

''(C) The Secretary shall release an evaluation of each such project not later than 1 year after the date of receipt of the final report.

''(D) Phase-down provisions which were applicable to waiver projects before an extension was provided under this subsection shall not apply.

''(4) The extension of a waiver project under this subsection shall be on the same terms and conditions (including applicable terms and conditions related to quality and access of services, budget neutrality as adjusted for inflation, data and reporting requirements and special population protections), except for any phase down provisions, and subject to the same set of waivers that applied to the project or were granted before the extension of the project under this subsection. The permanent continuation of a waiver project shall be on the same terms and conditions, including financing, and subject to the same set of waivers. No test of budget neutrality shall be applied in the case of projects described in paragraph (2) after that date on which the permanent extension was granted.

''(5) In the case of a waiver project described in paragraph (2), the Secretary, acting through the Health Care Financing Administration shall, deem any State's request to expand medicaid coverage in whole or in part to individuals who have an income at or below the Federal poverty level as budget neutral if independent evaluations sponsored by the Health Care Financing Administration have shown that the State's medicaid managed care program under such original waiver is more cost effective and efficient than the traditional fee-for-service medicaid program that, in the absence of any managed care waivers under this section, would have been provided in the State.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on the date of enactment of this Act.

HARKIN (AND GRASSLEY) AMENDMENT NO. 484

Mr. LAUTENBERG (for Mr. HARKIN for himself and Mr. GRASSLEY) proposed an amendment to the bill, S. 947, supra; as follows:

On page 885, line 15, insert after ''State'' the following: ''or a community action agency, community development corporation or other non-profit organizations with demonstrated effectiveness in moving welfare recipients into the workforce''.

FEINSTEIN AMENDMENTS NOS. 485–487

Mr. LAUTENBERG (for Mrs. FEINSTEIN) proposed three amendments to the bill, S. 947, supra; as follows:

AMENDMENT NO. 485

At the end of the proposed section 1852(d) of the Social Security Act (as added by section 5001), add the following:

''(4) DETERMINATION OF HOSPITAL LENGTH OF STAY.—

''(A) IN GENERAL.—A Medicare Choice organization shall cover the length of an inpatient hospital stay under this part as determined by the attending physician, in consultation with the patient, to be medically appropriate.

''(B) CONSTRUCTION.—Nothing in this paragraph shall be construed—

''(i) as requiring the provision of inpatient coverage if the attending physician, in consultation with the patient, determine that a shorter period of hospital stay is medically appropriate, or

''(ii) as affecting the application of deductibles and coinsurance.

At the appropriate place in chapter 2 of subtitle H of division 1 of title V, insert the following new section:

SEC. . HOSPITAL LENGTH OF STAY.

(a) IN GENERAL.—Section 1866(a)(1) (42 U.S.C. 1395cc(a)(1)) is amended—

(1) by striking ''and'' at the end of subparagraph (Q);

(2) by striking the period at the end of subparagraph (R) and inserting ''; and'';

(3) by inserting after subparagraph (R) the following:

''(S) in the case of hospitals, not to discharge an inpatient before the date the attending physician and patient determine it to be medically appropriate.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to discharges occurring on or after 6 months after the date of enactment of this Act.

At the appropriate place in chapter 5 of subtitle I of division 2 of title V, insert the following new section:

SEC. . DETERMINATION OF HOSPITAL STAY.

(a) IN GENERAL.—Title XIX (42 U.S.C. 1396 et seq.) is amended—

(1) by redesignating section 1933 as section 1934; and

(2) by inserting after section 1932 the following new section:

''DETERMINATION OF HOSPITAL STAY

''SEC. 1933. (a) IN GENERAL.—A State plan for medical assistance under this title shall cover the length of an inpatient hospital stay under this part as determined by the attending physician, in consultation with the patient, to be medically appropriate.

''(b) CONSTRUCTION.—Nothing in this section shall be construed—

''(1) as requiring the provision of inpatient coverage if the attending physician, in consultation with the patient, determine that a shorter period of hospital stay is medically appropriate, or

''(2) as affecting the application of deductibles and coinsurance.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to discharges occurring on or after 6 months after the date of enactment of this Act.

AMENDMENT NO. 486

At the appropriate place in chapter 1 of subtitle K of division 2 of title V, insert the following new section:

SEC. . ADDITIONAL FUNDING FOR STATE EMERGENCY HEALTH SERVICES FURNISHED TO UNDOCUMENTED ALIENS.

(a) TOTAL AMOUNT AVAILABLE FOR ALLOTMENT.—There are available for allotments under this section for each of the 5 fiscal years (beginning with fiscal year 1998) $20,000,000 for payments to certain States under this section.

(b) STATE ALLOTMENT AMOUNT.—

(1) IN GENERAL.—The Secretary of Health and Human Services shall compute an allotment for each fiscal year beginning with fiscal year 1998 and ending with fiscal year 2002 for each of the 12 States with the highest number of undocumented aliens. The amount of such allotment for each such State for a fiscal year shall bear the same ratio to the total amount available for allotments under subsection (a) for the fiscal year as the ratio of the number of undocumented aliens in the State in the fiscal year bears to the total of such numbers for all States for such fiscal year. The amount of allotment to a State provided under this paragraph for a fiscal year that is not paid out under subsection (c) shall be available for payment during the subsequent fiscal year.

(2) DETERMINATION.—For purposes of paragraph (1), the number of undocumented aliens in a State under this section shall be determined based on estimates of the resident illegal alien population residing in each State prepared by the Statistics Division of the Immigration and Naturalization Service as of October 1992 (or as of such later date if such date is at least 1 year before the beginning of the fiscal year involved).

(c) USE OF FUNDS. —From the allotments made under subsection (b), the Secretary shall pay to each State amounts the State demonstrates were paid by the State (or by a political subdivision of the State) for emergency health services furnished to undocumented aliens.

(d) STATE DEFINED.—For purposes of this section, the term ''State'' includes the District of Columbia.

(e) STATE ENTITLEMENT.—This section constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided under subsection (c).

AMENDMENT NO. 487

At the appropriate place in section 5721, insert the following:

( ) APPLICATION OF DSH PAYMENT ADJUSTMENT.—Notwithstanding subsection (d), effective July 1, 1997, section 1923(g)(2)(A) of the Social Security Act (42 U.S.C. 1396r–4(g)(2)(A)) shall be applied to the State of California as though—

(1) ''or that begins on or after July 1, 1997, and before July 1, 1999,'' were inserted in such section after ''January 1, 1995,''; and

(2) ''(or 175 percent in the case of a State fiscal year that begins on or after July 1, 1997, and before July 1, 1999)'' were inserted in such section after ''200 percent''.

WELLSTONE (AND OTHERS) AMENDMENT NO. 488

Mr. Lautenberg (for Mr. WELLSTONE, for himself, Mr. DURBIN, and Ms. MIKULSKI) proposed an amendment to the bill, S. 947, supra; as follows:

Beginning on page 764, strike line 7 and all that follows through page 765, line 17, and insert the following:

(a) PLAN AMENDMENTS.—Section 1902(a)(13) is amended—

(1) by striking all that precedes subparagraph (D) and inserting the following:

''(13)(A) provide—

(i) for the State-based determination of rates of payment under the plan for hospital services (and which, in the case of hospitals, take into account the situation of hospitals which serve a disproportionate number of low income patients with special needs), nursing facility services , and services provided in intermediate care facilities for the mentally retarded, under which the State provides assurances to the Secretary that proposed rates will be actuarially sufficient to ensure access to and quality of services;

''(ii) that the State will submit such proposed rates for review by an independent actuary selected by the Secretary; and

''(iii) that any new rates or modifications to existing rates will be developed through a public rulemaking procedure under which such new or modified rates are published in 1 or more daily newspapers of general circulation in the State or in any publication used by the State to publish State statutes or rules, and providers, beneficiaries and their representatives, and other concerned State residents are given a reasonable opportunity for review and comment on such rates or modifications;''; and

(2) by redesignating subparagraphs (D), (E) and (F) as subparagraphs (B), (C), and (D) respectively.

MIKULSKI (AND WELLSTONE) AMENDMENT NO. 489

Mr. LAUTENBERG (for Ms. MIKULSKI, for herself and Mr. WELLSTONE) proposed an amendment to the bill, S. 947, supra; as follows:

Beginning on page 764, strike line 5 and all that follows through line 23 on page 766.

KENNEDY (AND DODD) AMENDMENT NO. 490

Mr. LAUTENBERG (for Mr. KENNEDY, for himself and Mr. DODD) proposed an amendment to the bill, S. 947, supra; as follows:

Strike title VII and insert the following:

TITLE VII—COMMITTEE ON LABOR AND HUMAN RESOURCES

SEC. 7001. MANAGEMENT AND RECOVERY OF RESERVES.

(a) AMENDMENT.—Section 422 of the Higher Education Act of 1965 (20 U.S.C. 1072) is amended by adding after subsection (g) the following new subsection:

''(h) RECALL OF RESERVES; LIMITATIONS ON USE OF RESERVE FUNDS AND ASSETS.—

''(1) IN GENERAL.—Notwithstanding any other provision of law, the Secretary shall, except as otherwise provided in this subsection, recall $1,200,000,000 from the reserve funds held by guaranty agencies under this part on September 1, 2002.

''(2) DEPOSIT.—Funds recalled by the Secretary under this subsection shall be deposited in the Treasury.

''(3) EQUITABLE SHARE.—The Secretary shall require each guaranty agency to return reserve funds under paragraph (1) based on such agency's equitable share of excess reserve funds held by guaranty agencies as of September 30, 1996. For purposes of this paragraph, a guaranty agency's equitable share of excess reserve funds shall be determined as follows:

''(A) The Secretary shall compute each agency's reserve ratio by dividing (i) the amount held in such agency's reserve (including funds held by, or under the control of, any other entity) as of September 30, 1996, by (ii) the original principal amount of all loans for which such agency has an outstanding insurance obligation.

''(B) If the reserve ratio of any agency as computed under subparagraph (A) exceeds 1.12 percent, the agency's equitable share shall include so much of the amounts held in such agency's reserve fund as exceed a reserve ratio of 1.12 percent.

''(C) If any additional amount is required to be recalled under paragraph (1) (after deducting the total of the equitable shares calculated under subparagraph (B)), the agencies' equitable shares shall include additional amounts—

''(i) determined by imposing on each such agency an equal percentage reduction in the amount of each agency's reserve fund remaining after deduction of the amount recalled under subparagraph (B); and

''(ii) the total of which equals the additional amount that is required to be recalled under paragraph (1) (after deducting the total of the equitable shares calculated under subparagraph (B)).

''(4) RESTRICTED ACCOUNTS.—Within 90 days after the beginning of each of fiscal years 1998 through 2002, each guaranty agency shall transfer a portion of each agency's equitable share determined under paragraph (3) to a restricted account established by the guaranty agency that is of a type selected by the guaranty agency with the approval of the Secretary. Funds transferred to such restricted accounts shall be invested in obligations issued or guaranteed by the United States or in other similarly low-risk securities. A guaranty agency shall not use the funds in such a restricted account for any purpose without the express written permission of the Secretary, except that a guaranty agency may use the earnings from such restricted account for activities to reduce student loan defaults under this part. The portion required to be transferred shall be determined as follows:

''(A) In fiscal year 1998—

''(i) all agencies combined shall transfer to a restricted account an amount equal to one-fifth of the total amount recalled under paragraph (1);

''(ii) each agency with a reserve ratio (as computed under paragraph (3)(A)) that exceeds 2 percent shall transfer to a restricted account so much of the amounts held in such agency's reserve fund as exceed a reserve ratio of 2 percent; and

''(iii) each agency shall transfer any additional amount required under clause (i) (after deducting the amount transferred under clause (ii)) by transferring an amount that represents an equal percentage of each agency's equitable share to a restricted account.

''(B) In fiscal years 1999 through 2002, each agency shall transfer an amount equal to one-fourth of the total amount remaining of the agency's equitable share (after deduction of the amount transferred under subparagraph (A)).

''(5) SHORTAGE.—If, on September 1, 2002, the total amount in the restricted accounts described in paragraph (4) is less than the amount the Secretary is required to recall under paragraph (1), the Secretary shall require the return of the amount of the shortage from other reserve funds held by guaranty agencies under procedures established by the Secretary.

''(6) PROHIBITION.—The Secretary shall not have any authority to direct a guaranty agency to return reserve funds under subsection (g)(1)(A) during the period from the date of enactment of this subsection through September 30, 2002, and any reserve funds otherwise returned under subsection (g)(1) during such period shall be treated as amounts recalled under this subsection and shall not be available under subsection (g)(4).

''(7) DEFINITION.—For purposes of this subsection the term 'reserve funds' when used with respect to a guaranty agency—

''(A) includes any reserve funds held by, or under the control of, any other entity; and

''(B) does not include buildings, equipment, or other nonliquid assets.''.

(b) CONFORMING AMENDMENT.—Section 428(c)(9)(A) of the Higher Education Act of 1965 (20 U.S.C. 1078(c)(9)(A)) is amended—

(1) in the first sentence, by striking ''for the fiscal year of the agency that begins in 1993''; and

(2) by striking the third sentence.

SEC. 7002. REPEAL OF DIRECT LOAN ORIGINATION FEES TO INSTITUTIONS OF HIGHER EDUCATION.

Section 452 of the Higher Education Act of 1965 (20 U.S.C. 1087b) is amended—

(1) by striking subsection (b); and

(2) by redesignating subsections (c) and (d) as subsections (b) and (c), respectively.

SEC. 7003. LENDER AND HOLDER RISK SHARING.

Section 428(b)(1)(G) of the Higher Education Act of 1965 (20 U.S.C. 1078(b)(1)(G)) is amended by striking ''not less than 98 percent'' and inserting ''95 percent''.

SEC. 7004. FEES AND INSURANCE PREMIUMS.

(a) IN GENERAL.—Section 428(b)(1)(H) of the Higher Education Act of 1965 (20 U.S.C. 1078(b)(1)(H)) is amended—

(1) by inserting ''(i)'' before ''provides'';

(2) by striking ''the loan,'' and inserting ''any loan made under section 428 before July 1, 1998,'';

(3) by inserting ''and'' after the semicolon; and

(4) by adding at the end the following:

''(ii) provides that no insurance premiums shall be charged to the borrower of any loan made under section 428 on or after July 1, 1998;''.

(b) SPECIAL ALLOWANCES.—Section 438(c) of the Higher Education Act of 1965 (20 U.S.C. 1087–1(c)) is amended—

(1) in paragraph (2), by striking ''paragraph (6)'' and inserting ''paragraphs (6) and (8)''; and

(2) by adding at the end the following:

''(8) ORIGINATION FEE ON SUBSIDIZED LOANS ON OR AFTER JULY 1, 1998.—In the case of any loan made or insured under section 428 on or after July 1, 1998, paragraph (2) shall be applied by substituting '2.0 percent' for '3.0 percent'.''.

(c) DIRECT LOANS.—Section 455(c) of the Higher Education Act of 1965 (20 U.S.C. 1087e(c)) is amended—

(1) by striking ''The Secretary'' and inserting the following:

''(1) IN GENERAL.—For loans made under this part before July 1, 1998, the Secretary'';

(2) by striking ''of a loan made under this part''; and

(3) by adding at the end the following:

''(2) ORIGINATION FEE.—For loans made under this part on or after July 1, 1998, the Secretary shall charge the borrower an origination fee of 2.0 percent of the principal amount of the loan, in the case of Federal Direct Stafford/Ford Loans.''.

SEC. 7005. SECRETARY'S EQUITABLE SHARE.

Section 428(c)(6)(A)(ii) of the Higher Education Act of 1965 (20 U.S.C. 1078(c)(6)(A)(ii) is amended by striking ''27 percent'' and inserting ''18.5 percent''.

SEC. 7006. FUNDS FOR ADMINISTRATIVE EXPENSES.

The first sentence of section 458(a) of the Higher Education Act of 1965 (20 U.S.C. 1087h(a)) is amended by striking ''$260,000,000'' and all that follows through the end of the sentence and inserting ''$532,000,000 in fiscal year 1998, $610,000,000 in fiscal year 1999, $705,000,000 in fiscal year 2000, $750,000,000 in fiscal year 2001, and $750,000,000 in fiscal year 2002.''.

SEC. 7007. EXTENSION OF STUDENT AID PROGRAMS.

Title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) is amended—

(1) in section 424(a), by striking ''1998.'' and ''2002.'' and inserting ''2002.'' and ''2006.'', respectively;

(2) in section 428(a)(5), by striking ''1998,'' and ''2002.'' and inserting ''2002,'' and ''2006.'', respectively; and

(3) in section 428C(e), by striking ''1998.'' and inserting ''2002.''.

SEC. 7008. EFFECTIVE DATE.

This subtitle and the amendments made by this subtitle take effect on October 1, 1997.

BAUCUS AMENDMENT NO. 491

Mr. LAUTENBERG (for Mr. BAUCUS) proposed an amendment to the bill, S. 947, supra; as follows:

Section 1916(g)(1) of the Social Security Act, as amended by section 5754, is amended by inserting before the period the following: '', except that no cost-sharing may be imposed with respect to medical assistance provided to an individual who has not attained age 18 if such individual's family income does not exceed 150 percent of the poverty line applicable to a family of the size involved, and if, as of the date of enactment of the Balanced Budget Act of 1997, cost-sharing could not be imposed with respect to medical assistance provided to such individual.''.

KENNEDY AMENDMENTS NOS. 492–493

Mr. LAUTENBERG (for Mr. KENNEDY) proposed two amendments to the bill, S. 947, supra; as follows:

AMENDMENT NO. 492

At the appropriate place in section 2102(5) of the Social Security Act as added by section 5801, insert the following: ''The benefits shall include additional benefits to meet the needs of children with special needs, including—

''(A) rehabilitation and habilitation services, including occupational therapy, physical therapy, speech and language therapy, and respiratory therapy services;

''(B) mental health services;

''(C) personal care services;

''(D) customized durable medical equipment, orthotics, and prosthetics, as medically necessary; and

''(E) case management services.

''With respect to FEHBP-equivalent children's health insurance coverage, services otherwise covered under the coverage involved that are medically necessary to maintain, improve, or prevent the deterioration of the physical, developmental, or mental health of the child may not be limited with respect to scope and duration, except to the degree that such services are not medically necessary. Nothing in the preceding sentence shall be construed to prevent FEHBP-equivalent children's health insurance coverage from utilizing appropriate utilization review techniques to determine medical necessity or to prevent the delivery of such services through a managed care plan.''.

AMENDMENT NO. 493

On page 874, between lines 7 and 8, insert the following:

SEC. 5817A. SSI ELIGIBILITY FOR SEVERELY DISABLED ALIENS.

Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)), as amended by section 5815, is amended by adding at the end the following:

''(I) SSI EXCEPTION FOR SEVERELY DISABLED ALIENS.—With respect to eligibility for benefits for the program defined in paragraph (3)(A) (relating to the supplemental security income program), paragraph (1), and the September 30, 1997 application deadline under subparagraph (G), shall not apply to any alien who is lawfully present in the United States and who has been denied approval of an application for naturalization by the Attorney General solely on the ground that the alien is so severely disabled that the alien is otherwise unable to satisfy the requirements for naturalization.''.

CONRAD AMENDMENT NO. 494

Mr. LAUTENBERG (for Mr. CONRAD) proposed an amendment to the bill, S. 947, supra; as follows:

On page 874, between lines 7 and 8, insert the following:

SEC. 5817A. CONTINUATION OF MEDICAID ELIGIBILITY FOR DISABLED CHILDREN WHO LOSE SSI BENEFITS.

(a) IN GENERAL.—Section 1902(a)(10)(A)(i)(II) (42 U.S.C. 1396a(a)(10)(A)(i)(II)) is amended by inserting ''(or were being paid as of the date of enactment of section 211(a) of the Personal Responsibility and Work Opportunity Act of 1996 (Public Law 104–193; 110 Stat. 2188) and would continue to be paid but for the enactment of that section)'' after ''title XVI''.

(b) OFFSET.—Section 2103(b) of the Social Security Act (as added by section 5801) is amended—

(1) in paragraph (2), by striking ''and'' at the end;

(2) in paragraph (3), by striking the period and inserting ''; and''; and

(3) by adding at the end the following:

''(4) the amendment made by section 5817A(a) of the Balanced Budget Act of 1997 (relating to continued eligibility for certain disabled children).''.

(c) EFFECTIVE DATE.—The amendment made by subsection (a) applies to medical assistance furnished on or after July 1, 1997.

CONRAD AMENDMENT NO. 495

Mr. LAUTENBERG (for Mr. CONRAD) proposed an amendment to the bill, S. 947, supra; as follows:

On page 844, between lines 7 and 8, insert the following:

SEC. ___. REMOVAL OF NAME FROM NURSE AIDE REGISTRY.

(a) MEDICARE.—Section 1819(g)(1)(C) of the Social Security Act (42 U.S.C. 1395i-3(g)(1)(C)) is amended—

(1) in the first sentence by striking ''The State'' and inserting ''(i) The State''; and

(2) by adding at the end the following:

''(ii)(I) In the case of a finding of neglect, the State shall establish a procedure to permit a nurse aide to petition the State to have his or her name removed from the registry upon a determination by the State that—

''(aa) the employment and personal history of the nurse aide does not reflect a pattern of abusive behavior or neglect; and

''(bb) the neglect involved in the original finding was a singular occurrence.

''(II) In no case shall a determination on a petition submitted under clause (I) be made prior to the expiration of the 1-year period beginning on the date on which the name of the petitioner was added to the registry under this subparagraph.''.

(b) MEDICAID.—Section 1919(g)(1)(C) of the Social Security Act (42 U.S.C. 1396r(g)(1)(C)) is amended—

(1) in the first sentence by striking ''The State'' and inserting ''(i) The State''; and

(2) by adding at the end the following:

''(ii)(I) In the case of a finding of neglect, the State shall establish a procedure to permit a nurse aide to petition the State to have his or her name removed from the registry upon a determination by the State that—

''(aa) the employment and personal history of the nurse aide does not reflect a pattern of abusive behavior or neglect; and

''(bb) the neglect involved in the original finding was a singular occurrence.

''(II) In no case shall a determination on a petition submitted under clause (I) be made prior to the expiration of the 1-year period beginning on the date on which the name of the petitioner was added to the registry under this subparagraph.''.

(c) RETROACTIVE REVIEW.—The procedures developed by a State under the amendments made by subsection (a) and (b) shall permit an individual to petition for a review of any finding made by a State under section 1819(g)(1)(C) or 1919(g)(1)(C) of the Social Security Act (42 U.S.C. 1395i-3(g)(1)(C) or 1396r(g)(1)(C)) after January 1, 1995.

(d) STUDY AND REPORT.—

(1) STUDY.—The Secretary of Health and Human Services shall conduct a study of—

(A) the use of nurse aide registries by States, including the number of nurse aides placed on the registries on a yearly basis and the circumstances that warranted their placement on the registries;

(B) the extent to which institutional environmental factors (such as a lack of adequate training or short staffing) contribute to cases of abuse and neglect at nursing facilities; and

(C) whether alternatives (such as a probational period accompanied by additional training or mentoring or sanctions on facilities that create an environment that encourages abuse or neglect) to the sanctions that are currently applied under the Social Security Act for abuse and neglect at nursing facilities might be more effective in minimizing future cases of abuse and neglect.

(2) REPORT.—Not later than 2 years after the date of enactment of this Act, the Secretary of Health and Human Services shall prepare and submit to the appropriate committees of Congress, a report concerning the results of the study conducted under paragraph (1) and the recommendation of the Secretary for legislation based on such study.

KERREY AMENDMENT NO. 496

Mr. LAUTENBERG (for Mr. KERREY) proposed an amendment to the bill, S. 947, supra; as follows:

On page 860, strike all matter after line 10 and before line 15, and insert the following:

''(d) USE LIMITED TO STATE PROGRAM EXPENDITURES.—Funds provided to an eligible State under this title shall only be used to carry out the purposes of this title.

KOHL AMENDMENT NO. 497

Mr. LAUTENBERG (for Mr. KOHL) proposed an amendment to the bill, S. 947, supra; as follows:

On page 743, line 6, strike the period and insert ''(but that shall not preempt any State standards that are more stringent than the standards established under this subparagraph).''.

HARKIN AMENDMENT NO. 498

Mr. LAUTENBERG (for Mr. HARKIN) proposed an amendment to the bill, S. 947, supra; as follows:

On page 888, between lines 22 and 23, insert the following:

''(VI) Technical assistance and related services that lead to self-employment through the microloan demonstration program under section 7(m) of the Small Business Act (15 U.S.C. 636(m))

DOMENICI AMENDMENT NO. 499

Mr. DOMENICI proposed an amendment to the bill, S. 947, supra; as follows:

Strike sections 5811 through 5814 and insert the following:

SEC. 5812. EXTENSION OF ELIGIBILITY PERIOD FOR REFUGEES AND CERTAIN OTHER QUALIFIED ALIENS FROM 5 TO 7 YEARS FOR SSI AND MEDICAID.

(a) SSI.—Section 402(a)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)(A)) is amended to read as follows:

''(A) TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.—

''(i) SSI.—With respect to the specified Federal program described in paragraph (3)(A) paragraph 1 shall not apply to an alien until 7 years after the date—

''(I) an alien is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act;

''(II) an alien is granted asylum under section 208 of such Act; or

''(III) an alien's deportation is withheld under section 243(h) of such Act.

''(ii) FOOD STAMPS.—With respect to the specified Federal program described in paragraph (3)(B), paragraph 1 shall not apply to an alien until 5 years after the date—

''(I) an alien is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act;

''(II) an alien is granted asylum under section 208 of such Act; or

''(III) an alien's deportation is withheld under section 243(h) of such Act.''.

(b) MEDICAID.—Section 402(b)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(b)(2)(A)) is amended to read as follows:

''(A) TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.—

''(i) MEDICAID.—With respect to the designated Federal program described in paragraph (3)(C), paragraph 1 shall not apply to an alien until 7 years after the date—

''(I) an alien is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act;

''(II) an alien is granted asylum under section 208 of such Act; or

''(III) an alien's deportation is withheld under section 243(h) of such Act.

''(ii) OTHER DESIGNATED FEDERAL PROGRAMS.—With respect to the designated Federal programs under paragraph (3) (other than subparagraph (C)), paragraph 1 shall not apply to an alien until 5 years after the date—

''(I) an alien is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act;

''(II) an alien is granted asylum under section 208 of such Act; or

''(III) an alien's deportation is withheld under section 243(h) of such Act.''.

(c) STATUS OF CUBAN AND HAITIAN ENTRANTS.—For purposes of sections 402(a)(2)(A) and 402(b)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)(A), (b)(2)(A)), an alien who is a Cuban and Haitian entrant, as defined in section 501(e) of the Refugee Education Assistance Act of 1980, shall be considered a refugee.

SEC. 5813. SSI ELIGIBILITY FOR PERMANENT RESIDENT ALIENS WHO ARE MEMBERS OF AN INDIAN TRIBE.

Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)) (as amended by section 5811) is amended by adding at the end the following:

''(F) PERMANENT RESIDENT ALIENS WHO ARE MEMBERS OF AN INDIAN TRIBE.—With respect to eligibility for benefits for the program defined in paragraph (3)(A) (relating to the supplemental security income program), paragraph (1) shall not apply to an alien who—

''(i) is lawfully admitted for permanent residence under the Immigration and Nationality Act; and

''(ii) is a member of an Indian tribe (as defined in section 4(e) of the Indian Self-Determination and Education Assistance Act).''.

SEC. 5814. SSI ELIGIBILITY FOR DISABLED LEGAL ALIENS IN THE UNITED STATES ON AUGUST 22, 1996.

(a) Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)) (as amended by section 5813) is amended by adding at the end the following:

''(G) SSI ELIGIBILITY FOR DISABLED ALIENS.—With respect to eligibility for benefits for the program defined in paragraph (3)(A) (relating to the supplemental security income program), paragraph (1) shall not apply—

''(i) to an alien who—

''(I) is lawfully residing in any State on August 22, 1996; and

''(II) is disabled, as defined in section 1614(a)(3) of the Social Security Act (42 U.S.C. 1382c(a)(3)); or

''(i) to an alien who—

''(I) is lawfully residing in any State after such date;

''(II) is disabled (as so defined); and

''(III) as of June 1, 1997, is receiving benefits under such program.''.

(b) Funds shall be made available for not to exceed 2 years for elderly SSI recipients made ineligible for benefits after August 22, 1996.

CHAFEE (AND ROCKEFELLER) AMENDMENT NOS. 500–501

Mr. DOMENICI (for Mr. CHAFEE for himself and Mr. ROCKEFELLER) proposed two amendments to the bill, S. 947, supra; as follows:

AMENDMENT NO. 500

On page 847, beginning on line 1, strike ''and that otherwise satisfies State insurance standards and requirements.'' and insert ''that includes hearing and vision services for children, and that otherwise satisfies State insurance standards and requirements.''.

AMENDMENT NO. 501

On page 861, after line 26, add the following:

''(4) HEARING AND VISION SERVICES.—Notwithstanding the definition of FEHBP-equivalent children's health insurance coverage in section 2102(5), any package of health insurance benefits offered by a State that opts to use funds provided under this title under this section shall include hearing and vision services for children.''.

D'AMATO AMENDMENT NO. 502

Mr. ROTH (for Mr. D'AMATO) proposed an amendment to the bill, S. 947, supra; as follows:

SECTION 1. In 42 U.S.C. §1395ss(d)(3)(A)(v), insert ''(a)'' before ''For'', and after the first sentence insert:

''(b) For purposes of this subparagraph, a health insurance policy (which may be a contract with a health maintenance organization) is not considered to ''duplicate'' health benefits under this title or title XIX or under another health insurance policy if it—

(I) provides comprehensive health care benefits that replace the benefits provided by another health insurance policy,

(II) is being provided to an individual entitled to benefits under Part A or enrolled under Part B on the basis of section 226(b), and

(III) coordinates against items and services available or paid for under this title or title XIX, provided that payments under this title or title XIX shall not be treated as payments under such policy in determining annual or lifetime benefit limits.

SEC 2. In 42 U.S.C. §1395ss(d)(3)(A)(v), insert ''(c)'' before ''For purposes of this clause''.

ROCKEFELLER AMENDMENT NO. 503

Mr. LAUTENBERG (for Mr. ROCKEFELLER) proposed an amendment to the bill, S. 947, supra; as follows:

At the appropriate place in division 2 of title V, insert the following:

SEC. . EXTENSION OF SLMB PROTECTION.

(a) IN GENERAL.—Section 1902(a)(10)(E)(iii) (42 U.S.C. 1396a(a)(10)(E)(iii)) is amended by striking ''and 120 percent in 1995 and years thereafter'' and inserting '', 120 percent in 1995 through 1997, 125 percent in 1998, 130 percent in 1999, 135 percent in 2000, 140 percent in 2001, 145 percent in 2002, and 150 percent in 2003 and years thereafter''.

(b) 100 PERCENT FMAP.—Section 1905(b) (42 U.S.C. 1396d(b)) is amended by adding at the end the following: ''Notwithstanding the first sentence of this section, the Federal medical assistance percentage shall be 100 percent with respect to amounts expended as medical assistance for medical assistance described in section 1902(a)(10)(E)(iii) for individuals described in such section whose income exceeds 120 percent of the official poverty line referred to in such section.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply on and after October 1, 1997.

KENNEDY AMENDMENT NO. 504

Mr. LAUTENBERG (for Mr. KENNEDY) proposed an amendment to the bill, S. 947, supra; as follows:

Strike section 5361 and insert the following:

SEC. 5361. ESTABLISHMENT OF POST-HOSPITAL HOME HEALTH BENEFIT UNDER PART A AND TRANSFER OF OTHER HOME HEALTH SERVICES TO PART B.

(a) IN GENERAL.—Section 1812(a)(3) (42 U.S.C. 1395D(a)(3)) is amended—

(1) by inserting ''post-hospital'' before ''home health services'', and

(2) by inserting ''for up to 100 visits'' before the semicolon.

(b) POST-HOSPITAL HOME HEALTH SERVICES.—Section 1861 (42 U.S.C. 1395x), as amended by sections 5102(a) and 5103(a), is amended by adding at the end the following:

''(qq) POST-HOSPITAL HOME HEALTH SERVICES.—The term 'post-hospital home health services' means home health services furnished to an individual under a plan of treatment established when the individual was an inpatient of a hospital or rural primary care hospital for not less than 3 consecutive days before discharge, or during a covered post-hospital extended care stay, if home health services are initiated for the individual within 30 days after discharge from the hospital, rural primary care hospital or extended care facility.''.

(c) CONFORMING AMENDMENTS.—Section 1812(b) (42 U.S.C. 1395d(b)) is amended—

(1) by striking ''or'' at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting '';or'', and

(3) by adding after paragraph (3) the following:

''(4) post-hospital home health services furnished to the individual beginning after such services have been furnished to the individual for a total of 100 visits.''.

(d) PHASE-IN OF ADDITIONAL PART B COSTS IN DETERMINATION OF PART B MONTHLY PREMIUM.—Section 1839(a) (42 U.S.C. 1395r(a)) is amended—

(1) in paragraph (3) in the sentence inserted by section 5541 of this title, by inserting ''(except as provided in paragraph (5)(B))'' before the period, and

(2) by adding after paragraph (4) the following:

''(5)(A) The Secretary shall, at the time of determining the monthly actuarial rate under paragraph (1) for 1998 through 2003, shall determine a transitional monthly actuarial rate for enrollees age 65 and over in the same manner as such rate is determined under paragraph (1), except that there shall be excluded from such determination an estimate of any benefits and administrative costs attributable to home health services for which payment would have been made under part A during the year but for paragraph (4) of section 1812(b).

''(B) The monthly premium for each individual enrolled under this part for each month for a year (beginning with 1998 and ending with 2003) shall be equal to 50 percent of the monthly actuarial rate determined under subparagraph (A) increased by the following proportion of the difference between such premium and the monthly premium otherwise determined under paragraph (3) (without regard to this paragraph):

''(i) For a month in 1998, 1/7.

''(ii) For a month in 1999, 2/7.

''(iii) For a month in 2000, 3/7.

''(iv) For a month in 2001, 4/7.

''(v) For a month in 2002, 5/7.

''(vi) For a month in 2003, 6/7.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section apply to services furnished on or after October 1, 1997.

(2) SPECIAL RULE.—If an individual is entitled to benefits under part A of title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.), but is not enrolled in the insurance program established by part B of that title, the individual also shall be entitled under part A of that title to home health services that are not post-hospital home health services (as those terms are defined under that title) furnished before the 19th month that begins after the date of enactment of this Act.

LOTT AMENDMENT NO. 505

Mr. ROTH (for Mr. LOTT) proposed an amendment to amendment No. 448 proposed by Mr. CHAFEE to the bill, S. 947, supra; as follows:

On page 1, line 6 of the amendment, strike ''means,'' and all that follows and insert the following: ''means, with respect to a State, any plan or arrangement that provides, or pays the cost of, health benefits that the Secretary has certified are equivalent to or better than the items and services covered for a child under one of the 5 plans under chapter 89 of title 5, United States Code, serving the largest number of enrolled families with children in a State, and that otherwise satisfies State insurance standards and requirements.

''(6) INDIANS.—The term 'Indians' has the meaning given that term in section 4(c) of the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).

''(7) LOW-INCOME CHILD.—The term 'low-income child' means a child in a family whose income is below 200 percent of the poverty line for a family of the size involved.

''(8) POVERTY LINE.—The term 'poverty line' has the meaning given that term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), including any revision required by such section.

''(9) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

''(10) STATE.—The term 'State' means each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.

''(11) STATE CHILDREN'S HEALTH EXPENDITURES.—The term 'State children's health expenditures' means the State share of expenditures by the State for providing children with health care items and services under—

''(A) the State plan for medical assistance under title XIX;

''(B) the maternal and child health services block grant program under title V;

''(C) the preventive health services block grant program under part A of title XIX of the Public Health Services Act (42 U.S.C. 300w et seq.);

''(D) State-funded programs that are designed to provide health care items and services to children;

''(E) school-based health services programs;

''(F) State programs that provide uncompensated or indigent health care;

''(G) county-indigent care programs for which the State requires a matching share by a county government or for which there are intergovernmental transfers from a county to State government; and

''(H) any other program under which the Secretary determines the State incurs uncompensated expenditures for providing children with health care items and services.

''(12) STATE MEDICAID PROGRAM.—The term 'State medicaid program' means the program of medical assistance provided under title XIX.

''SEC. 2103. APPROPRIATION.

''(a) APPROPRIATION.—

''(1) IN GENERAL.—Subject to subsection (b), out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for the purpose of carrying out this title—

''(A) for fiscal year 1998, $2,500,000,000;

''(B) for each of fiscal years 1999 and 2000, $3,200,000,000;

''(C) for fiscal year 2001, $3,600,000,000;

''(D) for fiscal year 2002, $3,500,000,000;

''(E) for each of fiscal years 2003 through 2007, $4,580,000,000.

''(2) AVAILABILITY.—Funds appropriated under this section shall remain available without fiscal year limitation, as provided under section 2105(b)(4).

''(b) REDUCTION FOR INCREASED MEDICAID EXPENDITURES.—With respect to each of the fiscal years described in subsection (a)(1), the amount appropriated under subsection (a)(1) for each such fiscal year shall be reduced by an amount equal to the amount of the total Federal outlays under the medicaid program under title XIX resulting from—

''(1) the amendment made by section 5732 of the Balanced Budget Act of 1997 (regarding the State option to provide 12-month continuous eligibility for children);

''(2) increased enrollment under State plans approved under such program as a result of outreach activities under section 2106(a); and

''(3) the requirement under section 2102(3)A) to provide eligibility for medical assistance under the State plan under title XIX for all children under 19 years of age who have families with income that is at or below the poverty line.

''(c) STATE ENTITLEMENT.—This title constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided in accordance with the provisions of this title.

''(d) EFFECTIVE DATE.—No State is eligible for payments under section 2105 for any calendar quarter beginning before October 1, 1997.

''SEC. 2104. PROGRAM OUTLINE.

''(a) GENERAL DESCRIPTION.—A State shall submit to the Secretary for approval a program outline, consistent with the requirements of this title, that—

''(1) identifies, on or after the date of enactment of the Balanced Budget Act of 1997, which of the 2 options described in section 2101 the State intends to use to provide low-income children in the State with health insurance coverage;

''(2) describes the manner in which such coverage shall be provided; and

''(3) provides such other information as the Secretary may require.

''(b) OTHER REQUIREMENTS.—The program outline submitted under this section shall include the following:

''(1) ELIGIBILITY STANDARDS AND METHODOLOGIES.—A summary of the standards and methodologies used to determine the eligibility of low-income children for health insurance coverage under a State program funded under this title.

''(2) ELIGIBILITY SCREENING; COORDINATION WITH OTHER HEALTH COVERAGE.—A description of the procedures to be used to ensure—

''(A) through both intake and followup screening, that only low-income children are furnished health insurance coverage through funds provided under this title; and

''(B) that any health insurance coverage provided for children through funds under this title does not reduce the number of children who are provided such coverage through any other publicly or privately funded health plan.

''(3) INDIANS.—A description of how the State will ensure that Indians are served through a State program funded under this title.

''(c) DEADLINE FOR SUBMISSION.—A State program outline shall be submitted to the Secretary by not later than March 31 of any fiscal year (October 1, 1997, in the case of fiscal year 1998).

''SEC. 2105. DISTRIBUTION OF FUNDS.

''(a) ESTABLISHMENT OF FUNDING POOLS.—

''(1) IN GENERAL.—From the amount appropriated under section 2103(a)(1) for each fiscal year, determined after the reduction required under section 2103(b), the Secretary shall, for purposes of fiscal year 1998, reserve 85 percent of such amount for distribution to eligible States through the basic allotment pool under subsection (b) and 15 percent of such amount for distribution through the new coverage incentive pool under subsection (c)(2)(B)(ii).

''(2) ANNUAL ADJUSTMENT OF RESERVE PERCENTAGES.—The Secretary shall annually adjust the amount of the percentages described in paragraph (1) in order to provide sufficient basic allotments and sufficient new coverage incentives to achieve the purpose of this title.

''(b) DISTRIBUTION OF FUNDS UNDER THE BASIC ALLOTMENT POOL.—

''(1) STATES.—

''(A) IN GENERAL.—From the total amount reserved under subsection (a) for a fiscal year for distribution through the basic allotment pool, the Secretary shall first set aside 0.25 percent for distribution under paragraph (2) and shall allot from the amount remaining to each eligible State not described in such paragraph the State's allotment percentage for such fiscal year.

''(B) STATE'S ALLOTMENT PERCENTAGE.—

''(i) IN GENERAL.—For purposes of subparagraph (A), the allotment percentage for a fiscal year for each State is the percentage equal to the ratio of the number of low-income children in the base period in the State to the total number of low-income children in the base period in all States not described in paragraph (2).

''(ii) NUMBER OF LOW-INCOME CHILDREN IN THE BASE PERIOD.—In clause (i), the number of low-income children in the base period for a fiscal year in a State is equal to the average of the number of low-income children in the State for the period beginning on October 1, 1992, and ending on September 30, 1995, as reported in the March 1994, March 1995, and March 1996 supplements to the Current Population Survey of the Bureau of the Census.

''(2) OTHER STATES.—

''(A) IN GENERAL.—From the amount set aside under paragraph (1)(A) for each fiscal year, the Secretary shall make allotments for such fiscal year in accordance with the percentages specified in subparagraph (B) to Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands, if such States are eligible States for such fiscal year.

''(B) PERCENTAGES SPECIFIED.—The percentages specified in this subparagraph are in the case of—

''(i) Puerto Rico, 91.6 percent;

''(ii) Guam, 3.5 percent;

''(iii) the Virgin Islands, 2.6 percent;

''(iv) American Samoa, 1.2 percent; and

''(v) the Northern Mariana Islands, 1.1 percent.

''(3) THREE-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Amounts allotted to a State pursuant to this subsection for a fiscal year shall remain available for expenditure by the State through the end of the second succeeding fiscal year.

''(4) PROCEDURE FOR DISTRIBUTION OF UNUSED FUNDS.—The Secretary shall determine an appropriate procedure for distribution of funds to eligible States that remain unused under this subsection after the expiration of the availability of funds required under paragraph (3). Such procedure shall be developed and administered in a manner that is consistent with the purpose of this title.

''(c) PAYMENTS.—

''(1) IN GENERAL.—The Secretary shall—

''(A) before October 1 of any fiscal year, pay an eligible State an amount equal to 1 percent of the amount allotted to the State under subsection (b) for conducting the outreach activities required under section 2106(a); and

''(B) make quarterly fiscal year payments to an eligible State from the amount remaining of such allotment for such fiscal year in an amount equal to the Federal medical assistance percentage for the State (as defined under section 2102(4) and determined without regard to the amount of Federal funds received by the State under title XIX before the date of enactment of this title) of the Federal and State incurred cost of providing health insurance coverage for a low-income child in the State plus the applicable bonus amount.

''(2) APPLICABLE BONUS.—

''(A) IN GENERAL.—For purposes of paragraph (1), the applicable bonus amount is—

''(i) 5 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the base-year covered low-income child population (measured in full year equivalency) (including such children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title, but excluding any low-income child described in section 2102(3)(A) that a State must cover in order to be considered an eligible State under this title); and

''(ii) 10 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the number (as so measured) of low-income children that are in excess of such population.

''(B) SOURCE OF BONUSES.—

''(i) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—A bonus described in subparagraph (A)(i) shall be paid out of an eligible State's allotment for a fiscal year.

''(ii) FOR OTHER LOW-INCOME CHILD POPULATIONS.—A bonus described in subparagraph (A)(ii) shall be paid out of the new coverage incentive pool reserved under subsection (a)(1).

''(3) DEFINITION OF COST OF PROVIDING HEALTH INSURANCE COVERAGE.—For purposes of this subsection the cost of providing health insurance coverage for a low-income child in the State means—

''(A) in the case of an eligible State that opts to use funds provided under this title through the medicaid program, the cost of providing such child with medical assistance under the State plan under title XIX; and

''(B) in the case of an eligible State that opts to use funds provided under this title under section 2107, the cost of providing such child with health insurance coverage under such section.

''(4) LIMITATION ON TOTAL PAYMENTS.—With respect to a fiscal year, the total amount

paid to an eligible State under this title (including any bonus payments) shall not exceed 85 percent of the total cost of a State program conducted under this title for such fiscal year.

''(5) MAINTENANCE OF EFFORT.—

''(A) DEEMED COMPLIANCE.—A State shall be deemed to be in compliance with this provision if—

''(i) it does not adopt income and resource standards and methodologies that are more restrictive than those applied as of June 1, 1997, for purposes of determining a child's eligibility for medical assistance under the State plan under title XIX; and

''(ii) in the case of fiscal year 1998 and each fiscal year thereafter, the State children's health expenditures defined in section 2102(11) are not less than the amount of such expenditures for fiscal year 1996.

''(B) FAILURE TO MAINTAIN MEDICAID STANDARDS AND METHODOLOGIES.—A State that fails to meet the conditions described in subparagraph (A) shall not receive—

''(i) funds under this title for any child that would be determined eligible for medical assistance under the State plan under title XIX using the income and resource standards and methodologies applied under such plan as of June 1, 1997; and

''(ii) any bonus amounts described in paragraph (2)(A)(ii).

''(C) FAILURE TO MAINTAIN SPENDING ON CHILD HEALTH PROGRAMS.—A State that fails to meet the condition described in subparagraph (A)(ii) shall not receive funding under this title.

''(6) ADVANCE PAYMENT; RETROSPECTIVE ADJUSTMENT.—The Secretary may make payments under this subsection for each quarter on the basis of advance estimates of expenditures submitted by the State and such other investigation as the Secretary may find necessary, and shall reduce or increase the payments as necessary to adjust for any overpayment or underpayment for prior quarters.

''SEC. 2106. USE OF FUNDS.

''(a) SET-ASIDE FOR OUTREACH ACTIVITIES.—

''(1) IN GENERAL.—From the amount allotted to a State under section 2105(b) for a fiscal year, each State shall conduct outreach activities described in paragraph (2).

''(2) OUTREACH ACTIVITIES DESCRIBED.—The outreach activities described in this paragraph include activities to—

''(A) identify and enroll children who are eligible for medical assistance under the State plan under title XIX; and

''(B) conduct public awareness campaigns to encourage employers to provide health insurance coverage for children.

''(b) STATE OPTIONS FOR REMAINDER.—A State may use the amount remaining of the allotment to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), in accordance with section 2107 or the State medicaid program (but not both). Nothing in the preceding sentence shall be construed as limiting a State's eligibility for receiving the 5 percent bonus described in section 2105(c)(2)(A)(i) for children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title.

''(c) PROHIBITION ON USE OF FUNDS.—No funds provided under this title may be used to provide health insurance coverage for—

''(1) families of State public employees; or

''(2) children who are committed to a penal institution.

''(d) USE LIMITED TO STATE PROGRAM EXPENDITURES.—Funds provided to an eligible State under this title shall only be used to carry out the purpose of this title (as described in section 2101), and any health insurance coverage provided with such funds may include coverage of abortion only if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest.

''(e) ADMINISTRATIVE EXPENDITURES.—

''(1) IN GENERAL.—Not more than the applicable percentage of the amount allotted to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), shall be used for administrative expenditures for the program funded under this title.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage with respect to a fiscal year is—

''(A) for the first 2 years of a State program funded under this title, 10 percent;

''(B) for the third year of a State program funded under this title, 7.5 percent; and

''(C) for the fourth year of a State program funded under this title and each year thereafter, 5 percent.

''(f) NONAPPLICATION OF FIVE-YEAR LIMITED ELIGIBILITY FOR MEANS-TESTED PUBLIC BENEFITS.—The provisions of section 403 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613) shall not apply with respect to a State program funded under this title.

''(g) AUDITS.—The provisions of section 506(b) shall apply to funds expended under this title to the same extent as they apply to title V.

''(h) REQUIREMENT TO FOLLOW STATE PROGRAM OUTLINE.—The State shall conduct the program in accordance with the program outline approved by the Secretary under section 2104.

''SEC. 2107. STATE OPTION FOR THE PURCHASE OR PROVISION OF CHILDREN'S HEALTH INSURANCE.

''(a) STATE OPTION.—

''(1) IN GENERAL.—An eligible State that opts to use funds provided under this title under this section shall use such funds to provide FEHBP-equivalent children's health insurance coverage for low-income children who reside in the State.

''(2) PRIORITY FOR LOW-INCOME CHILDREN.—A State that uses funds provided under this title under this section shall not cover low-income children with higher family income without covering such children with a lower family income.

''(3) DETERMINATION OF ELIGIBILITY AND FORM OF ASSISTANCE.—An eligible State may establish any additional eligibility criteria for the provision of health insurance coverage for a low-income child through funds provided under this title, so long as such criteria and assistance are consistent with the purpose and provisions of this title.

''(4) AFFORDABILITY.—An eligible State may impose any family premium obligations or cost-sharing requirements otherwise permitted under this title on low-income children with family incomes that exceed 150 percent of the poverty line. In the case of a low-income child whose family income is at or below 150 percent of the poverty line, limits on beneficiary costs generally applicable under title XIX apply to coverage provided such children under this section.

''(5) COVERAGE OF CERTAIN BENEFITS.—Any eligible State that opts to use funds provided under this title under this section for the coverage described in paragraph (1) is encouraged to include as part of such coverage, coverage for items and services needed for vision, hearing, and dental health.''

ROTH AMENDMENT NO. 506

Mr. ROTH proposed an amendment to the bill, S. 947, supra; as follows:

On page 568, beginning with line 9, strike all through line 25 on page 569 and insert the following:

(a) IN GENERAL.—Section 1886(b)(3)(B)(ii) (42 U.S.C. 1395ww(b)(3)(B)(ii)) is amended—

(1) by striking ''and'' at the end of subclause (V);

(2) by redesignating subclause (VI) as subclause (VIII); and

(3) by inserting after subclause (V), the following subclauses:

''(VI) for fiscal years 1998 through 2001, is 0 percent;

''(VII) for fiscal year 2002, is the market basket percentage increase minus 3.0 percentage points, and''.

On page 571, strike lines 5 through 21 and insert the following:

''(F)(i) Except as provided in clause (ii), in the case of a hospital or unit that is within a class of hospital described in clause (iii), for cost reporting periods beginning on or after October 1, 1997, and before October 1, 2002, such target amount may not be greater than the 75th percentile of the target amounts for such hospitals within such class for cost reporting periods beginning during that fiscal year (determined without regard to clause (ii)).

''(ii) In the case of a hospital or unit—

''(I) that is within a class of hospital described in clause (iii); and

''(II) whose operating costs of inpatient hospital services recognized under this title for the most recent cost reporting period for which information is available are less than the target amount for the hospital or unit under clause (i) (determined without regard to this clause) for its cost reporting period beginning on or after October 1, 1997, and before October 1, 1998,

clause (i) shall be applied for cost reporting periods beginning on or after October 1, 1997, and before October 1, 2002, by substituting for the dollar limit on the target amounts established under such clause for such period a dollar limit that is equal to the greater of 90 percent of such dollar limit or the operating costs of the hospital or unit determined under subclause (II).

''(iii) For purposes of this subparagraph, each of the following shall be treated as a separate class of hospital:

''(I) Hospitals described in clause (i) of subsection (d)(1)(B) and psychiatric units described in the matter following clause (v) of such subsection.

''(II) Hospitals described in clause (ii) of such subsection and rehabilitation units described in the matter following clause (v) of such subsection.

''(III) Hospitals described in clause (iv) of such subsection.''.

On page 571, beginning with line 23, strike all through page 572, line 7, and insert the following:

(a) CHANGE IN BONUS PAYMENT.—Section 1886(b)(1)(A) (42 U.S.C. 1395ww(b)(1)(A)) is amended by striking all that follows ''plus—'' and inserting the following:

''(i) in the case of a hospital with a target amount that is less than 135 percent of the median of the target amounts for hospitals in the same class of hospital, the lesser of 40 percent of the amount by which the target amount exceeds the amount of the operating costs or 4 percent of the target amount;

''(ii) in the case of a hospital with a target amount that equals or exceeds 135 of such median but is less than 150 percent of such median, the lesser of 30 percent of the amount by which the target amount exceeds the amount of the operating costs or 3 percent of the target amount; and

''(iii) in the case of a hospital with a target amount that equals or exceeds 150 of such median, the lesser of 20 percent of the amount by which the target amount exceeds the amount of the operating costs or 2 percent of the target amount; or''.

On page 574, line 6, strike ''130 percent'' and insert ''110 percent''.

On page 575, line 4, strike ''130 percent'' and insert ''110 percent''.

On page 575, line 23, strike ''130 percent'' and insert ''110 percent''.

On page 576, between lines 13 and 14, insert the following:

SEC. 5426A. REBASING.

Section 1886(b)(3) (42 U.S.C. 1395ww(b)(3)), as amended by section 5423, is amended by adding at the end the following:

''(G)(i) In the case of a hospital (or unit described in the matter following clause (v) of subsection (d)(1)(B)) that received payment under this subsection for inpatient hospital services furnished before January 1, 1990, that is within a class of hospital described in clause (iii), and that elects (in a form and manner determined by the Secretary) this subparagraph to apply to the hospital, the target amount for the hospital's 12-month cost reporting period beginning during fiscal year 1998 is equal to the average described in clause (ii).

''(ii) The average described in this clause for a hospital or unit shall be determined by the Secretary as follows:

''(I) The Secretary shall determine the allowable operating costs for inpatient hospital services for the hospital or unit for each of the 5 cost reporting periods for which the Secretary has the most recent settled cost reports as of the date of the enactment of this subparagraph.

''(II) The Secretary shall increase the amount determined under subclause (I) for each cost reporting period by the applicable percentage increase under subparagraph (B)(ii) for each subsequent cost reporting period up to the cost reporting period described in clause (i).

''(III) The Secretary shall identify among such 5 cost reporting periods the cost reporting periods for which the amount determined under subclause (II) is the highest, and the lowest.

''(IV) The Secretary shall compute the averages of the amounts determined under subclause (II) for the 3 cost reporting periods not identified under subclause (III).

''(iii) For purposes of this subparagraph, each of the following shall be treated as a separate class of hospital:

''(I) Hospitals described in clause (i) of subsection (d)(1)(B) and psychiatric units described in the matter following clause (v) of such subsection.

''(II) Hospitals described in clause (ii) of such subsection and rehabilitation units described in the matter following clause (v) of such subsection.

''(III) Hospitals described in clause (iii) of such subsection.

''(IV) Hospitals described in clause (iv) of such subsection.

''(V) Hospitals described in clause (v) of such subsection.''.

On page 607, between lines 20 and 21, insert the following:

(c) EXCLUSION OF CERTAIN WAGES.—In the case of a hospital that is owned by a municipality and that was reclassified as an urban hospital under section 1886(d)(10) of the Social Security Act for fiscal year 1996, in calculating the hospital's average hourly wage for purposes of geographic reclassification under such section for fiscal year 1998, the Secretary of Health and Human Services shall exclude the general service wages and hours of personnel associated with a skilled nursing facility that is owned by the hospital of the same municipality and that is physically separated from the hospital to the extent that such wages and hours of such personnel are not shared with the hospital and are separately documented. A hospital that applied for and was denied reclassification as an urban hospital for fiscal year 1998, but that would have received reclassification had the exclusion required by this section been applied to it, shall be reclassified as an urban hospital for fiscal year 1998.

Beginning on page 831, strike line 11 and all that follows through page 832, line 13 and insert the following:

SEC. 5758. STUDY AND GUIDELINES REGARDING MANAGED CARE ORGANIZATIONS AND INDIVIDUALS WITH SPECIAL HEALTH CARE NEEDS.

(a) STUDY AND RECOMMENDATIONS.—The Secretary of Health and Human Services (in this section referred to as the ''Secretary''), in consultation with States, managed care organizations, the National Academy of State Health Policy, representatives of beneficiaries with special health care needs, experts in specialized health care, and others, shall conduct a study and develop the guidelines described in subsection (b). Not later than 2 years after the date of enactment of this Act, the Secretary shall report such guidelines to Congress and make recommendations for implementing legislation.

(b) GUIDELINES DESCRIBED.—The guidelines to be developed by the Secretary shall relate to issues such as risk adjustment, solvency, medical necessity definitions, case management, quality controls, adequacy of provider networks, access to specialists (including pediatric specialists and the use of specialists as primary care providers), marketing, compliance with the Americans with Disabilities Act of 1990 (42 U.S.C. 12101 et seq.), speedy grievance and appeals procedures, data collection, and such other matters as the Secretary may determine, as these issues affect care provided to individuals with special health care needs and chronic conditions in capitated managed care or primary care case management plans. The Secretary shall distinguish which guidelines should apply to primary care case management arrangements, to capitated risk sharing arrangements, or to both. Such guidelines should be designed to be used in reviewing State proposals under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.) (by waiver request or State plan amendment) to implement mandatory capitated managed care or primary care case management arrangements that enroll beneficiaries with chronic conditions or special health care needs.

On page 843, between lines 10 and 11, insert the following:

SEC. 5766A. WAIVER OF CERTAIN PROVIDER TAX PROVISIONS.

Notwithstanding any other provision of law, taxes, fees, or assessments, as defined in section 1903(w)(3)(A) of the Social Security Act (42 U.S.C. 1396b(w)(3)(A)), that were collected by the State of New York from a health care provider before June 1, 1997, and for which a waiver of the provisions of subparagraph (B) or (C) of section 1903(w)(3) of such Act has been applied for, or that would, but for this paragraph require that such a waiver be applied for, in accordance with subparagraph (E) of such section, and, (if so applied for) upon which action by the Secretary of Health and Human Services (including any judicial review of any such proceeding) has not been completed as of the date of enactment of this Act, are deemed to be permissible health care related taxes and in compliance with the requirements of subparagraphs (B) and (C) of sections 1903(w)(3) of such Act.

SEC. 5766B. CONTINUATION OF STATE-WIDE SECTION 1115 MEDICAID WAIVERS.

(a) IN GENERAL.—Section 1115 of the Social Security Act (42 U.S.C. 1315) is amended by adding at the end the following:

''(d)(1) The provisions of this subsection shall apply to the extension of statewide comprehensive research and demonstration projects (in this subsection referred to as 'waiver project') for which waivers of compliance with the requirements of title XIX are granted under subsection (a). With respect to a waiver project that, but for the enactment of this subsection, would expire, the State at its option may not later than 1 year before the waiver under subsection (a) would expire (acting through the chief executive officer of the State who is operating the project), submit to the Secretary a written request for an extension of such waiver project for up to 2 years.

''(2) The requirements of this paragraph are that the waiver project—

''(A) has been successfully operated for 5 or more years; and

''(B) has been shown, through independent evaluations sponsored by the Health Care Financing Administration, to successfully contain costs and provide access to health care.

''(3)(A) In the case of waiver projects described in paragraph (1)(A), if the Secretary fails to respond to the request within 6 months after the date on which the request was submitted, the request is deemed to have been granted.

''(B) If the request is granted or deemed to have been granted, the deadline for submittal of a final report shall be 1 year after the date on which the waiver project would have expired but for the enactment of this subsection.

''(C) The Secretary shall release an evaluation of each such project not later than 1 year after the date of receipt of the final report.

''(D) Phase-down provisions which were applicable to waiver projects before an extension was provided under this subsection shall not apply.

''(4) The extension of a waiver project under this subsection shall be on the same terms and conditions (including applicable terms and conditions related to quality and access of services, budget neutrality as adjusted for inflation, data and reporting requirements and special population protections), except for any phase down provisions, and subject to the same set of waivers that applied to the project or were granted before the extension of the project under this subsection. The permanent continuation of a waiver project shall be on the same terms and conditions, including financing, and subject to the same set of waivers. No test of budget neutrality shall be applied in the case of projects described in paragraph (2) after that date on which the permanent extension was granted.

''(5) In the case of a waiver project described in paragraph (2), the Secretary, acting through the Health Care Financing Administration shall, deem any State's request to expand medicaid coverage in whole or in part to individuals who have an income at or below the Federal poverty level as budget neutral if independent evaluations sponsored by the Health Care Financing Administration have shown that the State's medicaid managed care program under such original waiver is more cost effective and efficient than the traditional fee-for-service medicaid program that, in the absence of any managed care waivers under this section, would have been provided in the State.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall become effective on the date of enactment of this Act.

Beginning on page 869, strike line 21 and all that follows through page 870, line 15 and insert the following:

SEC. 5813. EXCEPTIONS FOR CERTAIN INDIANS FROM LIMITATION ON ELIGIBILITY FOR SUPPLEMENTAL SECURITY INCOME AND MEDICAID BENEFITS.

(a) EXCEPTION FROM LIMITATION ON SSI ELIGIBILITY.—Section 402(a)(2) of the Personal

Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)) is amended—

(1) by redesignating subparagraph (D) and subparagraph (E); and

(2) by inserting after subparagraph (C) the following:

''(D) SSI EXCEPTION FOR CERTAIN INDIANS.—With respect to eligibility for benefits for the program defined in paragraph (3)(A) (relating to the supplemental security income program), paragraph (1) shall not apply to any individual—

''(i) who is an American Indian born in Canada to whom the provisions of section 289 of the Immigration and Nationality Act (8 U.S.C. 1358) apply; or

''(ii) who is a member of an Indian tribe (as defined in section 4(e) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b(e)).''.

(b) EXCEPTION FROM LIMITATION ON MEDICAID ELIGIBILITY.—Section 402(b)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(b)(2)) is amended—

(1) by redesignating subparagraph (D) and subparagraph (E); and

(2) by inserting after subparagraph (C) the following:

''(D) MEDICAID EXCEPTION FOR CERTAIN INDIANS.—With respect to eligibility for benefits for the program defined in paragraph (3)(A) (relating to the medicaid program), paragraph (1) shall not apply to any individual described in subsection (a)(2)(D).''.

(c) SSI AND MEDICAID EXCEPTIONS FROM LIMITATION ON ELIGIBILITY OF NEW ENTRANTS.—Section 403(b) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613(b)) is amended by adding at the end the following:

''(3) SSI AND MEDICAID EXCEPTION FOR CERTAIN INDIANS.—An individual described in section 402(a)(2)(D), but only with respect to the programs specified in subsections (a)(3)(A) and (b)(3)(C) of section 402.''.

(d) EFFECTIVE DATE.—

(1) SECTION 402.—The amendments made by subsections (a) and (b) shall take effect as though they had been included in the enactment of section 402 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

(2) SECTION 403.—The amendment made by subsection (c) shall take effect as though they had been included in the enactment of section 403 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

On page 876, line 21, strike ''subparagraph (C)(i)'' and insert ''clauses (i) and (ii) of subparagraph (C)''.

On page 877, beginning on line 11, strike ''at least'' and all that follows through the period and insert the following: ''the applicable percentage for the immediately preceding fiscal year, as defined by section 409(a)(7)(B)(ii).''.

On page 888, between lines 22 and 23, insert the following flush language:

Contracts or vouchers for job placement services supported by these funds must require that at least ½ of the payment occur after a eligible individual placed into the workforce has been in the workforce for 6 months.

LOTT AMENDMENT NO. 507

Mr. ROTH (for Mr. LOTT) proposed an amendment to amendment No. 501 proposed by Mr. CHAFEE to the bill, S. 947, supra; as follows:

In the pending amendment, No. 501, strike all after the first word and insert the following:

Subtitle J—Children's Health Insurance Initiatives

SEC. 5801. ESTABLISHMENT OF CHILDREN'S HEALTH INSURANCE INITIATIVES.

(a) IN GENERAL.—Notwithstanding any other provision of the Act, the Social Security Act is amended by adding at the end the following:

''TITLE XXI—CHILD HEALTH INSURANCE INITIATIVES

''SEC. 2101. PURPOSE.

The purpose of this title is to provide funds to States to enable such States to expand the provision of health insurance coverage for low-income children. Funds provided under this title shall be used to achieve this purpose through outreach activities described in section 2106(a) and, at the option of the State through—

''(1) a grant program conducted in accordance with section 2107 and the other requirements of this title; or

''(2) expansion of coverage of such children under the State medicaid program who are not required to be provided medical assistance under section 1902(l) (taking into account the process of individuals aging into eligibility under subsection (l)(1)(D)).

''SEC. 2102. DEFINITIONS.

In this title:

''(1) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—The term 'base-year covered low-income child population' means the total number of low-income children with respect to whom, as of fiscal year 1996, an eligible State provides or pays the cost of health benefits either through a State funded program or through expanded eligibility under the State plan under title XIX (including under a waiver of such plan), as determined by the Secretary. Such term does not include any low-income child described in paragraph (3)(A) that a State must cover in order to be considered an eligible State under this title.

''(2) CHILD.—The term 'child' means an individual under 19 years of age.

''(3) ELIGIBLE STATE.—The term 'eligible State' means, with respect to a fiscal year, a State that—

''(A) provides, under section 1902(l)(1)(D) or under a waiver, for eligibility for medical assistance under a State plan under title XIX of individuals under 17 years of age in fiscal year 1998, and under 19 years of age in fiscal year 2000, regardless of date of birth;

''(B) has submitted to the Secretary under section 2104 a program outline that—

''(i) sets forth how the State intends to use the funds provided under this title to provide health insurance coverage for low-income children consistent with the provisions of this title; and

''(ii) is approved under section 2104; and

''(iii) otherwise satisfies the requirements of this title; and

''(C) satisfies the maintenance of effort requirement described in section 2105(c)(5).''.

''(4) FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—The term 'Federal medical assistance percentage' means, with respect to a State, the meaning given that term under section 1905(b). Any cost-sharing imposed under this title may not be included in determining Federal medical assistance percentage for reimbursement of expenditures under a State program funded under this title.

''(5) FEHBP-EQUIVALENT CHILDREN'S HEALTH INSURANCE COVERAGE.—The term 'FEHBP-equivalent children's health insurance coverage' means, with respect to a State, any plan or arrangement that provides, or pays the cost of, health benefits that the Secretary has certified are equivalent to or better than the items and services covered for a child under one of the 5 plans under chapter 89 of title 5, United States Code, serving the largest number of enrolled families with children in a State, and that otherwise satisfies State insurance standards and requirements.

''(6) INDIANS.—The term 'Indians' has the meaning given that term in section 4(c) of the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).

''(7) LOW-INCOME CHILD.—The term 'low-income child' means a child in a family whose income is below 200 percent of the poverty line for a family of the size involved.

''(8) POVERTY LINE.—The term 'poverty line' has the meaning given that term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), including any revision required by such section.

''(9) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

''(10) STATE.—The term 'State' means each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.

''(11) STATE CHILDREN'S HEALTH EXPENDITURES.—The term 'State children's health expenditures' means the State share of expenditures by the State for providing children with health care items and services under—

''(A) the State plan for medical assistance under title XIX;

''(B) the maternal and child health services block grant program under title V;

''(C) the preventive health services block grant program under part A of title XIX of the Public Health Services Act (42 U.S.C. 300w et seq.);

''(D) State-funded programs that are designed to provide health care items and services to children;

''(E) school-based health services programs;

''(F) State programs that provide uncompensated or indigent health care;

''(G) county-indigent care programs for which the State requires a matching share by a county government or for which there are intergovernmental transfers from a county to State government; and

''(H) any other program under which the Secretary determines the State incurs uncompensated expenditures for providing children with health care items and services.

''(12) STATE MEDICAID PROGRAM.—The term 'State medicaid program' means the program of medical assistance provided under title XIX.

''SEC. 2103. APPROPRIATION.

''(a) APPROPRIATION.—

''(1) IN GENERAL.—Subject to subsection (b), out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for the purpose of carrying out this title—

''(A) for fiscal year 1998, $2,500,000,000;

''(B) for each of fiscal years 1999 and 2000, $3,200,000,000;

''(C) for fiscal year 2001, $3,600,000,000;

''(D) for fiscal year 2002, $3,500,000,000;

''(E) for each of fiscal years 2003 through 2007, $4,580,000,000.

''(2) AVAILABILITY.—Funds appropriated under this section shall remain available without fiscal year limitation, as provided under section 2105(b)(4).

''(b) REDUCTION FOR INCREASED MEDICAID EXPENDITURES.—With respect to each of the fiscal years described in subsection (a)(1), the amount appropriated under subsection (a)(1) for each such fiscal year shall be reduced by an amount equal to the amount of the total Federal outlays under the medicaid program under title XIX resulting from—

''(1) the amendment made by section 5732 of the Balanced Budget Act of 1997 (regarding the State option to provide 12-month continuous eligibility for children);

''(2) increased enrollment under State plans approved under such program as a result of outreach activities under section 2106(a); and

''(3) the requirement under section 2102(3)A) to provide eligibility for medical assistance under the State plan under title XIX for all children under 19 years of age who have families with income that is at or below the poverty line.

''(c) STATE ENTITLEMENT.—This title constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided in accordance with the provisions of this title.

''(d) EFFECTIVE DATE.—No State is eligible for payments under section 2105 for any calendar quarter beginning before October 1, 1997.

''SEC. 2104. PROGRAM OUTLINE.

''(a) GENERAL DESCRIPTION.—A State shall submit to the Secretary for approval a program outline, consistent with the requirements of this title, that—

''(1) identifies, on or after the date of enactment of the Balanced Budget Act of 1997, which of the 2 options described in section 2101 the State intends to use to provide low-income children in the State with health insurance coverage;

''(2) describes the manner in which such coverage shall be provided; and

''(3) provides such other information as the Secretary may require.

''(b) OTHER REQUIREMENTS.—The program outline submitted under this section shall include the following:

''(1) ELIGIBILITY STANDARDS AND METHODOLOGIES.—A summary of the standards and methodologies used to determine the eligibility of low-income children for health insurance coverage under a State program funded under this title.

''(2) ELIGIBILITY SCREENING; COORDINATION WITH OTHER HEALTH COVERAGE.—A description of the procedures to be used to ensure—

''(A) through both intake and followup screening, that only low-income children are furnished health insurance coverage through funds provided under this title; and

''(B) that any health insurance coverage provided for children through funds under this title does not reduce the number of children who are provided such coverage through any other publicly or privately funded health plan.

''(3) INDIANS.—A description of how the State will ensure that Indians are served through a State program funded under this title.

''(c) DEADLINE FOR SUBMISSION.—A State program outline shall be submitted to the Secretary by not later than March 31 of any fiscal year (October 1, 1997, in the case of fiscal year 1998).

''SEC. 2105. DISTRIBUTION OF FUNDS.

''(a) ESTABLISHMENT OF FUNDING POOLS.—

''(1) IN GENERAL.—From the amount appropriated under section 2103(a)(1) for each fiscal year, determined after the reduction required under section 2103(b), the Secretary shall, for purposes of fiscal year 1998, reserve 85 percent of such amount for distribution to eligible States through the basic allotment pool under subsection (b) and 15 percent of such amount for distribution through the new coverage incentive pool under subsection (c)(2)(B)(ii).

''(2) ANNUAL ADJUSTMENT OF RESERVE PERCENTAGES.—The Secretary shall annually adjust the amount of the percentages described in paragraph (1) in order to provide sufficient basic allotments and sufficient new coverage incentives to achieve the purpose of this title.

''(b) DISTRIBUTION OF FUNDS UNDER THE BASIC ALLOTMENT POOL.—

''(1) STATES.—

''(A) IN GENERAL.—From the total amount reserved under subsection (a) for a fiscal year for distribution through the basic allotment pool, the Secretary shall first set aside 0.25 percent for distribution under paragraph (2) and shall allot from the amount remaining to each eligible State not described in such paragraph the State's allotment percentage for such fiscal year.

''(B) STATE'S ALLOTMENT PERCENTAGE.—

''(i) IN GENERAL.—For purposes of subparagraph (A), the allotment percentage for a fiscal year for each State is the percentage equal to the ratio of the number of low-income children in the base period in the State to the total number of low-income children in the base period in all States not described in paragraph (2).

''(ii) NUMBER OF LOW-INCOME CHILDREN IN THE BASE PERIOD.—In clause (i), the number of low-income children in the base period for a fiscal year in a State is equal to the average of the number of low-income children in the State for the period beginning on October 1, 1992, and ending on September 30, 1995, as reported in the March 1994, March 1995, and March 1996 supplements to the Current Population Survey of the Bureau of the Census.

''(2) OTHER STATES.—

''(A) IN GENERAL.—From the amount set aside under paragraph (1)(A) for each fiscal year, the Secretary shall make allotments for such fiscal year in accordance with the percentages specified in subparagraph (B) to Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands, if such States are eligible States for such fiscal year.

''(B) PERCENTAGES SPECIFIED.—The percentages specified in this subparagraph are in the case of—

''(i) Puerto Rico, 91.6 percent;

''(ii) Guam, 3.5 percent;

''(iii) the Virgin Islands, 2.6 percent;

''(iv) American Samoa, 1.2 percent; and

''(v) the Northern Mariana Islands, 1.1 percent.

''(3) THREE-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Amounts allotted to a State pursuant to this subsection for a fiscal year shall remain available for expenditure by the State through the end of the second succeeding fiscal year.

''(4) PROCEDURE FOR DISTRIBUTION OF UNUSED FUNDS.—The Secretary shall determine an appropriate procedure for distribution of funds to eligible States that remain unused under this subsection after the expiration of the availability of funds required under paragraph (3). Such procedure shall be developed and administered in a manner that is consistent with the purpose of this title.

''(c) PAYMENTS.—

''(1) IN GENERAL.—The Secretary shall—

''(A) before October 1 of any fiscal year, pay an eligible State an amount equal to 1 percent of the amount allotted to the State under subsection (b) for conducting the outreach activities required under section 2106(a); and

''(B) make quarterly fiscal year payments to an eligible State from the amount remaining of such allotment for such fiscal year in an amount equal to the Federal medical assistance percentage for the State (as defined under section 2102(4) and determined without regard to the amount of Federal funds received by the State under title XIX before the date of enactment of this title) of the Federal and State incurred cost of providing health insurance coverage for a low-income child in the State plus the applicable bonus amount.

''(2) APPLICABLE BONUS.—

''(A) IN GENERAL.—For purposes of paragraph (1), the applicable bonus amount is—

''(i) 5 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the base-year covered low-income child population (measured in full year equivalency) (including such children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title, but excluding any low-income child described in section 2102(3)(A) that a State must cover in order to be considered an eligible State under this title); and

''(ii) 10 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the number (as so measured) of low-income children that are in excess of such population.

''(B) SOURCE OF BONUSES.—

''(i) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—A bonus described in subparagraph (A)(i) shall be paid out of an eligible State's allotment for a fiscal year.

''(ii) FOR OTHER LOW-INCOME CHILD POPULATIONS.—A bonus described in subparagraph (A)(ii) shall be paid out of the new coverage incentive pool reserved under subsection (a)(1).

''(3) DEFINITION OF COST OF PROVIDING HEALTH INSURANCE COVERAGE.—For purposes of this subsection the cost of providing health insurance coverage for a low-income child in the State means—

''(A) in the case of an eligible State that opts to use funds provided under this title through the medicaid program, the cost of providing such child with medical assistance under the State plan under title XIX; and

''(B) in the case of an eligible State that opts to use funds provided under this title under section 2107, the cost of providing such child with health insurance coverage under such section.

''(4) LIMITATION ON TOTAL PAYMENTS.—With respect to a fiscal year, the total amount paid to an eligible State under this title (including any bonus payments) shall not exceed 85 percent of the total cost of a State program conducted under this title for such fiscal year.

''(5) MAINTENANCE OF EFFORT.—

''(A) DEEMED COMPLIANCE.—A State shall be deemed to be in compliance with this provision if—

''(i) it does not adopt income and resource standards and methodologies that are more restrictive than those applied as of June 1, 1997, for purposes of determining a child's eligibility for medical assistance under the State plan under title XIX; and

''(ii) in the case of fiscal year 1998 and each fiscal year thereafter, the State children's health expenditures defined in section 2102(11) are not less than the amount of such expenditures for fiscal year 1996.

''(B) FAILURE TO MAINTAIN MEDICAID STANDARDS AND METHODOLOGIES.—A State that fails to meet the conditions described in subparagraph (A) shall not receive—

''(i) funds under this title for any child that would be determined eligible for medical assistance under the State plan under title XIX using the income and resource standards and methodologies applied under such plan as of June 1, 1997; and

''(ii) any bonus amounts described in paragraph (2)(A)(ii).

''(C) FAILURE TO MAINTAIN SPENDING ON CHILD HEALTH PROGRAMS.—A State that fails to meet the condition described in subparagraph (A)(ii) shall not receive funding under this title.

''(6) ADVANCE PAYMENT; RETROSPECTIVE ADJUSTMENT.—The Secretary may make payments under this subsection for each quarter on the basis of advance estimates of expenditures submitted by the State and such other investigation as the Secretary may find necessary, and shall reduce or increase the payments as necessary to adjust for any overpayment or underpayment for prior quarters.

''SEC. 2106. USE OF FUNDS.

''(a) SET-ASIDE FOR OUTREACH ACTIVITIES.—

''(1) IN GENERAL.—From the amount allotted to a State under section 2105(b) for a fiscal year, each State shall conduct outreach activities described in paragraph (2).

''(2) OUTREACH ACTIVITIES DESCRIBED.—The outreach activities described in this paragraph include activities to—

''(A) identify and enroll children who are eligible for medical assistance under the State plan under title XIX; and

''(B) conduct public awareness campaigns to encourage employers to provide health insurance coverage for children.

''(b) STATE OPTIONS FOR REMAINDER.—A State may use the amount remaining of the allotment to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), in accordance with section 2107 or the State medicaid program (but not both). Nothing in the preceding sentence shall be construed as limiting a State's eligibility for receiving the 5 percent bonus described in section 2105(c)(2)(A)(i) for children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title.

''(c) PROHIBITION ON USE OF FUNDS.—No funds provided under this title may be used to provide health insurance coverage for—

''(1) families of State public employees; or

''(2) children who are committed to a penal institution.

''(d) USE LIMITED TO STATE PROGRAM EXPENDITURES.—Funds provided to an eligible State under this title shall only be used to carry out the purpose of this title (as described in section 2101), and any health insurance coverage provided with such funds may include coverage of abortion only if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest.

''(e) ADMINISTRATIVE EXPENDITURES.—

''(1) IN GENERAL.—Not more than the applicable percentage of the amount allotted to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), shall be used for administrative expenditures for the program funded under this title.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage with respect to a fiscal year is—

''(A) for the first 2 years of a State program funded under this title, 10 percent;

''(B) for the third year of a State program funded under this title, 7.5 percent; and

''(C) for the fourth year of a State program funded under this title and each year thereafter, 5 percent.

''(f) NONAPPLICATION OF FIVE-YEAR LIMITED ELIGIBILITY FOR MEANS-TESTED PUBLIC BENEFITS.—The provisions of section 403 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613) shall not apply with respect to a State program funded under this title.

''(g) AUDITS.—The provisions of section 506(b) shall apply to funds expended under this title to the same extent as they apply to title V.

''(h) REQUIREMENT TO FOLLOW STATE PROGRAM OUTLINE.—The State shall conduct the program in accordance with the program outline approved by the Secretary under section 2104.

''SEC. 2107. STATE OPTION FOR THE PURCHASE OR PROVISION OF CHILDREN'S HEALTH INSURANCE.

''(a) STATE OPTION.—

''(1) IN GENERAL.—An eligible State that opts to use funds provided under this title under this section shall use such funds to provide FEHBP-equivalent children's health insurance coverage for low-income children who reside in the State.

''(2) PRIORITY FOR LOW-INCOME CHILDREN.—A State that uses funds provided under this title under this section shall not cover low-income children with higher family income without covering such children with a lower family income.

''(3) DETERMINATION OF ELIGIBILITY AND FORM OF ASSISTANCE.—An eligible State may establish any additional eligibility criteria for the provision of health insurance coverage for a low-income child through funds provided under this title, so long as such criteria and assistance are consistent with the purpose and provisions of this title.

''(4) AFFORDABILITY.—An eligible State may impose any family premium obligations or cost-sharing requirements otherwise permitted under this title on low-income children with family incomes that exceed 150 percent of the poverty line. In the case of a low-income child whose family income is at or below 150 percent of the poverty line, limits on beneficiary costs generally applicable under title XIX apply to coverage provided such children under this section.

''(5) COVERAGE OF CERTAIN BENEFITS.—Any eligible State that opts to use funds provided under this title under this section for the coverage described in paragraph (1) is encouraged to include as part of such coverage, coverage for items and services needed for vision, hearing, and dental health.

''(b) NONENTITLEMENT.—Nothing in this section shall be construed as providing an entitlement for an individual or person to any health insurance coverage, assistance, or service provided through a State program funded under this title. If, with respect to a fiscal year, an eligible State determines that the funds provided under this title are not sufficient to provide health insurance coverage for all the low-income children that the State proposes to cover in the State program outline submitted under section 2104 for such fiscal year, the State may adjust the applicable eligibility criteria for such children appropriately or adjust the State program in another manner specified by the Secretary, so long as any such adjustments are consistent with the purpose of this title.

''SEC. 2108. PROGRAM INTEGRITY.

''The following provisions of the Social Security Act shall apply to eligible States under this title in the same manner as such provisions apply to a State under title XIX:

''(1) Section 1116 (relating to administrative and judicial review).

''(2) Section 1124 (relating to disclosure of ownership and related information).

''(3) Section 1126 (relating to disclosure of information about certain convicted individuals).

''(4) Section 1128 (relating to exclusion from individuals and entities from participation in State health care plans).

''(5) Section 1128A (relating to civil monetary penalties).

''(6) Section 1128B (relating to criminal penalties).

''(7) Section 1132 (relating to periods within which claims must be filed).

''(8) Section 1902(a)(4)(C) (relating to conflict of interest standards).

''(9) Section 1903(i) (relating to limitations on payment).

''(10) Section 1903(m)(5) (as in effect on the day before the date of enactment of the Balanced Budget Act of 1997).

''(11) Section 1903(w) (relating to limitations on provider taxes and donations).

''(12) Section 1905(a)(B) (relating to the exclusion of care or services for any individual who has not attained 65 years of age and who is a patient in an institution for mental diseases from the definition of medical assistance).

''(13) Section 1921 (relating to state licensure authorities).

''(14) Sections 1902(a)(25), 1912(a)(1)(A), and 1903(o) (insofar as such sections relate to third party liability).

''(15) Sections 1948 and 1949 (as added by section 5701(a)(2) of the Balanced Budget Act of 1997).

''SEC. 2109. ANNUAL REPORTS.

''(a) ANNUAL STATE ASSESSMENT OF PROGRESS.—An eligible State shall—

''(1) assess the operation of the State program funded under this title in each fiscal year, including the progress made in providing health insurance coverage for low-income children; and

''(2) report to the Secretary, by January 1 following the end of the fiscal year, on the result of the assessment.

''(b) REPORT OF THE SECRETARY.—The Secretary shall submit to the appropriate committees of Congress an annual report and evaluation of the State programs funded under this title based on the State assessments and reports submitted under subsection (a). Such report shall include any conclusions and recommendations that the Secretary considers appropriate.''.

(b) CONFORMING AMENDMENT.—Section 1128(h) (42 U.S.C. 1320a–7(h)) is amended by—

(1) in paragraph (2), by striking ''or'' at the end;

(2) in paragraph (3), by striking the period and inserting '', or''; and

(3) by adding at the end the following:

''(4) a program funded under title XXI.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply on and after October 3, 1997.

LOTT AMENDMENT NO. 508

Mr. ROTH (for Mr. LOTT) proposed an amendment to amendment No. 500 proposed by Mr. CHAFEE to the bill, S. 947, supra; as follows:

In the pending amendment, No. 500, strike all after the first word and insert the following:

Subtitle J—Children's Health Insurance Initiatives

SEC. 5801. ESTABLISHMENT OF CHILDREN'S HEALTH INSURANCE INITIATIVES.

(a) IN GENERAL.—Notwithstanding any other provision of the Act, the Social Security Act is amended by adding at the end the following:

''TITLE XXI—CHILD HEALTH INSURANCE INITIATIVES

''SEC. 2101. PURPOSE.

The purpose of this title is to provide funds to States to enable such States to expand the provision of health insurance coverage for low-income children. Funds provided under this title shall be used to achieve this purpose through outreach activities described in section 2106(a) and, at the option of the State through—

''(1) a grant program conducted in accordance with section 2107 and the other requirements of this title; or

''(2) expansion of coverage of such children under the State medicaid program who are not required to be provided medical assistance under section 1902(l) (taking into account the process of individuals aging into eligibility under subsection (l)(1)(D)).

''SEC. 2102. DEFINITIONS.

In this title:

''(1) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—The term 'base-year covered low-income child population' means the total number of low-income children with respect to whom, as of fiscal year 1996, an eligible State provides or pays the cost of health benefits either through a State funded program or through expanded eligibility under the State plan under title XIX (including under a waiver of such plan), as determined by the Secretary. Such term does not include any low-income child described in paragraph (3)(A) that a State must cover in order to be considered an eligible State under this title.

''(2) CHILD.—The term 'child' means an individual under 19 years of age.

''(3) ELIGIBLE STATE.—The term 'eligible State' means, with respect to a fiscal year, a State that—

''(A) provides, under section 1902(l)(1)(D) or under a waiver, for eligibility for medical assistance under a State plan under title XIX of individuals under 17 years of age in fiscal year 1998, and under 19 years of age in fiscal year 2000, regardless of date of birth;

''(B) has submitted to the Secretary under section 2104 a program outline that—

''(i) sets forth how the State intends to use the funds provided under this title to provide health insurance coverage for low-income children consistent with the provisions of this title; and

''(ii) is approved under section 2104; and

''(iii) otherwise satisfies the requirements of this title; and

''(C) satisfies the maintenance of effort requirement described in section 2105(c)(5).''.

''(4) FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—The term 'Federal medical assistance percentage' means, with respect to a State, the meaning given that term under section 1905(b). Any cost-sharing imposed under this title may not be included in determining Federal medical assistance percentage for reimbursement of expenditures under a State program funded under this title.

''(5) FEHBP-EQUIVALENT CHILDREN'S HEALTH INSURANCE COVERAGE.—The term 'FEHBP-equivalent children's health insurance coverage' means, with respect to a State, any plan or arrangement that provides, or pays the cost of, health benefits that the Secretary has certified are equivalent to or better than the items and services covered for a child under one of the 5 plans under chapter 89 of title 5, United States Code, serving the largest number of enrolled families with children in a State, and that otherwise satisfies State insurance standards and requirements.

''(6) INDIANS.—The term 'Indians' has the meaning given that term in section 4(c) of the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).

''(7) LOW-INCOME CHILD.—The term 'low-income child' means a child in a family whose income is below 200 percent of the poverty line for a family of the size involved.

''(8) POVERTY LINE.—The term 'poverty line' has the meaning given that term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), including any revision required by such section.

''(9) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

''(10) STATE.—The term 'State' means each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.

''(11) STATE CHILDREN'S HEALTH EXPENDITURES.—The term 'State children's health expenditures' means the State share of expenditures by the State for providing children with health care items and services under—

''(A) the State plan for medical assistance under title XIX;

''(B) the maternal and child health services block grant program under title V;

''(C) the preventive health services block grant program under part A of title XIX of the Public Health Services Act (42 U.S.C. 300w et seq.);

''(D) State-funded programs that are designed to provide health care items and services to children;

''(E) school-based health services programs;

''(F) State programs that provide uncompensated or indigent health care;

''(G) county-indigent care programs for which the State requires a matching share by a county government or for which there are intergovernmental transfers from a county to State government; and

''(H) any other program under which the Secretary determines the State incurs uncompensated expenditures for providing children with health care items and services.

''(12) STATE MEDICAID PROGRAM.—The term 'State medicaid program' means the program of medical assistance provided under title XIX.

''SEC. 2103. APPROPRIATION.

''(a) APPROPRIATION.—

''(1) IN GENERAL.—Subject to subsection (b), out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for the purpose of carrying out this title—

''(A) for fiscal year 1998, $2,500,000,000;

''(B) for each of fiscal years 1999 and 2000, $3,200,000,000;

''(C) for fiscal year 2001, $3,600,000,000;

''(D) for fiscal year 2002, $3,500,000,000;

''(E) for each of fiscal years 2003 through 2007, $4,580,000,000.

''(2) AVAILABILITY.—Funds appropriated under this section shall remain available without fiscal year limitation, as provided under section 2105(b)(4).

''(b) REDUCTION FOR INCREASED MEDICAID EXPENDITURES.—With respect to each of the fiscal years described in subsection (a)(1), the amount appropriated under subsection (a)(1) for each such fiscal year shall be reduced by an amount equal to the amount of the total Federal outlays under the medicaid program under title XIX resulting from—

''(1) the amendment made by section 5732 of the Balanced Budget Act of 1997 (regarding the State option to provide 12-month continuous eligibility for children);

''(2) increased enrollment under State plans approved under such program as a result of outreach activities under section 2106(a); and

''(3) the requirement under section 2102(3)A) to provide eligibility for medical assistance under the State plan under title XIX for all children under 19 years of age who have families with income that is at or below the poverty line.

''(c) STATE ENTITLEMENT.—This title constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided in accordance with the provisions of this title.

''(d) EFFECTIVE DATE.—No State is eligible for payments under section 2105 for any calendar quarter beginning before October 1, 1997.

''SEC. 2104. PROGRAM OUTLINE.

''(a) GENERAL DESCRIPTION.—A State shall submit to the Secretary for approval a program outline, consistent with the requirements of this title, that—

''(1) identifies, on or after the date of enactment of the Balanced Budget Act of 1997, which of the 2 options described in section 2101 the State intends to use to provide low-income children in the State with health insurance coverage;

''(2) describes the manner in which such coverage shall be provided; and

''(3) provides such other information as the Secretary may require.

''(b) OTHER REQUIREMENTS.—The program outline submitted under this section shall include the following:

''(1) ELIGIBILITY STANDARDS AND METHODOLOGIES.—A summary of the standards and methodologies used to determine the eligibility of low-income children for health insurance coverage under a State program funded under this title.

''(2) ELIGIBILITY SCREENING; COORDINATION WITH OTHER HEALTH COVERAGE.—A description of the procedures to be used to ensure—

''(A) through both intake and followup screening, that only low-income children are furnished health insurance coverage through funds provided under this title; and

''(B) that any health insurance coverage provided for children through funds under this title does not reduce the number of children who are provided such coverage through any other publicly or privately funded health plan.

''(3) INDIANS.—A description of how the State will ensure that Indians are served through a State program funded under this title.

''(c) DEADLINE FOR SUBMISSION.—A State program outline shall be submitted to the Secretary by not later than March 31 of any fiscal year (October 1, 1997, in the case of fiscal year 1998).

''SEC. 2105. DISTRIBUTION OF FUNDS.

''(a) ESTABLISHMENT OF FUNDING POOLS.—

''(1) IN GENERAL.—From the amount appropriated under section 2103(a)(1) for each fiscal year, determined after the reduction required under section 2103(b), the Secretary shall, for purposes of fiscal year 1998, reserve 85 percent of such amount for distribution to eligible States through the basic allotment pool under subsection (b) and 15 percent of such amount for distribution through the new coverage incentive pool under subsection (c)(2)(B)(ii).

''(2) ANNUAL ADJUSTMENT OF RESERVE PERCENTAGES.—The Secretary shall annually adjust the amount of the percentages described in paragraph (1) in order to provide sufficient basic allotments and sufficient new coverage incentives to achieve the purpose of this title.

''(b) DISTRIBUTION OF FUNDS UNDER THE BASIC ALLOTMENT POOL.—

''(1) STATES.—

''(A) IN GENERAL.—From the total amount reserved under subsection (a) for a fiscal year for distribution through the basic allotment pool, the Secretary shall first set aside 0.25 percent for distribution under paragraph (2) and shall allot from the amount remaining to each eligible State not described in such paragraph the State's allotment percentage for such fiscal year.

''(B) STATE'S ALLOTMENT PERCENTAGE.—

''(i) IN GENERAL.—For purposes of subparagraph (A), the allotment percentage for a fiscal year for each State is the percentage equal to the ratio of the number of low-income children in the base period in the State to the total number of low-income children in the base period in all States not described in paragraph (2).

''(ii) NUMBER OF LOW-INCOME CHILDREN IN THE BASE PERIOD.—In clause (i), the number of low-income children in the base period for a fiscal year in a State is equal to the average of the number of low-income children in the State for the period beginning on October 1, 1992, and ending on September 30, 1995, as reported in the March 1994, March 1995,

and March 1996 supplements to the Current Population Survey of the Bureau of the Census.

''(2) OTHER STATES.—

''(A) IN GENERAL.—From the amount set aside under paragraph (1)(A) for each fiscal year, the Secretary shall make allotments for such fiscal year in accordance with the percentages specified in subparagraph (B) to Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands, if such States are eligible States for such fiscal year.

''(B) PERCENTAGES SPECIFIED.—The percentages specified in this subparagraph are in the case of—

''(i) Puerto Rico, 91.6 percent;

''(ii) Guam, 3.5 percent;

''(iii) the Virgin Islands, 2.6 percent;

''(iv) American Samoa, 1.2 percent; and

''(v) the Northern Mariana Islands, 1.1 percent.

''(3) THREE-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Amounts allotted to a State pursuant to this subsection for a fiscal year shall remain available for expenditure by the State through the end of the second succeeding fiscal year.

''(4) PROCEDURE FOR DISTRIBUTION OF UNUSED FUNDS.—The Secretary shall determine an appropriate procedure for distribution of funds to eligible States that remain unused under this subsection after the expiration of the availability of funds required under paragraph (3). Such procedure shall be developed and administered in a manner that is consistent with the purpose of this title.

''(c) PAYMENTS.—

''(1) IN GENERAL.—The Secretary shall—

''(A) before October 1 of any fiscal year, pay an eligible State an amount equal to 1 percent of the amount allotted to the State under subsection (b) for conducting the outreach activities required under section 2106(a); and

''(B) make quarterly fiscal year payments to an eligible State from the amount remaining of such allotment for such fiscal year in an amount equal to the Federal medical assistance percentage for the State (as defined under section 2102(4) and determined without regard to the amount of Federal funds received by the State under title XIX before the date of enactment of this title) of the Federal and State incurred cost of providing health insurance coverage for a low-income child in the State plus the applicable bonus amount.

''(2) APPLICABLE BONUS.—

''(A) IN GENERAL.—For purposes of paragraph (1), the applicable bonus amount is—

''(i) 5 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the base-year covered low-income child population (measured in full year equivalency) (including such children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title, but excluding any low-income child described in section 2102(3)(A) that a State must cover in order to be considered an eligible State under this title); and

''(ii) 10 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the number (as so measured) of low-income children that are in excess of such population.

''(B) SOURCE OF BONUSES.—

''(i) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—A bonus described in subparagraph (A)(i) shall be paid out of an eligible State's allotment for a fiscal year.

''(ii) FOR OTHER LOW-INCOME CHILD POPULATIONS.—A bonus described in subparagraph (A)(ii) shall be paid out of the new coverage incentive pool reserved under subsection (a)(1).

''(3) DEFINITION OF COST OF PROVIDING HEALTH INSURANCE COVERAGE.—For purposes of this subsection the cost of providing health insurance coverage for a low-income child in the State means—

''(A) in the case of an eligible State that opts to use funds provided under this title through the medicaid program, the cost of providing such child with medical assistance under the State plan under title XIX; and

''(B) in the case of an eligible State that opts to use funds provided under this title under section 2107, the cost of providing such child with health insurance coverage under such section.

''(4) LIMITATION ON TOTAL PAYMENTS.—With respect to a fiscal year, the total amount paid to an eligible State under this title (including any bonus payments) shall not exceed 85 percent of the total cost of a State program conducted under this title for such fiscal year.

''(5) MAINTENANCE OF EFFORT.—

''(A) DEEMED COMPLIANCE.—A State shall be deemed to be in compliance with this provision if—

''(i) it does not adopt income and resource standards and methodologies that are more restrictive than those applied as of June 1, 1997, for purposes of determining a child's eligibility for medical assistance under the State plan under title XIX; and

''(ii) in the case of fiscal year 1998 and each fiscal year thereafter, the State children's health expenditures defined in section 2102(11) are not less than the amount of such expenditures for fiscal year 1996.

''(B) FAILURE TO MAINTAIN MEDICAID STANDARDS AND METHODOLOGIES.—A State that fails to meet the conditions described in subparagraph (A) shall not receive—

''(i) funds under this title for any child that would be determined eligible for medical assistance under the State plan under title XIX using the income and resource standards and methodologies applied under such plan as of June 1, 1997; and

''(ii) any bonus amounts described in paragraph (2)(A)(ii).

''(C) FAILURE TO MAINTAIN SPENDING ON CHILD HEALTH PROGRAMS.—A State that fails to meet the condition described in subparagraph (A)(ii) shall not receive funding under this title.

''(6) ADVANCE PAYMENT; RETROSPECTIVE ADJUSTMENT.—The Secretary may make payments under this subsection for each quarter on the basis of advance estimates of expenditures submitted by the State and such other investigation as the Secretary may find necessary, and shall reduce or increase the payments as necessary to adjust for any overpayment or underpayment for prior quarters.

''SEC. 2106. USE OF FUNDS.

''(a) SET-ASIDE FOR OUTREACH ACTIVITIES.—

''(1) IN GENERAL.—From the amount allotted to a State under section 2105(b) for a fiscal year, each State shall conduct outreach activities described in paragraph (2).

''(2) OUTREACH ACTIVITIES DESCRIBED.—The outreach activities described in this paragraph include activities to—

''(A) identify and enroll children who are eligible for medical assistance under the State plan under title XIX; and

''(B) conduct public awareness campaigns to encourage employers to provide health insurance coverage for children.

''(b) STATE OPTIONS FOR REMAINDER.—A State may use the amount remaining of the allotment to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), in accordance with section 2107 or the State medicaid program (but not both). Nothing in the preceding sentence shall be construed as limiting a State's eligibility for receiving the 5 percent bonus described in section 2105(c)(2)(A)(i) for children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title.

''(c) PROHIBITION ON USE OF FUNDS.—No funds provided under this title may be used to provide health insurance coverage for—

''(1) families of State public employees; or

''(2) children who are committed to a penal institution.

''(d) USE LIMITED TO STATE PROGRAM EXPENDITURES.—Funds provided to an eligible State under this title shall only be used to carry out the purpose of this title (as described in section 2101), and any health insurance coverage provided with such funds may include coverage of abortion only if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest.

''(e) ADMINISTRATIVE EXPENDITURES.—

''(1) IN GENERAL.—Not more than the applicable percentage of the amount allotted to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), shall be used for administrative expenditures for the program funded under this title.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage with respect to a fiscal year is—

''(A) for the first 2 years of a State program funded under this title, 10 percent;

''(B) for the third year of a State program funded under this title, 7.5 percent; and

''(C) for the fourth year of a State program funded under this title and each year thereafter, 5 percent.

''(f) NONAPPLICATION OF FIVE-YEAR LIMITED ELIGIBILITY FOR MEANS-TESTED PUBLIC BENEFITS.—The provisions of section 403 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613) shall not apply with respect to a State program funded under this title.

''(g) AUDITS.—The provisions of section 506(b) shall apply to funds expended under this title to the same extent as they apply to title V.

''(h) REQUIREMENT TO FOLLOW STATE PROGRAM OUTLINE.—The State shall conduct the program in accordance with the program outline approved by the Secretary under section 2104.

''SEC. 2107. STATE OPTION FOR THE PURCHASE OR PROVISION OF CHILDREN'S HEALTH INSURANCE.

''(a) STATE OPTION.—

''(1) IN GENERAL.—An eligible State that opts to use funds provided under this title under this section shall use such funds to provide FEHBP-equivalent children's health insurance coverage for low-income children who reside in the State.

''(2) PRIORITY FOR LOW-INCOME CHILDREN.—A State that uses funds provided under this title under this section shall not cover low-income children with higher family income without covering such children with a lower family income.

''(3) DETERMINATION OF ELIGIBILITY AND FORM OF ASSISTANCE.—An eligible State may establish any additional eligibility criteria for the provision of health insurance coverage for a low-income child through funds provided under this title, so long as such criteria and assistance are consistent with the purpose and provisions of this title.

''(4) AFFORDABILITY.—An eligible State may impose any family premium obligations or cost-sharing requirements otherwise permitted under this title on low-income children with family incomes that exceed 150 percent of the poverty line. In the case of a

low-income child whose family income is at or below 150 percent of the poverty line, limits on beneficiary costs generally applicable under title XIX apply to coverage provided such children under this section.

''(5) COVERAGE OF CERTAIN BENEFITS.—Any eligible State that opts to use funds provided under this title under this section for the coverage described in paragraph (1) is encouraged to include as part of such coverage, coverage for items and services needed for vision, hearing, and dental health.

''(b) NONENTITLEMENT.—Nothing in this section shall be construed as providing an entitlement for an individual or person to any health insurance coverage, assistance, or service provided through a State program funded under this title. If, with respect to a fiscal year, an eligible State determines that the funds provided under this title are not sufficient to provide health insurance coverage for all the low-income children that the State proposes to cover in the State program outline submitted under section 2104 for such fiscal year, the State may adjust the applicable eligibility criteria for such children appropriately or adjust the State program in another manner specified by the Secretary, so long as any such adjustments are consistent with the purpose of this title.

''SEC. 2108. PROGRAM INTEGRITY.

''The following provisions of the Social Security Act shall apply to eligible States under this title in the same manner as such provisions apply to a State under title XIX:

''(1) Section 1116 (relating to administrative and judicial review).

''(2) Section 1124 (relating to disclosure of ownership and related information).

''(3) Section 1126 (relating to disclosure of information about certain convicted individuals).

''(4) Section 1128 (relating to exclusion from individuals and entities from participation in State health care plans).

''(5) Section 1128A (relating to civil monetary penalties).

''(6) Section 1128B (relating to criminal penalties).

''(7) Section 1132 (relating to periods within which claims must be filed).

''(8) Section 1902(a)(4)(C) (relating to conflict of interest standards).

''(9) Section 1903(i) (relating to limitations on payment).

''(10) Section 1903(m)(5) (as in effect on the day before the date of enactment of the Balanced Budget Act of 1997).

''(11) Section 1903(w) (relating to limitations on provider taxes and donations).

''(12) Section 1905(a)(B) (relating to the exclusion of care or services for any individual who has not attained 65 years of age and who is a patient in an institution for mental diseases from the definition of medical assistance).

''(13) Section 1921 (relating to state licensure authorities).

''(14) Sections 1902(a)(25), 1912(a)(1)(A), and 1903(o) (insofar as such sections relate to third party liability).

''(15) Sections 1948 and 1949 (as added by section 5701(a)(2) of the Balanced Budget Act of 1997).

''SEC. 2109. ANNUAL REPORTS.

''(a) ANNUAL STATE ASSESSMENT OF PROGRESS.—An eligible State shall—

''(1) assess the operation of the State program funded under this title in each fiscal year, including the progress made in providing health insurance coverage for low-income children; and

''(2) report to the Secretary, by January 1 following the end of the fiscal year, on the result of the assessment.

''(b) REPORT OF THE SECRETARY.—The Secretary shall submit to the appropriate committees of Congress an annual report and evaluation of the State programs funded under this title based on the State assessments and reports submitted under subsection (a). Such report shall include any conclusions and recommendations that the Secretary considers appropriate.''.

(b) CONFORMING AMENDMENT.—Section 1128(h) (42 U.S.C. 1320a–7(h)) is amended by—

(1) in paragraph (2), by striking ''or'' at the end;

(2) in paragraph (3), by striking the period and inserting '', or''; and

(3) by adding at the end the following:

''(4) a program funded under title XXI.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply on and after October 2, 1997.

LOTT AMENDMENT NO. 509

Mr. ROTH (for Mr. LOTT) proposed an amendment to the bill, S. 947, supra; as follows:

In the pending amendment, strike all after the first word and insert the following:

Subtitle J—Children's Health Insurance Initiatives

SEC. 5801. ESTABLISHMENT OF CHILDREN'S HEALTH INSURANCE INITIATIVES.

(a) IN GENERAL.—Notwithstanding any other provision of the Act, the Social Security Act is amended by adding at the end the following:

''TITLE XXI—CHILD HEALTH INSURANCE INITIATIVES

''SEC. 2101. PURPOSE.

The purpose of this title is to provide funds to States to enable such States to expand the provision of health insurance coverage for low-income children. Funds provided under this title shall be used to achieve this purpose through outreach activities described in section 2106(a) and, at the option of the State through—

''(1) a grant program conducted in accordance with section 2107 and the other requirements of this title; or

''(2) expansion of coverage of such children under the State medicaid program who are not required to be provided medical assistance under section 1902(l) (taking into account the process of individuals aging into eligibility under subsection (l)(1)(D)).

''SEC. 2102. DEFINITIONS.

In this title:

''(1) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—The term 'base-year covered low-income child population' means the total number of low-income children with respect to whom, as of fiscal year 1996, an eligible State provides or pays the cost of health benefits either through a State funded program or through expanded eligibility under the State plan under title XIX (including under a waiver of such plan), as determined by the Secretary. Such term does not include any low-income child described in paragraph (3)(A) that a State must cover in order to be considered an eligible State under this title.

''(2) CHILD.—The term 'child' means an individual under 19 years of age.

''(3) ELIGIBLE STATE.—The term 'eligible State' means, with respect to a fiscal year, a State that—

''(A) provides, under section 1902(l)(1)(D) or under a waiver, for eligibility for medical assistance under a State plan under title XIX of individuals under 17 years of age in fiscal year 1998, and under 19 years of age in fiscal year 2000, regardless of date of birth;

''(B) has submitted to the Secretary under section 2104 a program outline that—

''(i) sets forth how the State intends to use the funds provided under this title to provide health insurance coverage for low-income children consistent with the provisions of this title; and

''(ii) is approved under section 2104; and

''(iii) otherwise satisfies the requirements of this title; and

''(C) satisfies the maintenance of effort requirement described in section 2105(c)(5).''.

''(4) FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—The term 'Federal medical assistance percentage' means, with respect to a State, the meaning given that term under section 1905(b). Any cost-sharing imposed under this title may not be included in determining Federal medical assistance percentage for reimbursement of expenditures under a State program funded under this title.

''(5) FEHBP-EQUIVALENT CHILDREN'S HEALTH INSURANCE COVERAGE.—The term 'FEHBP-equivalent children's health insurance coverage' means, with respect to a State, any plan or arrangement that provides, or pays the cost of, health benefits that the Secretary has certified are equivalent to or better than the items and services covered for a child under one of the 5 plans under chapter 89 of title 5, United States Code, serving the largest number of enrolled families with children in a State, and that otherwise satisfies State insurance standards and requirements.

''(6) INDIANS.—The term 'Indians' has the meaning given that term in section 4(c) of the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).

''(7) LOW-INCOME CHILD.—The term 'low-income child' means a child in a family whose income is below 200 percent of the poverty line for a family of the size involved.

''(8) POVERTY LINE.—The term 'poverty line' has the meaning given that term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), including any revision required by such section.

''(9) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

''(10) STATE.—The term 'State' means each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.

''(11) STATE CHILDREN'S HEALTH EXPENDITURES.—The term 'State children's health expenditures' means the State share of expenditures by the State for providing children with health care items and services under—

''(A) the State plan for medical assistance under title XIX;

''(B) the maternal and child health services block grant program under title V;

''(C) the preventive health services block grant program under part A of title XIX of the Public Health Services Act (42 U.S.C. 300w et seq.);

''(D) State-funded programs that are designed to provide health care items and services to children;

''(E) school-based health services programs;

''(F) State programs that provide uncompensated or indigent health care;

''(G) county-indigent care programs for which the State requires a matching share by a county government or for which there are intergovernmental transfers from a county to State government; and

''(H) any other program under which the Secretary determines the State incurs uncompensated expenditures for providing children with health care items and services.

''(12) STATE MEDICAID PROGRAM.—The term 'State medicaid program' means the program of medical assistance provided under title XIX.

''SEC. 2103. APPROPRIATION.

''(a) APPROPRIATION.—

''(1) IN GENERAL.—Subject to subsection (b), out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for the purpose of carrying out this title—

''(A) for fiscal year 1998, $2,500,000,000;

''(B) for each of fiscal years 1999 and 2000, $3,200,000,000;

''(C) for fiscal year 2001, $3,600,000,000;

''(D) for fiscal year 2002, $3,500,000,000;

''(E) for each of fiscal years 2003 through 2007, $4,580,000,000.

''(2) AVAILABILITY.—Funds appropriated under this section shall remain available without fiscal year limitation, as provided under section 2105(b)(4).

''(b) REDUCTION FOR INCREASED MEDICAID EXPENDITURES.—With respect to each of the fiscal years described in subsection (a)(1), the amount appropriated under subsection (a)(1) for each such fiscal year shall be reduced by an amount equal to the amount of the total Federal outlays under the medicaid program under title XIX resulting from—

''(1) the amendment made by section 5732 of the Balanced Budget Act of 1997 (regarding the State option to provide 12-month continuous eligibility for children);

''(2) increased enrollment under State plans approved under such program as a result of outreach activities under section 2106(a); and

''(3) the requirement under section 2102(3)A) to provide eligibility for medical assistance under the State plan under title XIX for all children under 19 years of age who have families with income that is at or below the poverty line.

''(c) STATE ENTITLEMENT.—This title constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided in accordance with the provisions of this title.

''(d) EFFECTIVE DATE.—No State is eligible for payments under section 2105 for any calendar quarter beginning before October 1, 1997.

''SEC. 2104. PROGRAM OUTLINE.

''(a) GENERAL DESCRIPTION.—A State shall submit to the Secretary for approval a program outline, consistent with the requirements of this title, that—

''(1) identifies, on or after the date of enactment of the Balanced Budget Act of 1997, which of the 2 options described in section 2101 the State intends to use to provide low-income children in the State with health insurance coverage;

''(2) describes the manner in which such coverage shall be provided; and

''(3) provides such other information as the Secretary may require.

''(b) OTHER REQUIREMENTS.—The program outline submitted under this section shall include the following:

''(1) ELIGIBILITY STANDARDS AND METHODOLOGIES.—A summary of the standards and methodologies used to determine the eligibility of low-income children for health insurance coverage under a State program funded under this title.

''(2) ELIGIBILITY SCREENING; COORDINATION WITH OTHER HEALTH COVERAGE.—A description of the procedures to be used to ensure—

''(A) through both intake and followup screening, that only low-income children are furnished health insurance coverage through funds provided under this title; and

''(B) that any health insurance coverage provided for children through funds under this title does not reduce the number of children who are provided such coverage through any other publicly or privately funded health plan.

''(3) INDIANS.—A description of how the State will ensure that Indians are served through a State program funded under this title.

''(c) DEADLINE FOR SUBMISSION.—A State program outline shall be submitted to the Secretary by not later than March 31 of any fiscal year (October 1, 1997, in the case of fiscal year 1998).

''SEC. 2105. DISTRIBUTION OF FUNDS.

''(a) ESTABLISHMENT OF FUNDING POOLS.—

''(1) IN GENERAL.—From the amount appropriated under section 2103(a)(1) for each fiscal year, determined after the reduction required under section 2103(b), the Secretary shall, for purposes of fiscal year 1998, reserve 85 percent of such amount for distribution to eligible States through the basic allotment pool under subsection (b) and 15 percent of such amount for distribution through the new coverage incentive pool under subsection (c)(2)(B)(ii).

''(2) ANNUAL ADJUSTMENT OF RESERVE PERCENTAGES.—The Secretary shall annually adjust the amount of the percentages described in paragraph (1) in order to provide sufficient basic allotments and sufficient new coverage incentives to achieve the purpose of this title.

''(b) DISTRIBUTION OF FUNDS UNDER THE BASIC ALLOTMENT POOL.—

''(1) STATES.—

''(A) IN GENERAL.—From the total amount reserved under subsection (a) for a fiscal year for distribution through the basic allotment pool, the Secretary shall first set aside 0.25 percent for distribution under paragraph (2) and shall allot from the amount remaining to each eligible State not described in such paragraph the State's allotment percentage for such fiscal year.

''(B) STATE'S ALLOTMENT PERCENTAGE.—

''(i) IN GENERAL.—For purposes of subparagraph (A), the allotment percentage for a fiscal year for each State is the percentage equal to the ratio of the number of low-income children in the base period in the State to the total number of low-income children in the base period in all States not described in paragraph (2).

''(ii) NUMBER OF LOW-INCOME CHILDREN IN THE BASE PERIOD.—In clause (i), the number of low-income children in the base period for a fiscal year in a State is equal to the average of the number of low-income children in the State for the period beginning on October 1, 1992, and ending on September 30, 1995, as reported in the March 1994, March 1995, and March 1996 supplements to the Current Population Survey of the Bureau of the Census.

''(2) OTHER STATES.—

''(A) IN GENERAL.—From the amount set aside under paragraph (1)(A) for each fiscal year, the Secretary shall make allotments for such fiscal year in accordance with the percentages specified in subparagraph (B) to Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands, if such States are eligible States for such fiscal year.

''(B) PERCENTAGES SPECIFIED.—The percentages specified in this subparagraph are in the case of—

''(i) Puerto Rico, 91.6 percent;

''(ii) Guam, 3.5 percent;

''(iii) the Virgin Islands, 2.6 percent;

''(iv) American Samoa, 1.2 percent; and

''(v) the Northern Mariana Islands, 1.1 percent.

''(3) THREE-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Amounts allotted to a State pursuant to this subsection for a fiscal year shall remain available for expenditure by the State through the end of the second succeeding fiscal year.

''(4) PROCEDURE FOR DISTRIBUTION OF UNUSED FUNDS.—The Secretary shall determine an appropriate procedure for distribution of funds to eligible States that remain unused under this subsection after the expiration of the availability of funds required under paragraph (3). Such procedure shall be developed and administered in a manner that is consistent with the purpose of this title.

''(c) PAYMENTS.—

''(1) IN GENERAL.—The Secretary shall—

''(A) before October 1 of any fiscal year, pay an eligible State an amount equal to 1 percent of the amount allotted to the State under subsection (b) for conducting the outreach activities required under section 2106(a); and

''(B) make quarterly fiscal year payments to an eligible State from the amount remaining of such allotment for such fiscal year in an amount equal to the Federal medical assistance percentage for the State (as defined under section 2102(4) and determined without regard to the amount of Federal funds received by the State under title XIX before the date of enactment of this title) of the Federal and State incurred cost of providing health insurance coverage for a low-income child in the State plus the applicable bonus amount.

''(2) APPLICABLE BONUS.—

''(A) IN GENERAL.—For purposes of paragraph (1), the applicable bonus amount is—

''(i) 5 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the base-year covered low-income child population (measured in full year equivalency) (including such children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title, but excluding any low-income child described in section 2102(3)(A) that a State must cover in order to be considered an eligible State under this title); and

''(ii) 10 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the number (as so measured) of low-income children that are in excess of such population.

''(B) SOURCE OF BONUSES.—

''(i) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—A bonus described in subparagraph (A)(i) shall be paid out of an eligible State's allotment for a fiscal year.

''(ii) FOR OTHER LOW-INCOME CHILD POPULATIONS.—A bonus described in subparagraph (A)(ii) shall be paid out of the new coverage incentive pool reserved under subsection (a)(1).

''(3) DEFINITION OF COST OF PROVIDING HEALTH INSURANCE COVERAGE.—For purposes of this subsection the cost of providing health insurance coverage for a low-income child in the State means—

''(A) in the case of an eligible State that opts to use funds provided under this title through the medicaid program, the cost of providing such child with medical assistance under the State plan under title XIX; and

''(B) in the case of an eligible State that opts to use funds provided under this title under section 2107, the cost of providing such child with health insurance coverage under such section.

''(4) LIMITATION ON TOTAL PAYMENTS.—With respect to a fiscal year, the total amount paid to an eligible State under this title (including any bonus payments) shall not exceed 85 percent of the total cost of a State program conducted under this title for such fiscal year.

''(5) MAINTENANCE OF EFFORT.—

''(A) DEEMED COMPLIANCE.—A State shall be deemed to be in compliance with this provision if—

''(i) it does not adopt income and resource standards and methodologies that are more

restrictive than those applied as of June 1, 1997, for purposes of determining a child's eligibility for medical assistance under the State plan under title XIX; and

''(ii) in the case of fiscal year 1998 and each fiscal year thereafter, the State children's health expenditures defined in section 2102(11) are not less than the amount of such expenditures for fiscal year 1996.

''(B) FAILURE TO MAINTAIN MEDICAID STANDARDS AND METHODOLOGIES.—A State that fails to meet the conditions described in subparagraph (A) shall not receive—

''(i) funds under this title for any child that would be determined eligible for medical assistance under the State plan under title XIX using the income and resource standards and methodologies applied under such plan as of June 1, 1997; and

''(ii) any bonus amounts described in paragraph (2)(A)(ii).

''(C) FAILURE TO MAINTAIN SPENDING ON CHILD HEALTH PROGRAMS.—A State that fails to meet the condition described in subparagraph (A)(ii) shall not receive funding under this title.

''(6) ADVANCE PAYMENT; RETROSPECTIVE ADJUSTMENT.—The Secretary may make payments under this subsection for each quarter on the basis of advance estimates of expenditures submitted by the State and such other investigation as the Secretary may find necessary, and shall reduce or increase the payments as necessary to adjust for any overpayment or underpayment for prior quarters.

''SEC. 2106. USE OF FUNDS.

''(a) SET-ASIDE FOR OUTREACH ACTIVITIES.—

''(1) IN GENERAL.—From the amount allotted to a State under section 2105(b) for a fiscal year, each State shall conduct outreach activities described in paragraph (2).

''(2) OUTREACH ACTIVITIES DESCRIBED.—The outreach activities described in this paragraph include activities to—

''(A) identify and enroll children who are eligible for medical assistance under the State plan under title XIX; and

''(B) conduct public awareness campaigns to encourage employers to provide health insurance coverage for children.

''(b) STATE OPTIONS FOR REMAINDER.—A State may use the amount remaining of the allotment to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), in accordance with section 2107 or the State medicaid program (but not both). Nothing in the preceding sentence shall be construed as limiting a State's eligibility for receiving the 5 percent bonus described in section 2105(c)(2)(A)(i) for children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title.

''(c) PROHIBITION ON USE OF FUNDS.—No funds provided under this title may be used to provide health insurance coverage for—

''(1) families of State public employees; or

''(2) children who are committed to a penal institution.

''(d) USE LIMITED TO STATE PROGRAM EXPENDITURES.—Funds provided to an eligible State under this title shall only be used to carry out the purpose of this title (as described in section 2101), and any health insurance coverage provided with such funds may include coverage of abortion only if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest.

''(e) ADMINISTRATIVE EXPENDITURES.—

''(1) IN GENERAL.—Not more than the applicable percentage of the amount allotted to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), shall be used for administrative expenditures for the program funded under this title.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage with respect to a fiscal year is—

''(A) for the first 2 years of a State program funded under this title, 10 percent;

''(B) for the third year of a State program funded under this title, 7.5 percent; and

''(C) for the fourth year of a State program funded under this title and each year thereafter, 5 percent.

''(f) NONAPPLICATION OF FIVE-YEAR LIMITED ELIGIBILITY FOR MEANS-TESTED PUBLIC BENEFITS.—The provisions of section 403 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613) shall not apply with respect to a State program funded under this title.

''(g) AUDITS.—The provisions of section 506(b) shall apply to funds expended under this title to the same extent as they apply to title V.

''(h) REQUIREMENT TO FOLLOW STATE PROGRAM OUTLINE.—The State shall conduct the program in accordance with the program outline approved by the Secretary under section 2104.

''SEC. 2107. STATE OPTION FOR THE PURCHASE OR PROVISION OF CHILDREN'S HEALTH INSURANCE.

''(a) STATE OPTION.—

''(1) IN GENERAL.—An eligible State that opts to use funds provided under this title under this section shall use such funds to provide FEHBP-equivalent children's health insurance coverage for low-income children who reside in the State.

''(2) PRIORITY FOR LOW-INCOME CHILDREN.—A State that uses funds provided under this title under this section shall not cover low-income children with higher family income without covering such children with a lower family income.

''(3) DETERMINATION OF ELIGIBILITY AND FORM OF ASSISTANCE.—An eligible State may establish any additional eligibility criteria for the provision of health insurance coverage for a low-income child through funds provided under this title, so long as such criteria and assistance are consistent with the purpose and provisions of this title.

''(4) AFFORDABILITY.—An eligible State may impose any family premium obligations or cost-sharing requirements otherwise permitted under this title on low-income children with family incomes that exceed 150 percent of the poverty line. In the case of a low-income child whose family income is at or below 150 percent of the poverty line, limits on beneficiary costs generally applicable under title XIX apply to coverage provided such children under this section.

''(5) COVERAGE OF CERTAIN BENEFITS.—Any eligible State that opts to use funds provided under this title under this section for the coverage described in paragraph (1) is encouraged to include as part of such coverage, coverage for items and services needed for vision, hearing, and dental health.

''(b) NONENTITLEMENT.—Nothing in this section shall be construed as providing an entitlement for an individual or person to any health insurance coverage, assistance, or service provided through a State program funded under this title. If, with respect to a fiscal year, an eligible State determines that the funds provided under this title are not sufficient to provide health insurance coverage for all the low-income children that the State proposes to cover in the State program outline submitted under section 2104 for such fiscal year, the State may adjust the applicable eligibility criteria for such children appropriately or adjust the State program in another manner specified by the Secretary, so long as any such adjustments are consistent with the purpose of this title.

''SEC. 2108. PROGRAM INTEGRITY.

''The following provisions of the Social Security Act shall apply to eligible States under this title in the same manner as such provisions apply to a State under title XIX:

''(1) Section 1116 (relating to administrative and judicial review).

''(2) Section 1124 (relating to disclosure of ownership and related information).

''(3) Section 1126 (relating to disclosure of information about certain convicted individuals).

''(4) Section 1128 (relating to exclusion from individuals and entities from participation in State health care plans).

''(5) Section 1128A (relating to civil monetary penalties).

''(6) Section 1128B (relating to criminal penalties).

''(7) Section 1132 (relating to periods within which claims must be filed).

''(8) Section 1902(a)(4)(C) (relating to conflict of interest standards).

''(9) Section 1903(i) (relating to limitations on payment).

''(10) Section 1903(m)(5) (as in effect on the day before the date of enactment of the Balanced Budget Act of 1997).

''(11) Section 1903(w) (relating to limitations on provider taxes and donations).

''(12) Section 1905(a)(B) (relating to the exclusion of care or services for any individual who has not attained 65 years of age and who is a patient in an institution for mental diseases from the definition of medical assistance).

''(13) Section 1921 (relating to state licensure authorities).

''(14) Sections 1902(a)(25), 1912(a)(1)(A), and 1903(o) (insofar as such sections relate to third party liability).

''(15) Sections 1948 and 1949 (as added by section 5701(a)(2) of the Balanced Budget Act of 1997).

''SEC. 2109. ANNUAL REPORTS.

''(a) ANNUAL STATE ASSESSMENT OF PROGRESS.—An eligible State shall—

''(1) assess the operation of the State program funded under this title in each fiscal year, including the progress made in providing health insurance coverage for low-income children; and

''(2) report to the Secretary, by January 1 following the end of the fiscal year, on the result of the assessment.

''(b) REPORT OF THE SECRETARY.—The Secretary shall submit to the appropriate committees of Congress an annual report and evaluation of the State programs funded under this title based on the State assessments and reports submitted under subsection (a). Such report shall include any conclusions and recommendations that the Secretary considers appropriate.''.

(b) CONFORMING AMENDMENT.—Section 1128(h) (42 U.S.C. 1320a–7(h)) is amended by—

(1) in paragraph (2), by striking ''or'' at the end;

(2) in paragraph (3), by striking the period and inserting '', or''; and

(3) by adding at the end the following:

''(4) a program funded under title XXI.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply on and after October 4, 1997.

ROCKFELLER AMENDMENT NO. 510

Mr. LAUTENBERG (for Mr. ROCKFELLER) proposed an amendment to the bill, S. 947, supra; as follows:

At the appropriate place add the following:

Notwithstanding any other provision of this Act, the following shall be the Hearing and Vision services provided under the Children's Health Insurance Section:

''(4) HEARING AND VISION SERVICES.—Notwithstanding the definition of FEHBP-equivalent children's health insurance coverage in section 2102(5), any package of health insurance benefits offered by a State that opts to

use funds provided under this title under this section shall include hearing and vision services for children.''.

ROTH AMENDMENT NO. 511

Mr. ROTH proposed an amendment to the bill, S. 947, supra; as follows:

Beginning on page 844, strike line 8 and all that follows through page 865, line 2 and insert the following:

Subtitle J—Children's Health Insurance Initiatives

SEC. 5801. ESTABLISHMENT OF CHILDREN'S HEALTH INSURANCE INITIATIVES.

(a) IN GENERAL.—The Social Security Act is amended by adding at the end the following:

''TITLE XXI—CHILD HEALTH INSURANCE INITIATIVES

''SEC. 2101. PURPOSE.

''The purpose of this title is to provide funds to States to enable such States to expand the provision of health insurance coverage for low-income children. Funds provided under this title shall be used to achieve this purpose through outreach activities described in section 2106(a) and, at the option of the State through—

''(1) a grant program conducted in accordance with section 2107 and the other requirements of this title; or

''(2) expansion of coverage of such children under the State medicaid program who are not required to be provided medical assistance under section 1902(l) (taking into account the process of individuals aging into eligibility under subsection (l)(1)(D)).

''SEC. 2102. DEFINITIONS.

''In this title:

''(1) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—The term 'base-year covered low-income child population' means the total number of low-income children with respect to whom, as of fiscal year 1996, an eligible State provides or pays the cost of health benefits either through a State funded program or through expanded eligibility under the State plan under title XIX (including under a waiver of such plan), as determined by the Secretary. Such term does not include any low-income child described in paragraph (3)(A) that a State must cover in order to be considered an eligible State under this title.

''(2) CHILD.—The term 'child' means an individual under 19 years of age.

''(3) ELIGIBLE STATE.—The term 'eligible State' means, with respect to a fiscal year, a State that—

''(A) provides, under section 1902(l)(1)(D) or under a waiver, for eligibility for medical assistance under a State plan under title XIX of individuals under 17 years of age in fiscal year 1998, and under 19 years of age in fiscal year 2000, regardless of date of birth;

''(B) has submitted to the Secretary under section 2104 a program outline that—

''(i) sets forth how the State intends to use the funds provided under this title to provide health insurance coverage for low-income children consistent with the provisions of this title; and

''(ii) is approved under section 2104; and

''(iii) otherwise satisfies the requirements of this title; and

''(C) satisfies the maintenance of effort requirement described in section 2105(c)(5).''.

''(4) FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—The term 'Federal medical assistance percentage' means, with respect to a State, the meaning given that term under section 1905(b). Any cost-sharing imposed under this title may not be included in determining Federal medical assistance percentage for reimbursement of expenditures under a State program funded under this title.

''(5) FEHBP-EQUIVALENT CHILDREN'S HEALTH INSURANCE COVERAGE.—The term 'FEHBP-equivalent children's health insurance coverage' means, with respect to a State, any plan or arrangement that provides, or pays the cost of, health benefits that the Secretary has certified are equivalent to or better than the items and services covered for a child under one of the 5 plans under chapter 89 of title 5, United States Code, serving the largest number of enrolled families with children in a State, and that otherwise satisfies State insurance standards and requirements.

''(6) INDIANS.—The term 'Indians' has the meaning given that term in section 4(c) of the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).

''(7) LOW-INCOME CHILD.—The term 'low-income child' means a child in a family whose income is below 200 percent of the poverty line for a family of the size involved.

''(8) POVERTY LINE.—The term 'poverty line' has the meaning given that term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), including any revision required by such section.

''(9) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

''(10) STATE.—The term 'State' means each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.

''(11) STATE CHILDREN'S HEALTH EXPENDITURES.—The term 'State children's health expenditures' means the State share of expenditures by the State for providing children with health care items and services under—

''(A) the State plan for medical assistance under title XIX;

''(B) the maternal and child health services block grant program under title V;

''(C) the preventive health services block grant program under part A of title XIX of the Public Health Services Act (42 U.S.C. 300w et seq.);

''(D) State-funded programs that are designed to provide health care items and services to children;

''(E) school-based health services programs;

''(F) State programs that provide uncompensated or indigent health care;

''(G) county-indigent care programs for which the State requires a matching share by a county government or for which there are intergovernmental transfers from a county to State government; and

''(H) any other program under which the Secretary determines the State incurs uncompensated expenditures for providing children with health care items and services.

''(12) STATE MEDICAID PROGRAM.—The term 'State medicaid program' means the program of medical assistance provided under title XIX.

''SEC. 2103. APPROPRIATION.

''(a) APPROPRIATION.—

''(1) IN GENERAL.—Subject to subsection (b), out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for the purpose of carrying out this title—

''(A) for fiscal year 1998, $2,500,000,000;

''(B) for each of fiscal years 1999 and 2000, $3,200,000,000;

''(C) for fiscal year 2001, $3,600,000,000;

''(D) for fiscal year 2002, $3,500,000,000;

''(E) for each of fiscal years 2003 through 2007, $4,580,000,000.

''(2) AVAILABILITY.—Funds appropriated under this section shall remain available without fiscal year limitation, as provided under section 2105(b)(4).

''(b) REDUCTION FOR INCREASED MEDICAID EXPENDITURES.—With respect to each of the fiscal years described in subsection (a)(1), the amount appropriated under subsection (a)(1) for each such fiscal year shall be reduced by an amount equal to the amount of the total Federal outlays under the medicaid program under title XIX resulting from—

''(1) the amendment made by section 5732 of the Balanced Budget Act of 1997 (regarding the State option to provide 12-month continuous eligibility for children);

''(2) increased enrollment under State plans approved under such program as a result of outreach activities under section 2106(a); and

''(3) the requirement under section 2102(3)A) to provide eligibility for medical assistance under the State plan under title XIX for all children under 19 years of age who have families with income that is at or below the poverty line.

''(c) STATE ENTITLEMENT.—This title constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided in accordance with the provisions of this title.

''(d) EFFECTIVE DATE.—No State is eligible for payments under section 2105 for any calendar quarter beginning before October 1, 1997.

''SEC. 2104. PROGRAM OUTLINE.

''(a) GENERAL DESCRIPTION.—A State shall submit to the Secretary for approval a program outline, consistent with the requirements of this title, that—

''(1) identifies, on or after the date of enactment of the Balanced Budget Act of 1997, which of the 2 options described in section 2101 the State intends to use to provide low-income children in the State with health insurance coverage;

''(2) describes the manner in which such coverage shall be provided; and

''(3) provides such other information as the Secretary may require.

''(b) OTHER REQUIREMENTS.—The program outline submitted under this section shall include the following:

''(1) ELIGIBILITY STANDARDS AND METHODOLOGIES.—A summary of the standards and methodologies used to determine the eligibility of low-income children for health insurance coverage under a State program funded under this title.

''(2) ELIGIBILITY SCREENING; COORDINATION WITH OTHER HEALTH COVERAGE.—A description of the procedures to be used to ensure—

''(A) through both intake and followup screening, that only low-income children are furnished health insurance coverage through funds provided under this title; and

''(B) that any health insurance coverage provided for children through funds under this title does not reduce the number of children who are provided such coverage through any other publicly or privately funded health plan.

''(3) INDIANS.—A description of how the State will ensure that Indians are served through a State program funded under this title.

''(c) DEADLINE FOR SUBMISSION.—A State program outline shall be submitted to the Secretary by not later than March 31 of any fiscal year (October 1, 1997, in the case of fiscal year 1998).

''SEC. 2105. DISTRIBUTION OF FUNDS.

''(a) ESTABLISHMENT OF FUNDING POOLS.—

''(1) IN GENERAL.—From the amount appropriated under section 2103(a)(1) for each fiscal year, determined after the reduction required under section 2103(b), the Secretary shall, for purposes of fiscal year 1998, reserve 85 percent of such amount for distribution to

eligible States through the basic allotment pool under subsection (b) and 15 percent of such amount for distribution through the new coverage incentive pool under subsection (c)(2)(B)(ii).

''(2) ANNUAL ADJUSTMENT OF RESERVE PERCENTAGES.—The Secretary shall annually adjust the amount of the percentages described in paragraph (1) in order to provide sufficient basic allotments and sufficient new coverage incentives to achieve the purpose of this title.

''(b) DISTRIBUTION OF FUNDS UNDER THE BASIC ALLOTMENT POOL.—

''(1) STATES.—

''(A) IN GENERAL.—From the total amount reserved under subsection (a) for a fiscal year for distribution through the basic allotment pool, the Secretary shall first set aside 0.25 percent for distribution under paragraph (2) and shall allot from the amount remaining to each eligible State not described in such paragraph the State's allotment percentage for such fiscal year.

''(B) STATE'S ALLOTMENT PERCENTAGE.—

''(i) IN GENERAL.—For purposes of subparagraph (A), the allotment percentage for a fiscal year for each State is the percentage equal to the ratio of the number of low-income children in the base period in the State to the total number of low-income children in the base period in all States not described in paragraph (2).

''(ii) NUMBER OF LOW-INCOME CHILDREN IN THE BASE PERIOD.—In clause (i), the number of low-income children in the base period for a fiscal year in a State is equal to the average of the number of low-income children in the State for the period beginning on October 1, 1992, and ending on September 30, 1995, as reported in the March 1994, March 1995, and March 1996 supplements to the Current Population Survey of the Bureau of the Census.

''(2) OTHER STATES.—

''(A) IN GENERAL.—From the amount set aside under paragraph (1)(A) for each fiscal year, the Secretary shall make allotments for such fiscal year in accordance with the percentages specified in subparagraph (B) to Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands, if such States are eligible States for such fiscal year.

''(B) PERCENTAGES SPECIFIED.—The percentages specified in this subparagraph are in the case of—

''(i) Puerto Rico, 91.6 percent;

''(ii) Guam, 3.5 percent;

''(iii) the Virgin Islands, 2.6 percent;

''(iv) American Samoa, 1.2 percent; and

''(v) the Northern Mariana Islands, 1.1 percent.

''(3) THREE-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Amounts allotted to a State pursuant to this subsection for a fiscal year shall remain available for expenditure by the State through the end of the second succeeding fiscal year.

''(4) PROCEDURE FOR DISTRIBUTION OF UNUSED FUNDS.—The Secretary shall determine an appropriate procedure for distribution of funds to eligible States that remain unused under this subsection after the expiration of the availability of funds required under paragraph (3). Such procedure shall be developed and administered in a manner that is consistent with the purpose of this title.

''(c) PAYMENTS.—

''(1) IN GENERAL.—The Secretary shall—

''(A) before October 1 of any fiscal year, pay an eligible State an amount equal to 1 percent of the amount allotted to the State under subsection (b) for conducting the outreach activities required under section 2106(a); and

''(B) make quarterly fiscal year payments to an eligible State from the amount remaining of such allotment for such fiscal year in an amount equal to the Federal medical assistance percentage for the State (as defined under section 2102(4) and determined without regard to the amount of Federal funds received by the State under title XIX before the date of enactment of this title) of the Federal and State incurred cost of providing health insurance coverage for a low-income child in the State plus the applicable bonus amount.

''(2) APPLICABLE BONUS.—

''(A) IN GENERAL.—For purposes of paragraph (1), the applicable bonus amount is—

''(i) 5 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the base-year covered low-income child population (measured in full year equivalency) (including such children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title, but excluding any low-income child described in section 2102(3)(A) that a State must cover in order to be considered an eligible State under this title); and

''(ii) 10 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the number (as so measured) of low-income children that are in excess of such population.

''(B) SOURCE OF BONUSES.—

''(i) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—A bonus described in subparagraph (A)(i) shall be paid out of an eligible State's allotment for a fiscal year.

''(ii) FOR OTHER LOW-INCOME CHILD POPULATIONS.—A bonus described in subparagraph (A)(ii) shall be paid out of the new coverage incentive pool reserved under subsection (a)(1).

''(3) DEFINITION OF COST OF PROVIDING HEALTH INSURANCE COVERAGE.—For purposes of this subsection the cost of providing health insurance coverage for a low-income child in the State means—

''(A) in the case of an eligible State that opts to use funds provided under this title through the medicaid program, the cost of providing such child with medical assistance under the State plan under title XIX; and

''(B) in the case of an eligible State that opts to use funds provided under this title under section 2107, the cost of providing such child with health insurance coverage under such section.

''(4) LIMITATION ON TOTAL PAYMENTS.—With respect to a fiscal year, the total amount paid to an eligible State under this title (including any bonus payments) shall not exceed 85 percent of the total cost of a State program conducted under this title for such fiscal year.

''(5) MAINTENANCE OF EFFORT.—

''(A) DEEMED COMPLIANCE.—A State shall be deemed to be in compliance with this provision if—

''(i) it does not adopt income and resource standards and methodologies that are more restrictive than those applied as of June 1, 1997, for purposes of determining a child's eligibility for medical assistance under the State plan under title XIX; and

''(ii) in the case of fiscal year 1998 and each fiscal year thereafter, the State children's health expenditures defined in section 2102(11) are not less than the amount of such expenditures for fiscal year 1996.

''(B) FAILURE TO MAINTAIN MEDICAID STANDARDS AND METHODOLOGIES.—A State that fails to meet the conditions described in subparagraph (A) shall not receive—

''(i) funds under this title for any child that would be determined eligible for medical assistance under the State plan under title XIX using the income and resource standards and methodologies applied under such plan as of June 1, 1997; and

''(ii) any bonus amounts described in paragraph (2)(A)(ii).

''(C) FAILURE TO MAINTAIN SPENDING ON CHILD HEALTH PROGRAMS.—A State that fails to meet the condition described in subparagraph (A)(ii) shall not receive funding under this title.

''(6) ADVANCE PAYMENT; RETROSPECTIVE ADJUSTMENT.—The Secretary may make payments under this subsection for each quarter on the basis of advance estimates of expenditures submitted by the State and such other investigation as the Secretary may find necessary, and shall reduce or increase the payments as necessary to adjust for any overpayment or underpayment for prior quarters.

''SEC. 2106. USE OF FUNDS.

''(a) SET-ASIDE FOR OUTREACH ACTIVITIES.—

''(1) IN GENERAL.—From the amount allotted to a State under section 2105(b) for a fiscal year, each State shall conduct outreach activities described in paragraph (2).

''(2) OUTREACH ACTIVITIES DESCRIBED.—The outreach activities described in this paragraph include activities to—

''(A) identify and enroll children who are eligible for medical assistance under the State plan under title XIX; and

''(B) conduct public awareness campaigns to encourage employers to provide health insurance coverage for children.

''(b) STATE OPTIONS FOR REMAINDER.—A State may use the amount remaining of the allotment to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), in accordance with section 2107 or the State medicaid program (but not both). Nothing in the preceding sentence shall be construed as limiting a State's eligibility for receiving the 5 percent bonus described in section 2105(c)(2)(A)(i) for children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title.

''(c) PROHIBITION ON USE OF FUNDS.—No funds provided under this title may be used to provide health insurance coverage for—

''(1) families of State public employees; or

''(2) children who are committed to a penal institution.

''(d) USE LIMITED TO STATE PROGRAM EXPENDITURES.—Funds provided to an eligible State under this title shall only be used to carry out the purpose of this title (as described in section 2101), and any health insurance coverage provided with such funds may include coverage of abortion only if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest.

''(e) ADMINISTRATIVE EXPENDITURES.—

''(1) IN GENERAL.—Not more than the applicable percentage of the amount allotted to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), shall be used for administrative expenditures for the program funded under this title.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage with respect to a fiscal year is—

''(A) for the first 2 years of a State program funded under this title, 10 percent;

''(B) for the third year of a State program funded under this title, 7.5 percent; and

''(C) for the fourth year of a State program funded under this title and each year thereafter, 5 percent.

''(f) NONAPPLICATION OF FIVE-YEAR LIMITED ELIGIBILITY FOR MEANS-TESTED PUBLIC BENEFITS.—The provisions of section 403 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C.

1613) shall not apply with respect to a State program funded under this title.

''(g) AUDITS.—The provisions of section 506(b) shall apply to funds expended under this title to the same extent as they apply to title V.

''(h) REQUIREMENT TO FOLLOW STATE PROGRAM OUTLINE.—The State shall conduct the program in accordance with the program outline approved by the Secretary under section 2104.

''SEC. 2107. STATE OPTION FOR THE PURCHASE OR PROVISION OF CHILDREN'S HEALTH INSURANCE.

''(a) STATE OPTION.—

''(1) IN GENERAL.—An eligible State that opts to use funds provided under this title under this section shall use such funds to provide FEHBP-equivalent children's health insurance coverage for low-income children who reside in the State.

''(2) PRIORITY FOR LOW-INCOME CHILDREN.—A State that uses funds provided under this title under this section shall not cover low-income children with higher family income without covering such children with a lower family income.

''(3) DETERMINATION OF ELIGIBILITY AND FORM OF ASSISTANCE.—An eligible State may establish any additional eligibility criteria for the provision of health insurance coverage for a low-income child through funds provided under this title, so long as such criteria and assistance are consistent with the purpose and provisions of this title.

''(4) AFFORDABILITY.—An eligible State may impose any family premium obligations or cost-sharing requirements otherwise permitted under this title on low-income children with family incomes that exceed 150 percent of the poverty line. In the case of a low-income child whose family income is at or below 150 percent of the poverty line, limits on beneficiary costs generally applicable under title XIX apply to coverage provided such children under this section.

''(5) COVERAGE OF CERTAIN BENEFITS.—Any eligible State that opts to use funds provided under this title under this section for the coverage described in paragraph (1) is encouraged to include as part of such coverage, coverage for items and services needed for vision, hearing, and dental health.

''(b) NONENTITLEMENT.—Nothing in this section shall be construed as providing an entitlement for an individual or person to any health insurance coverage, assistance, or service provided through a State program funded under this title. If, with respect to a fiscal year, an eligible State determines that the funds provided under this title are not sufficient to provide health insurance coverage for all the low-income children that the State proposes to cover in the State program outline submitted under section 2104 for such fiscal year, the State may adjust the applicable eligibility criteria for such children appropriately or adjust the State program in another manner specified by the Secretary, so long as any such adjustments are consistent with the purpose of this title.

''SEC. 2108. PROGRAM INTEGRITY.

''The following provisions of the Social Security Act shall apply to eligible States under this title in the same manner as such provisions apply to a State under title XIX:

''(1) Section 1116 (relating to administrative and judicial review).

''(2) Section 1124 (relating to disclosure of ownership and related information).

''(3) Section 1126 (relating to disclosure of information about certain convicted individuals).

''(4) Section 1128 (relating to exclusion from individuals and entities from participation in State health care plans).

''(5) Section 1128A (relating to civil monetary penalties).

''(6) Section 1128B (relating to criminal penalties).

''(7) Section 1132 (relating to periods within which claims must be filed).

''(8) Section 1902(a)(4)(C) (relating to conflict of interest standards).

''(9) Section 1903(i) (relating to limitations on payment).

''(10) Section 1903(m)(5) (as in effect on the day before the date of enactment of the Balanced Budget Act of 1997).

''(11) Section 1903(w) (relating to limitations on provider taxes and donations).

''(12) Section 1905(a)(B) (relating to the exclusion of care or services for any individual who has not attained 65 years of age and who is a patient in an institution for mental diseases from the definition of medical assistance).

''(13) Section 1921 (relating to state licensure authorities).

''(14) Sections 1902(a)(25), 1912(a)(1)(A), and 1903(o) (insofar as such sections relate to third party liability).

''(15) Sections 1948 and 1949 (as added by section 5701(a)(2) of the Balanced Budget Act of 1997).

''SEC. 2109. ANNUAL REPORTS.

''(a) ANNUAL STATE ASSESSMENT OF PROGRESS.—An eligible State shall—

''(1) assess the operation of the State program funded under this title in each fiscal year, including the progress made in providing health insurance coverage for low-income children; and

''(2) report to the Secretary, by January 1 following the end of the fiscal year, on the result of the assessment.

''(b) REPORT OF THE SECRETARY.—The Secretary shall submit to the appropriate committees of Congress an annual report and evaluation of the State programs funded under this title based on the State assessments and reports submitted under subsection (a). Such report shall include any conclusions and recommendations that the Secretary considers appropriate.''.

(b) CONFORMING AMENDMENT.—Section 1128(h) (42 U.S.C. 1320a–7(h)) is amended by—

(1) in paragraph (2), by striking ''or'' at the end;

(2) in paragraph (3), by striking the period and inserting '', or''; and

(3) by adding at the end the following:

''(4) a program funded under title XXI.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply on and after October 1, 1997.

CHAFEE AMENDMENT NO. 512

Mr. CHAFEE (for himself and Mr. ROCKEFELLER) proposed an amendment to amendment No. 511 proposed by Mr. ROTH to the bill S. 947, supra; as follows:

On page 4, strike line 17 through line 3 on page 5 and insert the following:

''(5) FEHBP-EQUIVALENT CHILDREN'S HEALTH INSURANCE COVERAGE.—The term 'FEHBP-equivalent children's health insurance coverage' means, with respect to a State, any plan or arrangement that provides, or pays the cost of, health benefits that the Secretary has certified are equivalent to or better than the services covered for a child, including hearing and vision services, under the standard Blue Cross/Blue Shield preferred provider option service benefit plan offered under chapter 89 of title 5, United States Code.

LOTT AMENDMENT NO. 513

Mr. ROTH (for Mr. LOTT) proposed an amendment to amendment No. 510 proposed by Mr. ROCKEFELLER to the bill, S. 947, supra; as follows:

In lieu of the matter proposed to be inserted, insert:

Subtitle J—Children's Health Insurance Initiatives

SEC. 5801. ESTABLISHMENT OF CHILDREN'S HEALTH INSURANCE INITIATIVES.

(a) IN GENERAL.—Notwithstanding any other provision of the Act, the Social Security Act is amended by adding at the end the following:

''TITLE XXI—CHILD HEALTH INSURANCE INITIATIVES

''SEC. 2101. PURPOSE.

''The purpose of this title is to provide funds to States to enable such States to expand the provision of health insurance coverage for low-income children. Funds provided under this title shall be used to achieve this purpose through outreach activities described in section 2106(a) and, at the option of the State through—

''(1) a grant program conducted in accordance with section 2107 and the other requirements of this title; or

''(2) expansion of coverage of such children under the State medicaid program who are not required to be provided medical assistance under section 1902(l) (taking into account the process of individuals aging into eligibility under subsection (l)(1)(D)).

''SEC. 2102. DEFINITIONS.

''In this title:

''(1) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—The term 'base-year covered low-income child population' means the total number of low-income children with respect to whom, as of fiscal year 1996, an eligible State provides or pays the cost of health benefits either through a State funded program or through expanded eligibility under the State plan under title XIX (including under a waiver of such plan), as determined by the Secretary. Such term does not include any low-income child described in paragraph (3)(A) that a State must cover in order to be considered an eligible State under this title.

''(2) CHILD.—The term 'child' means an individual under 19 years of age.

''(3) ELIGIBLE STATE.—The term 'eligible State' means, with respect to a fiscal year, a State that—

''(A) provides, under section 1902(l)(1)(D) or under a waiver, for eligibility for medical assistance under a State plan under title XIX of individuals under 17 years of age in fiscal year 1998, and under 19 years of age in fiscal year 2000, regardless of date of birth;

''(B) has submitted to the Secretary under section 2104 a program outline that—

''(i) sets forth how the State intends to use the funds provided under this title to provide health insurance coverage for low-income children consistent with the provisions of this title; and

''(ii) is approved under section 2104; and

''(iii) otherwise satisfies the requirements of this title; and

''(C) satisfies the maintenance of effort requirement described in section 2105(c)(5).''.

''(4) FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—The term 'Federal medical assistance percentage' means, with respect to a State, the meaning given that term under section 1905(b). Any cost-sharing imposed under this title may not be included in determining Federal medical assistance percentage for reimbursement of expenditures under a State program funded under this title.

''(5) FEHBP-EQUIVALENT CHILDREN'S HEALTH INSURANCE COVERAGE.—The term 'FEHBP-equivalent children's health insurance coverage' means, with respect to a State, any plan or arrangement that provides, or pays the cost of, health benefits that the Secretary has certified are equivalent to or better than the items and services

covered for a child under one of the 5 plans under chapter 89 of title 5, United States Code, serving the largest number of enrolled families with children in a State, and that otherwise satisfies State insurance standards and requirements.

''(6) INDIANS.—The term 'Indians' has the meaning given that term in section 4(c) of the Indian Health Care Improvement Act (25 U.S.C. 1601 et seq.).

''(7) LOW-INCOME CHILD.—The term 'low-income child' means a child in a family whose income is below 200 percent of the poverty line for a family of the size involved.

''(8) POVERTY LINE.—The term 'poverty line' has the meaning given that term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), including any revision required by such section.

''(9) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

''(10) STATE.—The term 'State' means each of the 50 States, the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands.

''(11) STATE CHILDREN'S HEALTH EXPENDITURES.—The term 'State children's health expenditures' means the State share of expenditures by the State for providing children with health care items and services under—

''(A) the State plan for medical assistance under title XIX;

''(B) the maternal and child health services block grant program under title V;

''(C) the preventive health services block grant program under part A of title XIX of the Public Health Services Act (42 U.S.C. 300w et seq.);

''(D) State-funded programs that are designed to provide health care items and services to children;

''(E) school-based health services programs;

''(F) State programs that provide uncompensated or indigent health care;

''(G) county-indigent care programs for which the State requires a matching share by a county government or for which there are intergovernmental transfers from a county to State government; and

''(H) any other program under which the Secretary determines the State incurs uncompensated expenditures for providing children with health care items and services.

''(12) STATE MEDICAID PROGRAM.—The term 'State medicaid program' means the program of medical assistance provided under title XIX.

''SEC. 2103. APPROPRIATION.

''(a) APPROPRIATION.—

''(1) IN GENERAL.—Subject to subsection (b), out of any money in the Treasury of the United States not otherwise appropriated, there is appropriated for the purpose of carrying out this title—

''(A) for fiscal year 1998, $2,500,000,000;

''(B) for each of fiscal years 1999 and 2000, $3,200,000,000;

''(C) for fiscal year 2001, $3,600,000,000;

''(D) for fiscal year 2002, $3,500,000,000;

''(E) for each of fiscal years 2003 through 2007, $4,580,000,000.

''(2) AVAILABILITY.—Funds appropriated under this section shall remain available without fiscal year limitation, as provided under section 2105(b)(4).

''(b) REDUCTION FOR INCREASED MEDICAID EXPENDITURES.—With respect to each of the fiscal years described in subsection (a)(1), the amount appropriated under subsection (a)(1) for each such fiscal year shall be reduced by an amount equal to the amount of the total Federal outlays under the medicaid program under title XIX resulting from—

''(1) the amendment made by section 5732 of the Balanced Budget Act of 1997 (regarding the State option to provide 12-month continuous eligibility for children);

''(2) increased enrollment under State plans approved under such program as a result of outreach activities under section 2106(a); and

''(3) the requirement under section 2102(3)A) to provide eligibility for medical assistance under the State plan under title XIX for all children under 19 years of age who have families with income that is at or below the poverty line.

''(c) STATE ENTITLEMENT.—This title constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided in accordance with the provisions of this title.

''(d) EFFECTIVE DATE.—No State is eligible for payments under section 2105 for any calendar quarter beginning before October 1, 1997.

''SEC. 2104. PROGRAM OUTLINE.

''(a) GENERAL DESCRIPTION.—A State shall submit to the Secretary for approval a program outline, consistent with the requirements of this title, that—

''(1) identifies, on or after the date of enactment of the Balanced Budget Act of 1997, which of the 2 options described in section 2101 the State intends to use to provide low-income children in the State with health insurance coverage;

''(2) describes the manner in which such coverage shall be provided; and

''(3) provides such other information as the Secretary may require.

''(b) OTHER REQUIREMENTS.—The program outline submitted under this section shall include the following:

''(1) ELIGIBILITY STANDARDS AND METHODOLOGIES.—A summary of the standards and methodologies used to determine the eligibility of low-income children for health insurance coverage under a State program funded under this title.

''(2) ELIGIBILITY SCREENING; COORDINATION WITH OTHER HEALTH COVERAGE.—A description of the procedures to be used to ensure—

''(A) through both intake and followup screening, that only low-income children are furnished health insurance coverage through funds provided under this title; and

''(B) that any health insurance coverage provided for children through funds under this title does not reduce the number of children who are provided such coverage through any other publicly or privately funded health plan.

''(3) INDIANS.—A description of how the State will ensure that Indians are served through a State program funded under this title.

''(c) DEADLINE FOR SUBMISSION.—A State program outline shall be submitted to the Secretary by not later than March 31 of any fiscal year (October 1, 1997, in the case of fiscal year 1998).

''SEC. 2105. DISTRIBUTION OF FUNDS.

''(a) ESTABLISHMENT OF FUNDING POOLS.—

''(1) IN GENERAL.—From the amount appropriated under section 2103(a)(1) for each fiscal year, determined after the reduction required under section 2103(b), the Secretary shall, for purposes of fiscal year 1998, reserve 85 percent of such amount for distribution to eligible States through the basic allotment pool under subsection (b) and 15 percent of such amount for distribution through the new coverage incentive pool under subsection (c)(2)(B)(ii).

''(2) ANNUAL ADJUSTMENT OF RESERVE PERCENTAGES.—The Secretary shall annually adjust the amount of the percentages described in paragraph (1) in order to provide sufficient basic allotments and sufficient new coverage incentives to achieve the purpose of this title.

''(b) DISTRIBUTION OF FUNDS UNDER THE BASIC ALLOTMENT POOL.—

''(1) STATES.—

''(A) IN GENERAL.—From the total amount reserved under subsection (a) for a fiscal year for distribution through the basic allotment pool, the Secretary shall first set aside 0.25 percent for distribution under paragraph (2) and shall allot from the amount remaining to each eligible State not described in such paragraph the State's allotment percentage for such fiscal year.

''(B) STATE'S ALLOTMENT PERCENTAGE.—

''(i) IN GENERAL.—For purposes of subparagraph (A), the allotment percentage for a fiscal year for each State is the percentage equal to the ratio of the number of low-income children in the base period in the State to the total number of low-income children in the base period in all States not described in paragraph (2).

''(ii) NUMBER OF LOW-INCOME CHILDREN IN THE BASE PERIOD.—In clause (i), the number of low-income children in the base period for a fiscal year in a State is equal to the average of the number of low-income children in the State for the period beginning on October 1, 1992, and ending on September 30, 1995, as reported in the March 1994, March 1995, and March 1996 supplements to the Current Population Survey of the Bureau of the Census.

''(2) OTHER STATES.—

''(A) IN GENERAL.—From the amount set aside under paragraph (1)(A) for each fiscal year, the Secretary shall make allotments for such fiscal year in accordance with the percentages specified in subparagraph (B) to Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands, if such States are eligible States for such fiscal year.

''(B) PERCENTAGES SPECIFIED.—The percentages specified in this subparagraph are in the case of—

''(i) Puerto Rico, 91.6 percent;

''(ii) Guam, 3.5 percent;

''(iii) the Virgin Islands, 2.6 percent;

''(iv) American Samoa, 1.2 percent; and

''(v) the Northern Mariana Islands, 1.1 percent.

''(3) THREE-YEAR AVAILABILITY OF AMOUNTS ALLOTTED.—Amounts allotted to a State pursuant to this subsection for a fiscal year shall remain available for expenditure by the State through the end of the second succeeding fiscal year.

''(4) PROCEDURE FOR DISTRIBUTION OF UNUSED FUNDS.—The Secretary shall determine an appropriate procedure for distribution of funds to eligible States that remain unused under this subsection after the expiration of the availability of funds required under paragraph (3). Such procedure shall be developed and administered in a manner that is consistent with the purpose of this title.

''(c) PAYMENTS.—

''(1) IN GENERAL.—The Secretary shall—

''(A) before October 1 of any fiscal year, pay an eligible State an amount equal to 1 percent of the amount allotted to the State under subsection (b) for conducting the outreach activities required under section 2106(a); and

''(B) make quarterly fiscal year payments to an eligible State from the amount remaining of such allotment for such fiscal year in an amount equal to the Federal medical assistance percentage for the State (as defined under section 2102(4) and determined without regard to the amount of Federal funds received by the State under title XIX before the date of enactment of this title) of

the Federal and State incurred cost of providing health insurance coverage for a low-income child in the State plus the applicable bonus amount.

''(2) APPLICABLE BONUS.—

''(A) IN GENERAL.—For purposes of paragraph (1), the applicable bonus amount is—

''(i) 5 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the base-year covered low-income child population (measured in full year equivalency) (including such children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title, but excluding any low-income child described in section 2102(3)(A) that a State must cover in order to be considered an eligible State under this title); and

''(ii) 10 percent of the Federal and State incurred cost, with respect to a period, of providing health insurance coverage for children covered at State option among the number (as so measured) of low-income children that are in excess of such population.

''(B) SOURCE OF BONUSES.—

''(i) BASE-YEAR COVERED LOW-INCOME CHILD POPULATION.—A bonus described in subparagraph (A)(i) shall be paid out of an eligible State's allotment for a fiscal year.

''(ii) FOR OTHER LOW-INCOME CHILD POPULATIONS.—A bonus described in subparagraph (A)(ii) shall be paid out of the new coverage incentive pool reserved under subsection (a)(1).

''(3) DEFINITION OF COST OF PROVIDING HEALTH INSURANCE COVERAGE.—For purposes of this subsection the cost of providing health insurance coverage for a low-income child in the State means—

''(A) in the case of an eligible State that opts to use funds provided under this title through the medicaid program, the cost of providing such child with medical assistance under the State plan under title XIX; and

''(B) in the case of an eligible State that opts to use funds provided under this title under section 2107, the cost of providing such child with health insurance coverage under such section.

''(4) LIMITATION ON TOTAL PAYMENTS.—With respect to a fiscal year, the total amount paid to an eligible State under this title (including any bonus payments) shall not exceed 85 percent of the total cost of a State program conducted under this title for such fiscal year.

''(5) MAINTENANCE OF EFFORT.—

''(A) DEEMED COMPLIANCE.—A State shall be deemed to be in compliance with this provision if—

''(i) it does not adopt income and resource standards and methodologies that are more restrictive than those applied as of June 1, 1997, for purposes of determining a child's eligibility for medical assistance under the State plan under title XIX; and

''(ii) in the case of fiscal year 1998 and each fiscal year thereafter, the State children's health expenditures defined in section 2102(11) are not less than the amount of such expenditures for fiscal year 1996.

''(B) FAILURE TO MAINTAIN MEDICAID STANDARDS AND METHODOLOGIES.—A State that fails to meet the conditions described in subparagraph (A) shall not receive—

''(i) funds under this title for any child that would be determined eligible for medical assistance under the State plan under title XIX using the income and resource standards and methodologies applied under such plan as of June 1, 1997; and

''(ii) any bonus amounts described in paragraph (2)(A)(ii).

''(C) FAILURE TO MAINTAIN SPENDING ON CHILD HEALTH PROGRAMS.—A State that fails to meet the condition described in subparagraph (A)(ii) shall not receive funding under this title.

''(6) ADVANCE PAYMENT; RETROSPECTIVE ADJUSTMENT.—The Secretary may make payments under this subsection for each quarter on the basis of advance estimates of expenditures submitted by the State and such other investigation as the Secretary may find necessary, and shall reduce or increase the payments as necessary to adjust for any overpayment or underpayment for prior quarters.

''SEC. 2106. USE OF FUNDS.

''(a) SET-ASIDE FOR OUTREACH ACTIVITIES.—

''(1) IN GENERAL.—From the amount allotted to a State under section 2105(b) for a fiscal year, each State shall conduct outreach activities described in paragraph (2).

''(2) OUTREACH ACTIVITIES DESCRIBED.—The outreach activities described in this paragraph include activities to—

''(A) identify and enroll children who are eligible for medical assistance under the State plan under title XIX; and

''(B) conduct public awareness campaigns to encourage employers to provide health insurance coverage for children.

''(b) STATE OPTIONS FOR REMAINDER.—A State may use the amount remaining of the allotment to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), in accordance with section 2107 or the State medicaid program (but not both). Nothing in the preceding sentence shall be construed as limiting a State's eligibility for receiving the 5 percent bonus described in section 2105(c)(2)(A)(i) for children covered by the State through expanded eligibility under the medicaid program under title XIX before the date of enactment of this title.

''(c) PROHIBITION ON USE OF FUNDS.—No funds provided under this title may be used to provide health insurance coverage for—

''(1) families of State public employees; or

''(2) children who are committed to a penal institution.

''(d) USE LIMITED TO STATE PROGRAM EXPENDITURES.—Funds provided to an eligible State under this title shall only be used to carry out the purpose of this title (as described in section 2101), and any health insurance coverage provided with such funds may include coverage of abortion only if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest.

''(e) ADMINISTRATIVE EXPENDITURES.—

''(1) IN GENERAL.—Not more than the applicable percentage of the amount allotted to a State under section 2105(b) for a fiscal year, determined after the payment required under section 2105(c)(1)(A), shall be used for administrative expenditures for the program funded under this title.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage with respect to a fiscal year is—

''(A) for the first 2 years of a State program funded under this title, 10 percent;

''(B) for the third year of a State program funded under this title, 7.5 percent; and

''(C) for the fourth year of a State program funded under this title and each year thereafter, 5 percent.

''(f) NONAPPLICATION OF FIVE-YEAR LIMITED ELIGIBILITY FOR MEANS-TESTED PUBLIC BENEFITS.—The provisions of section 403 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613) shall not apply with respect to a State program funded under this title.

''(g) AUDITS.—The provisions of section 506(b) shall apply to funds expended under this title to the same extent as they apply to title V.

''(h) REQUIREMENT TO FOLLOW STATE PROGRAM OUTLINE.—The State shall conduct the program in accordance with the program outline approved by the Secretary under section 2104.

''SEC. 2107. STATE OPTION FOR THE PURCHASE OR PROVISION OF CHILDREN'S HEALTH INSURANCE.

''(a) STATE OPTION.—

''(1) IN GENERAL.—An eligible State that opts to use funds provided under this title under this section shall use such funds to provide FEHBP-equivalent children's health insurance coverage for low-income children who reside in the State.

''(2) PRIORITY FOR LOW-INCOME CHILDREN.—A State that uses funds provided under this title under this section shall not cover low-income children with higher family income without covering such children with a lower family income.

''(3) DETERMINATION OF ELIGIBILITY AND FORM OF ASSISTANCE.—An eligible State may establish any additional eligibility criteria for the provision of health insurance coverage for a low-income child through funds provided under this title, so long as such criteria and assistance are consistent with the purpose and provisions of this title.

''(4) AFFORDABILITY.—An eligible State may impose any family premium obligations or cost-sharing requirements otherwise permitted under this title on low-income children with family incomes that exceed 150 percent of the poverty line. In the case of a low-income child whose family income is at or below 150 percent of the poverty line, limits on beneficiary costs generally applicable under title XIX apply to coverage provided such children under this section.

''(5) COVERAGE OF CERTAIN BENEFITS.—Any eligible State that opts to use funds provided under this title under this section for the coverage described in paragraph (1) is encouraged to include as part of such coverage, coverage for items and services needed for vision, hearing, and dental health.

''(b) NONENTITLEMENT.—Nothing in this section shall be construed as providing an entitlement for an individual or person to any health insurance coverage, assistance, or service provided through a State program funded under this title. If, with respect to a fiscal year, an eligible State determines that the funds provided under this title are not sufficient to provide health insurance coverage for all the low-income children that the State proposes to cover in the State program outline submitted under section 2104 for such fiscal year, the State may adjust the applicable eligibility criteria for such children appropriately or adjust the State program in another manner specified by the Secretary, so long as any such adjustments are consistent with the purpose of this title.

''SEC. 2108. PROGRAM INTEGRITY.

''The following provisions of the Social Security Act shall apply to eligible States under this title in the same manner as such provisions apply to a State under title XIX:

''(1) Section 1116 (relating to administrative and judicial review).

''(2) Section 1124 (relating to disclosure of ownership and related information).

''(3) Section 1126 (relating to disclosure of information about certain convicted individuals).

''(4) Section 1128 (relating to exclusion from individuals and entities from participation in State health care plans).

''(5) Section 1128A (relating to civil monetary penalties).

''(6) Section 1128B (relating to criminal penalties).

''(7) Section 1132 (relating to periods within which claims must be filed).

''(8) Section 1902(a)(4)(C) (relating to conflict of interest standards).

''(9) Section 1903(i) (relating to limitations on payment).

''(10) Section 1903(m)(5) (as in effect on the day before the date of enactment of the Balanced Budget Act of 1997).

''(11) Section 1903(w) (relating to limitations on provider taxes and donations).

''(12) Section 1905(a)(B) (relating to the exclusion of care or services for any individual who has not attained 65 years of age and who is a patient in an institution for mental diseases from the definition of medical assistance).

''(13) Section 1921 (relating to state licensure authorities).

''(14) Sections 1902(a)(25), 1912(a)(1)(A), and 1903(o) (insofar as such sections relate to third party liability).

''(15) Sections 1948 and 1949 (as added by section 5701(a)(2) of the Balanced Budget Act of 1997).

''SEC. 2109. ANNUAL REPORTS.

''(a) ANNUAL STATE ASSESSMENT OF PROGRESS.—An eligible State shall—

''(1) assess the operation of the State program funded under this title in each fiscal year, including the progress made in providing health insurance coverage for low-income children; and

''(2) report to the Secretary, by January 1 following the end of the fiscal year, on the result of the assessment.

''(b) REPORT OF THE SECRETARY.—The Secretary shall submit to the appropriate committees of Congress an annual report and evaluation of the State programs funded under this title based on the State assessments and reports submitted under subsection (a). Such report shall include any conclusions and recommendations that the Secretary considers appropriate.''.

(b) CONFORMING AMENDMENT.—Section 1128(h) (42 U.S.C. 1320a–7(h)) is amended by—

(1) in paragraph (2), by striking ''or'' at the end;

(2) in paragraph (3), by striking the period and inserting '', or''; and

(3) by adding at the end the following:

''(4) a program funded under title XXI.''.

(c) EFFECTIVE DATE.—The amendments made by this section apply on and after October 5, 1997.

NOTICE OF HEARING

COMMITTEE ON INDIAN AFFAIRS

Mr. CAMPBELL. Mr. President, I would like to announce that the Senate Committee on Indian Affairs will meet on Wednesday, June 25, 1997 at 9:30 a.m. to conduct an oversight hearing on the Administration's proposal to restructure Indian gaming fee assessments. The hearing will be held in room 562 of the Dirksen Senate Office Building.

Those wishing additional information should contact the Committee on Indian Affairs at 224–2251.

AUTHORITY FOR COMMITTEES TO MEET

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

Mr. DOMENICI. Mr. President, I ask unanimous consent that the Committee on Commerce, Science, and Transportation be authorized to meet on Tuesday, June 24, 1997, at 10:30 a.m. on the nomination of Jane Garvey to be Federal Aviation Administration Administrator.

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

COMMITTEE ON GOVERNMENT AFFAIRS

Mr. DOMENICI. Mr. President, I ask Unanimous Consent on behalf of the Governmental Affairs Committee to meet on Tuesday, June 24, at 10 a.m. to hold a joint hearing with the Senate Appropriations Committee on the subject of Government Performance and Results Act.

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

COMMITTEE ON THE JUDICIARY

Mr. DOMENICI. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to meet during the session of the Senate on Tuesday, June 24, 1997, at 10 a.m. to hold a hearing on: ''Punitive Damages in Financial Injury Cases—The Raid Report.''

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

COMMITTEE ON THE JUDICIARY

Mr. DOMENICI. Mr. President, I ask unanimous consent that the Committee on the Judiciary be authorized to hold an executive business meeting during the session of the Senate on Tuesday, June 24, 1997, following the first vote, at a location yet to be determined.

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

SUBCOMMITTEE ON SECURITIES

Mr. DOMENICI. Mr. President, I ask unanimous consent that the Subcommittee on Securities of the Committee on Banking, Housing, and Urban Affairs be authorized to meet during the session of the Senate on Wednesday, June 25, 1997, to conduct an oversight hearing on social security investment in the securities markets.

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

ADDITIONAL STATEMENTS

CONCERNS WITH THE SELECTION OF THE RAINBOW POOL SITE

● Mr. KERREY. Mr. President, I submit for the RECORD a letter from Richard Longstreth, first vice president for the Society of Architectural Historians and professor of american civilization at George Washington University to the chairman of the Commission on Fine Arts, J. Carter Brown, regarding the site selection for the proposed memorial to World War II.

Professor Longstreth, editor of ''The Mall in Washington, 1791–1991,'' is deeply concerned, as am I, by the selection of the Rainbow Pool site as the location for a proposed memorial to World War II.

I deeply support honoring those who served our Nation during the most pivotal event of the 20th century, as does the professor. I would even argue, Mr. President, that a memorial is not enough. That a museum is necessary to tell the complete story to future generations of our victory over the Axis Powers and our defeat of Nazi Germany. This a story that must be told and retold.

But I am deeply opposed to the selection of this expansive, reflective space at the key axis of the National Mall, lying between the Lincoln Memorial and Washington Monument as the site of a memorial.

The idea of constructing a 50-foot-high, 7.4-acre memorial on this site—smack in the middle of the National Mall—is quite troubling. Any structure of such size and magnitude would forever alter the openness and grandeur that is America's front lawn.

Professor Longstreth states in his letter: ''The whole meaning of one of the greatest civic spaces that exists anywhere in the world today will be irreparably cheapened by any proposed scheme for a major memorial on this site.''

I could not agree more.

Just as disconcerting is the idea that a World War II memorial constructed on this site will have to be closed on the Fourth of July weekend, as ruled by the National Parks Service, for safety reasons related to the fireworks display.

This does not make sense.

As the Commission on Fine Arts, National Capital Planning Commission, and the Secretary of the Interior continue their deliberative process concerning this proposed memorial, you will hear more from me in the coming months, Mr. President. Especially, as my office continues to monitor the process of the environmental and urban impact studies yet to be conducted on this site.

That is right, Mr. President this site was selected without any studies conducted on the impact on The Mall or the city. Currently, the Council on Environmental Quality is reviewing my request for information on the urban and environmental impact on this site. I will keep the Senate informed as to how this process progresses.

The letter follows:

SOCIETY OF ARCHITECTURAL HISTORIANS,
Chicago, IL, June 9, 1997.

J. CARTER BROWN,
Chairman, Commission of Fine Arts, Pension Building, Washington, DC.

DEAR MR. BROWN: As a scholar of the built environment, an officer of the Society of Architectural Historians, and editor of The Mall in Washington, 1791–1991, I am writing to express my very strong personal opposition to current plans for the World War II memorial. My objection lies not with the design. In the abstract I consider the design to possess the sophistication and dignity called for in a work of this nature. I also admire the members of the design team, one of whom I count as an old friend. Rather it is the site that is inappropriate, so much so that I believe this ranks among the very worst proposals ever made for the monumental core. Nothing—from John Russell Pope to Maya Lin—would be suitable at the proposed location.

The basic arguments against the site have been made, often eloquently, by others in recent months. From the practical standpoint, the location on a major artery—one that cannot, and should not be closed if the Mail is to remain a part of this city—will prove a logistical nightmare that could never be solved adequately, no matter how many egregious encroachments were made to what is now grass and pedestrianways.

As a matter of design, the memorial would introduce a major focal point at a location never intended to have one and would constitute a serious deviation from the McMillan Plan—indeed, a grotesque deviation, the likes of which we have heretofore never seen come to fruition. The extent of space between the Washington Monument and the Lincoln Memorial, as well as the distinctness of its two parts, separated by Seventeenth Street, represents more than an apt representation of the vastness and complexity of American space; it is an essential open ground for those two symbols of America's greatest leaders and of American greatness. Any substantial intervention, especially one on the scale of the proposed memorial, would hideously violate that order, detracting from both the established landmarks and also from itself. The Mall is not a commercial pleasure ground—despite some attempts to make it one. The whole meaning of one of the greatest civic spaces that exists anywhere in the world today will be irreparably cheapened by any proposed scheme for a major memorial on this site.

Perhaps most significantly of all is the terrible symbolic message conveyed by siting a memorial to any war on the Mall's primary axis. It may be argued, of course, that World War II had transcendent importance for the nation and its position internationally, but no war should be accorded so pivotal a place in the national capital. Is this not more a siting characteristic to dictatorships—Napoleon's Paris; Hitler's Berlin? Any number of messages can be read into this locational strategy, the great majority of them distasteful for a democracy.

I would like to end on a personal note, for while I was born after World War II, it was very much a part of my youth. My father served with distinction as executive officer, then as commanding officer, of two Naval repair bases in the South Pacific. Early on I learned from him and from others how important that conflict was and how profoundly it had reshaped the world. It sickens me to think of an event of this order of magnitude degraded by what appears to be a press for expeditious resolution. The site of the memorial should not spark the kind of amazement and anger it is doing from reasonable, well-informed, and intelligent people all over the country. The legacy deserves better. Cannot the imagination and resourcefulness be found to place this memorial in a really magnificent site, fully appropriate to its place in American history?

Sincerely,

RICHARD LONGSTRETH,
Professor of American Civilization, George Washington University, First Vice President.●

50TH WEDDING ANNIVERSARY OF JOHN AND CARMELLA GANDOLFO

● Mr. D'AMATO. Mr. President, I rise today to congratulate John Giovanni and Carmella Seminerio Gandolfo of Lynbrook, NY. After 50 years of love, hard work and spirit, the two are about to renew their marriage vows and celebrate their 50th wedding anniversary. As I remark on this union, created in Aragona, Sicily, half a century ago, I must comment that their unconditional love for each other is equal to the one they share for their community.

John and Carmella reside in Lynbrook where John is now retired from the construction industry and Carmella is a dedicated homemaker. Mr. and Mrs. Gandolfo have been blessed with three children, and five grandchildren. Family and friends see the couple as a tower of strength, support, understanding, and limitless love. They have passed these same attributes on to their loved ones, creating a model family that is admired by their community. Their marriage serves as a milestone to be duplicated by others.

This record does not do justice to commemorate the longevity of such an event of triumph, tenacity, and joy. John and Carmella's marriage embodies what all citizens should try to achieve, and captures the true meaning of love and citizenship. Once again, I would like to congratulate John and Carmella on their joyous day. I hope these renewed vows will add another 50 years of fortune to their lives.●

BETTY SHABAZZ

● Mr. MOYNIHAN. Mr. President, tragedy has beset the family of Malcolm X and Betty Shabazz with such abundance that I doubt few of us can comprehend their grief.

Yesterday, Betty Shabazz the proud educator and activist wife of the late Malcolm X, died of complications that ensued after she suffered burns over 80 percent of her body in a fire at her Yonkers apartment on the first day of this month. Dr. Shabazz had battled her way through five extensive operations since the fire, but the injuries proved too extensive for her to overcome this final tribulation. Having witnessed the assassination of her husband, defended one of her children against charges of an alleged murder plot, and sought to ease the troubles of her grandchildren, Dr. Shabazz rose above it all to defy critics and symbolize an ability to overcome all means of adversity.

In trying to reconcile this tragedy, I recall the words of Oscar Wilde who wrote: ''It often happens that the real tragedies of life occur in such an inartistic manner that they hurt us by their crude violence, their absolute incoherence, their absurd want of meaning, their entire lack of style.'' My deepest sympathy goes out to this family that has too often been forced to grapple with the ''absolute incoherence of tragedy.''●

TRIBUTE TO ANI DANIELIAN, PHILLIPS EXETER ACADEMY STUDENT AND RECIPIENT OF THE 1997 JAPAN-UNITED STATES SENATE YOUTH EXCHANGE SCHOLARSHIP

● Mr. SMITH of New Hampshire. Mr. President, I rise today to congratulate Ani Danielian, a student at Phillips Exeter Academy, on being the recipient of the 1997 Japan-United States Senate Youth Exchange scholarship. This is certainly an accomplishment of which she should be very proud and I salute her for her achievement.

Ani was chosen to represent the Granite State during a summer exchange program in Japan. She will spend 6 weeks living with a host family and meeting with Government officials. Before traveling to Japan, Ani will attend an orientation program in San Francisco, CA.

The scholarship is administered by Youth For Understanding [YFU] International Exchange. One high school junior from each State received a scholarship this year from YFU. Competition for this scholarship was intense, as evidenced by the almost 700 applicants for the 50 available scholarships. Ani was selected through a rigorous screening process which involved numerous volunteers of YFU.

Ani is involved in several organizations at Phillips Exeter Academy, including the Concert Choir and the Japanese-American Society. Following graduation, the 16-year-old plans on attending a liberal arts college and possibly majoring in International Relations or East Asian Studies.

I congratulate Ani Danielian on her outstanding accomplishments. I commend her hard work and perseverance and wish her luck in her exploration of the Japanese culture.●

TRIBUTE TO THE OUTSTANDING DISASTER ASSISTANCE PROVIDED BY CAVALIER AIR STATION

● Mr. CONRAD. Mr. President, I rise today to pay tribute to the exhaustive and exemplary disaster assistance efforts of those at Cavalier Air Station, near Cavalier, ND.

As my colleagues are aware, my State has suffered the worst winter and spring of its history. A record eight blizzards dropped over 100 inches of snow on North Dakota, and brought with them sub-zero temperatures well into the month of April. The worst and final blizzard—Hannah—coated the State in ice, knocked out power for much of the State, and made the snowmelt that followed much worse. The flood that followed was a 500-year flood, driving thousands from their homes and farms all along the Red River. Livestock losses were in the hundreds of thousands, economic losses in the billions, and the disruption to the lives of those affected were incalculable.

In the face of this, everyone in North Dakota pulled together, including the able men and women of our Armed Forces stationed in my State. The outstanding snow removal efforts of the National Guard and Air Force personnel from the Minot and Grand Forks bases were well documented, and brought the Secretary of the Air Force, Dr. Sheila E. Widnall, to North Dakota in February to say a personal ''thank you.'' The accommodation of thousands of flood refugees at Grand Forks AFB—which helped preserve a sense of hope and community for Grand Forks—also made for unforgettable images on

CNN and front pages of newspapers across the Nation. This exemplary assistance will be long remembered, but it is also important that the exceptional contributions of the men and women of another Air Force installation in North Dakota are not forgotten.

Mr. President, that facility is Cavalier Air Station. For those of my colleagues who are not familiar with Cavalier, this phased array radar base was constructed during the 1970's as part of the Safeguard ABM system. The motto of Cavalier's unit—the 10th Space Warning Squadron—is ''instant to watchful instant.'' For 20 years this has meant providing early warning of nuclear attack for the Pentagon and tracking millions of bits of deadly space junk in Earth orbit for NASA, but this year this motto had new meaning.

As the commander of the installation, Lt. Col. Donald T. Kidd, described to me, this spring this unit of 33 people—28 active duty Air Force and 5 civilians employed by the Department of Defense—contributed over 900 hours of around-the-clock labor to monitoring and fighting the rising flood waters in the northern Red River Valley. They filled and stockpiled sandbags, deployed them around threatened homes, evacuated threatened city offices in Pembina, and watched the leves for leaks. They carried sandbags hundreds of yards in Drayton when there were not enough hands to simply pass them down a line, and built a dike around the entire town of Neche. At the station itself, they provided safe refuge for families forced to flee their homes and farms, giving shelter to over 100 people during the worst of the flooding. Many of the 70 civilian employees who work at the station under contract with the ITT Corp. also were there when their communities needed them, making important contributions to disaster relief.

And all the while, Mr. President, the men and women of Cavalier Air Station continued their critical mission, on top of preparing for the year's most important inspection. I am pleased to inform my colleagues that the 10th Space Warning Squadron passed this inspection with flying colors, taking home some of the highest marks in the U.S. Space Command.

Colonel Kidd wanted the efforts of everyone in the 10th Space Warning Squadron recognized, writing in a letter to me that ''I can't begin to tell how proud I am of each and every one of them.'' On behalf of the U.S. Senate and all in North Dakota who benefited from their tireless labor, allow me to extend my most sincere thanks to everyone at Cavalier Air Station.

I and countless North Dakotans are thankful for your efforts, and glad that you were there. Every one of you went beyond the call of duty, proving yet again that Cavalier Air Station is part of ''Team North Dakota.'' Again, sincere thanks. You have made a State grateful, and your Nation proud.●

BUDGET SCOREKEEPING REPORT

● Mr DOMENICI. Mr. President, I hereby submit to the Senate the budget scorekeeping report prepared by the Congressional Budget Office under section 308(b) and in aid of section 311 of the Congressional Budget Act of 1974, as amended. This report meets the requirements for Senate scorekeeping of section 5 of Senate Concurrent Resolution 32, the first concurrent resolution on the budget for 1986.

This report shows the effects of congressional action on the budget through June 20, 1997. The estimates of budget authority, outlays, and revenues, which are consistent with the technical and economic assumptions of the 1997 concurrent resolution on the budget (H. Con. Res. 178), show that current level spending is above the budget resolution by $9.5 billion in budget authority and by $12.9 billion in outlays. Current level is $20.5 billion above the revenue floor in 1997 and $101.9 billion above the revenue floor over the 5 years 1997–2001. The current estimate of the deficit for purposes of calculating the maximum deficit amount is $219.9 billion, $7.4 billion below the maximum deficit amount for 1997 of $227.3 billion.

Since my last report, dated May 20, 1997, the Congress has cleared, and the President has signed, the 1997 Emergency Supplemental Appropriations Act (P.L. 105–18). This action changed the current level of budget authority and outlays.

The report follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 23, 1997.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: The attached report for fiscal year 1997 shows the effects of Congressional action on the 1997 budget and is current through June 20, 1997. The estimates of budget authority, outlays, and revenues are consistent with the technical and economic assumptions of the 1997 Concurrent resolution on the Budget (H. Con. Res. 178). The report is submitted under Section 308(b) and in aid of Section 311 of the Congressional Budget Act, as amended.

Since my last report, dated May 20, 1997, the Congress has cleared, and the President has signed, the 1997 Emergency Supplemental Appropriations Act (P.L. 105–18). This action changed the current level of budget authority and outlays.

Sincerely,

JAMES L. BLUM
(For June E. O'Neill, Director).

THE CURRENT LEVEL REPORT FOR THE U.S. SENATE, FISCAL YEAR 1997, 105TH CONGRESS, 1ST SESSION AS OF CLOSE OF BUSINESS JUNE 20, 1997

[In billions of dollars]

	Budget resolution H. Con. Res. 178	Current level	Current level over/ under resolution
ON-BUDGET			
Budget Authority	1,314.9	1,324.4	9.5
Outlays	1,311.3	1,324.2	12.9
Revenues:			
1997	1,083.7	1,104.3	20.5
1997–2001	5,913.3	6,015.2	101.9
Deficit	227.3	219.9	−7.4
Debt Subject to Limit	5,432.7	5,243.9	−188.8
OFF-BUDGET			
Social Security Outlays:			
1997	310.4	310.4	0
1997–2001	2,061.3	2,061.3	0
Social Security Revenues:			
1997	385.0	384.7	−0.3
1997–2001	2,121.0	2,120.3	−0.7

Note: Current level numbers are the estimated revenue and direct spending effects of all legislation that Congress has enacted or sent to the President for his approval. In addition, full-year funding estimates under current law are included for entitlement and mandatory programs requiring annual appropriations even if the appropriations have not been made. The current level of debt subject to limit reflects the latest U.S. Treasury information on public debt transactions.

THE ON-BUDGET CURRENT LEVEL REPORT FOR THE U.S. SENATE, 105TH CONGRESS, 1ST SESSION, SENATE SUPPORTING DETAIL FOR FISCAL YEAR 1997 AS OF CLOSE OF BUSINESS JUNE 20, 1997

[In millions of dollars]

	Budget authority	Outlays	Revenues
ENACTED IN PREVIOUS SESSIONS			
Revenues			1,101,532
Permanents and other spending legislation	843,324	801,465	
Appropriation legislation	753,927	788,263	
Offsetting receipts	−271,843	−271,843	
Total previously enacted	1,325,408	1,317,885	1,101,532
ENACTED THIS SESSION			
Airport and Airway Trust Fund Reinstatement Act of 1997 (P.L. 105–2)			2,730
1997 Emergency Supplemental Appropriations Act (P.L. 105–18)	−6,497	281	
Total, enacted this session	−6,497	281	2,730
ENTITLEMENTS AND MANDATORIES			
Budget resolution baseline estimates of appropriated entitlements and other mandatory programs not yet enacted	5,491	6,015	
TOTALS			
Total Current Level	1,324,402	1,324,181	1,104,262
Total Budget Resolution	1,314,935	1,311,321	1,083,728
Amount remaining:			
Under Budget Resolution			
Over Budget Resolution	9,467	12,860	20,534
ADDENDUM			
Emergencies:			
Funding that has been designated as an emergency requirement by the President and the Congress	9,198	1,913	
Funding that has been designated as an emergency requirement only by the Congress and is not available for obligation until requested by the President	345	304	
Total emergencies	9,543	2,217	
Total current level including emergencies	1,333,945	1,326,398	1,104,262

NATIONAL LITERACY DAY

● Mr. LAUTENBERG. Mr. President, late last night, the Senate passed a resolution by a unanimous consent agreement establishing July 2d of this year and the next as National Literacy Day. As the proud author of this measure, I want to acknowledge its passage and thank the 53 Senators who joined me in cosponsoring this legislation.

Mr. President, the ability to read is something most of us often take for granted. For most of us, it is difficult to imagine not being able to read a menu, street sign, magazine, or phone

book. But for many of our citizens, these seemingly simple activities are impossible. This is so because they are illiterate. I am pleased that this resolution will be able to draw attention to the pressing issue of illiteracy. I thank my colleagues who have joined me in cosponsoring this important measure.

All of us should be more aware of the problem of illiteracy. A recent study found that over 44 million adults cannot read. An additional 35 million read below the level needed to function successfully in society. These numbers alone are alarming and warrant our special attention. But even more disturbing are the personal hardships people must face each day due to their inability to read. The embarrassment parents face when they cannot read to their children. The discouragement able workers feel when they cannot fill out a basic job application. The disappointment we all endure as the ranks of the illiterate grow annually by over 2 million adults.

Mr. President, the 18th century writer, Joseph Addison, once wrote ''Reading is to the mind what exercise is to the body.'' I couldn't agree more. Reading enriches our lives in countless ways. But there are far too many of our citizens who cannot read the instructions on a doctor's prescription bottle, let alone share the experience of reading one of Addison's great poems. This needs to change.

Mr. President, I want to take this opportunity to thank the many citizens across the country who dedicate their lives to beating back the forces of illiteracy. I want to express my gratitude to the teachers, volunteers, parents, and others who donate their time and talent to help those who cannot read. In my own State of New Jersey, I want to give special recognition to Caryl Mackin-Wagner, executive director of Focus on Literacy, Inc., for her leadership on this issue. My thanks to all involved.

Mr. President, we must focus our attention on the problem of illiteracy. All of us should make sure we do our part to ensure that citizens who need help know where services are available. We need to recognize the detrimental effects illiteracy has on our society. Most important, more of us need to enlist in the battle to close the book on illiteracy.

Mr. President, for these reasons, I am very pleased that we passed this resolution establishing July 2, 1997, and July 2, 1998, as National Literacy Day.●

DIPLOMATS OF THE STATE DEPARTMENT SOUTH ASIA BUREAU

● Mrs. FEINSTEIN. Mr. President, during the 104th Congress, I was privileged to serve as ranking minority member of the Foreign Relations Subcommittee on Near Eastern and South Asian Affairs. In that time, while visiting and monitoring events in the South Asia region—which includes India, Pakistan, Afghanistan, Nepal, Sri Lanka, and Bangladesh—I had the honor of working with a talented and dedicated group of diplomats. I wish to pay tribute to some of them today.

The South Asia Bureau is the smallest and youngest of the State Department's regional bureaus, having been created by congressional mandate in 1992. Despite its size, it has ably represented American interests in this critical part of the world. This summer, it will undergo its first major transition, as nearly all the ranking diplomats in the bureau will rotate on to other assignments. Before they do, I wanted to take an opportunity to commend them for their service.

At the top, of course, is Assistant Secretary of State for South Asian Affairs Robin L. Raphel, the first person to ever hold the position. During the past 4 years, Assistant Secretary Raphel has deftly managed the complex web of issues that encompass South Asia—from Indo-Pakistani tensions to nonproliferation, from human rights to the environment, and from counterterrorism and narcotics to the deadly conflict in Afghanistan. She has also been a trusted and valuable interlocuter with Congress, making the administration's case fairly and straightforwardly to those on all sides of every issue under her purview.

Assistant Secretary Raphel has been assisted in her efforts by an outstanding team of ambassadors in the field: Ambassador Frank Wisner in New Delhi, Ambassador Tom Simons in Islamabad, Ambassador Peter Burleigh in Sri Lanka, Ambassador David Merrill in Dhaka, and Ambassador Vogelgesang in Kathmandu. Due to a quirk of timing, with the exception of Tom Simons, all of these ambassadors either have or are expected to vacate their posts this summer.

I want to commend each of these fine diplomats: Frank Wisner, one of the most senior and well-regarded members of the entire Foreign Service, and David Merrill, both of whom have announced their retirements from Federal service: Peter Burleigh, a native of my home State of California and a first-rate linguist, who will next be furthering United States interests as Deputy Permanent Representative at the United Nations; and Sandy Vogelgesang, for whom I have a special, personal regard.

Last November, when I traveled to Nepal to view United States assistance projects, I was highly impressed by Ambassador Vogelgesang's knowledge of Nepal and her depth of caring for its people, the high degree of respect she enjoyed throughout the country, and the way these traits enabled her to be an effective advocate and promoter of U.S. interests. She is, in short, one of the finest Ambassadors I have ever had the privilege of working with. I hope and expect that our Nation will enjoy the benefit of her service in future posts in the years to come.

Mr. President, during my tenure on the Foreign Relations Committee, I have developed a high regard for the work of our talented and dedicated Foreign Service personnel. Almost without exception, I have found the people representing our Nation in embassies overseas to be infused with seriousness, patriotism, and professionalism. Sadly, they are too often underappreciated, and occasionally even criticized. As Senators, who are called upon to approve the highly competitive selection and promotion processes, and to confirm appointments to the Foreign Service's most senior levels, it behooves us to take the time to recognize some of our most accomplished diplomats.

On behalf of my colleagues, I express appreciation and admiration for a job well done to Assistant Secretary Raphel and Ambassadors Wisner, Simons, Burleigh, Merrill, and Vogelgesang. Our country owes them thanks for their able service, and we are grateful for their significant contributions to improving and expanding our relationships with the countries of South Asia.●

IMMUNIZATION OF DONATIONS MADE IN THE FORM OF CHARITABLE GIFT ANNUITIES

Mr. ROTH. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of H.R. 1902 which was received from the House.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows.

A bill (H.R. 1902) to immunize donations made in the form of charitable gift annuities and charitable remainder trusts from the antitrust laws and State laws similar to the antitrust laws.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

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

Mr. ROTH. Mr. President, I ask unanimous consent that the bill be considered read the third time and passed, the motion to reconsider be laid upon the table, and that any statements relating to the bill be placed at the appropriate place in the RECORD.

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

The bill (H.R. 1902) was passed.

ORDERS FOR WEDNESDAY, JUNE 25, 1997

Mr. ROTH. Mr. President, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until the hour of 9:20 a.m. on Wednesday, June 25. I further ask unanimous consent that on Wednesday, immediately following the prayer, the routine requests through the morning hour be granted, and Senator STEVENS be recognized for up to 10 minutes as if in morning business; that following Senator STEVENS' remarks,

the Senate then immediately resume consideration of the budget reconciliation bill and begin voting on or in relation to the pending amendments in the order in which they were offered in alternating sequence between each side of the aisle.

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

PROGRAM

Mr. ROTH. For the information of all Senators, tomorrow morning Senator STEVENS will be recognized for up to 10 minutes. Following the remarks by Senator STEVENS, the Senate will resume consideration of the reconciliation bill. At 9:30 a.m. the Senate will proceed to a series of back-to-back rollcall votes on or in relation to a number of amendments which have been offered this evening, beginning with Senator GRAMM's amendment No. 444 and ending with final passage of S. 947 as previously ordered.

Also, by consent there will be 2 minutes of debate equally divided on each amendment prior to each vote. Therefore, Members can expect a lengthy series of back-to-back rollcall votes as the Senate disposes of all the amendments in order to the budget reconciliation bill.

Following final passage of S. 947, the Senate is expected to proceed to the consideration of S. 949, the Tax Fairness Act. All Senators wishing to offer amendments to S. 949 should be prepared to offer them during Wednesday's session of the Senate. Furthermore, Members can be expected to vote on amendments offered to the Tax Fairness Act beginning Wednesday afternoon. As previously announced, the next couple of evenings will be late ones as the Senate works to complete action on the Budget Act prior to the July 4 recess.

ADJOURNMENT UNTIL 9:20 A.M. TOMORROW

Mr. ROTH. Mr. President, if there be no further business to come before the Senate, I now ask unanimous consent that the Senate stand in adjournment under the previous order.

There being no objection, the Senate, at 10:54 p.m., adjourned until Wednesday, June 25, 1997, at 9:20 a.m.

EXTENSIONS OF REMARKS

INTRODUCTION OF THE MEDICAID COMMUNITY ATTENDANT SERVICES ACT OF 1997

HON. NEWT GINGRICH

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. GINGRICH. Mr. Speaker, I want to introduce today the Medicaid Community Attendant Services Act of 1997 as part of my commitment to empowering all Americans and to the principles of community-based care. This bill allows for choices for persons with disabilities so that individuals can receive the care that is more appropriate for them. Everyone deserves the opportunity to lead a full and independent life and people with disabilities are no exception.

I believe that personal empowerment is essential to the pursuit of happiness and believe that this bill will begin a very important debate about long-term care in the Nation. During the 104th Congress, I submitted for the CONGRESSIONAL RECORD a statement in support of community-based care based upon the recommendations of a disabilities task force on disabilities which I appointed in Georgia and the work of advocates for community-based care from around the Nation.

The bill I am introducing today is the starting point for the dialog about the best way to empower persons with disabilities. I am aware that this proposal may have significant cost implications, so I encourage careful consideration and additional input to help ensure a sound policy decision.

INTRODUCTION OF LEGISLATION

HON. TOM BLILEY

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. BLILEY. Mr. Speaker, today I, along with Congressmen VIRGIL GOODE, JIM KOLBE, NATHAN DEAL, PAUL GILLMOR, and FLOYD SPENCE, am introducing a constitutional amendment that will implement a more effective method by which States could take the initiative in the process by which the Constitution is amended. This legislation already has the support of Gov. George Allen and Gov. Mike Leavitt.

At present, article V provides for two ways to amend the Constitution. The first involves the presentation of an amendment by Congress to the States for ratification. The second is by Constitutional Convention, convened at the request of the State legislatures. Even with both methods available, to date, all amendments to the Constitution have been enacted following passage by the Congress and ratification by three-fourths of the States. Some have asserted that the second method has not been as effective as intended by the Framers. Persuasive arguments have been made that a Constitutional Convention might alter the Constitution more expansively than intended by proponents of a specific proposed amendment.

The Framers did intend that the States have an effective manner by which to modify the Constitution. We are proposing a process that allows the States to initiate the amending process that is devoid of the perils of a Constitutional Convention. Under our proposal, an amendment would be presented to Congress after two-thirds of the States indicated approval via their State legislatures. If two-thirds of each House of Congress does not agree to disapprove of the proposed amendment, it would be submitted to the States for ratification. Upon ratification by three-fourths of the States' legislatures, the amendment would become part of the Constitution.

I urge your support for this commonsense legislation that returns as an option, the power to amend the Constitution to the States, as the Framers intended.

IN HONOR OF THE SPACE TECHNOLOGY HALL OF FAME INDUCTEES

HON. DENNIS J. KUCINICH

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. KUCINICH. Mr. Speaker, I rise to honor the employees of NASA Lewis Research Center in Cleveland, OH, who have been inducted into the U.S. Space Foundation Space Technology Hall of Fame. The Hall of Fame was established in 1988 to recognize and honor innovators who have transformed space technology into viable commercial products. It also raises public awareness about the benefits of space spinoff technology and encourages further innovation.

On April 3, 1997, the Space Foundation Hall of Fame paid tribute to the technologies and the many professionals who developed America's most Advanced Communications Technology Satellite [ACTS] Program. The ACTS Program was developed to promote America's satellite industry and its position in the commercial communication satellite market. Members of NASA Lewis Research Center's ACTS Program continue to impact the role America's satellite industry has as world leaders in this market.

ACTS and NASA Lewis Research Center have stimulated the growth of a new generation of services as is evident by as many as 15 new communications satellite systems proposed for operation in the Ka-band frequency spectrum. These systems will offer services for a variety of business, medical, and long-distance learning applications. Many ACTS technologies have already been incorporated and even adapted for commercial systems.

My fellow colleagues, please join me in recognizing the following Space Foundation Hall of Fame inductees from NASA Lewis Research Center who are helping to build the advanced technology bridge to the 21st century: Roberto Acosta, Robert Bauer, Ronald Bexton, Thom Coney, Richard Gedney, William Hawersaat, Doug Hoder, Howard Jackson, Michael Jarrell, Russell Jirberg, Rodney Knight, Richard Krawczyk, Keven McPherson, Mark Plecity, Joanne Poe, Karl Reader, Rich Reinhart, Ronald Schertler, Phil Sohn, Ernie Spisz, David Wright, and Michael Zernic.

TRIBUTE TO SUE BEITTEL

HON. LYNN C. WOOLSEY

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Ms. WOOLSEY. Mr. Speaker, I rise today to pay tribute to an outstanding individual on the occasion of her 70th birthday, Mrs. Sue Beittel. Mrs. Beittel has devoted tremendous time and energy working for the betterment of her community in Marin County, CA.

Over the course of more than 30 years of public service, Mrs. Beittel focused here attention on the issues critical to a successful community. She has felt passionate about working for schools, housing, transportation, the environment, and preserving the democratic process. Mrs. Beittel served two terms on the San Rafael Board of Education and was on the statewide task force on vocational education. In recognition of her work for housing, Mrs. Beittel was the recipient of the 1997 Mel Boyce Award from the Ecumenical Association for Housing in San Rafael.

Some of the many organizations she has been active with include: the Audubon Society, the Family Service Agency, the League of Women voters, the Marin Education Fund, the Mental Health Association, the North San Rafael Coalition of Residents, the San Rafael Housing Coalition, and the St. Vincent/Silveira Citizens Advisory Committee.

Mr. Speaker, it is my great pleasure to pay tribute to Sue Beittel. She embodies a truly selfless sense of volunteerism. I wish her, her husband Dan, and their family, the best.

CELEBRATING THE 25TH ANNIVERSARY OF THE NATIONAL STORYTELLING FESTIVAL

HON. WILLIAM L. JENKINS

OF TENNESSEE

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. JENKINS. Mr. Speaker, each year during the month of October, the National Storytelling Association [NSA] holds the National Storytelling Festival in Jonesborough, TN. This year marks the 25th anniversary of the festival.

Considered one of the top 100 events in North America, the festival draws an average of 10,000 visitors per year. The NSA has received 70 percent of the funds required to

build a National Storytelling Center in Jonesborough. An estimated 80,000 tourists are expected to visit northeast Tennessee per year generating revenue as well as jobs.

Mr. Speaker, I would like to take this opportunity to praise the many educational benefits of storytelling. The art of storytelling allows teachers to develop student interest in literature and history. By telling stories, students learn excellent communication skills while being given the unique opportunity to speak to a large group of people. Storytelling teaches students to be aware of the many diverse cultures in the United States. In addition, many businesses use storytelling to enhance presentations and seminars.

In order to further promote storytelling across the Nation, the National Storytelling Association hosts Tellabration on the Saturday night before Thanksgiving. Tellabration occurs in several States and NSA hopes to declare the week prior to Tellabration, National Storytelling Week. I commend the National Storytelling Association on their efforts and wish them continued success.

TRIBUTE TO DONALD G. WARD, JR.

HON. CHARLES H. TAYLOR

OF NORTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. TAYLOR of North Carolina. Mr. Speaker, I rise today to honor the life of a truly fine gentleman and friend, Donald Grady ''Jack'' Ward, a lifelong resident of Henderson County, NC, in the Eleventh Congressional District.

Jack was the son of Katherine Harris Ward of Hendersonville and the late Donald G. Ward. He served his country in the Army during World War II, and was a member of the VFW and American Legion. Jack continued his service to America very ably as a member of the Republican Presidential Task Force under Ronald Reagan and George Bush. Further, he was a member of Dana United Methodist Church.

As founder of his own business, Ward Brothers Tractor, he was a 10-time honoree of the Red Book Business Character Award. He was also a long time leader in the apple industry in Henderson County.

Henry David Thoreau once said that doing good was the only full profession. Jack believed that doing good was not only a profession but a way of life. I join Jack's family, friends, colleagues, and the citizens of Henderson County, in recognizing Jack for his leadership, community service, and service to the country.

Jack was a fine American and a loyal friend and supporter. My sympathy is extended to his lovely wife Katherine, his son Donald III, and the rest of the Ward family. It was indeed an honor to represent him in Washington, and to be an honorary pall bearer at the request of his family.

TRIBUTE TO VOLUNTEER EFFORTS AT CUESTA COLLEGE

HON. WALTER H. CAPPS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. CAPPS. Mr. Speaker, I rise today to recognize and pay tribute to the tireless efforts of the 1,000 volunteers at Cuesta College, in San Luis Obispo, CA, who have shown exemplary dedication and a profound commitment to serving the needs of its students, and members of their community. These individuals provide us all with a bright example of how the spirit of volunteerism and the vigilance of engaged citizenship can make a difference in the lives of individuals and that of their community.

We should commend Cuesta College and these volunteers not just for their work, but for their example. I am extremely proud of these individuals because they speak to the limitless possibility that exists when we give our energies and talents toward improving our communities and the opportunities they provide. They show us how taking responsibility for those things we value, such as educating people, can have a great impact on our future.

Mr. Speaker, government cannot be expected to solve all of our problems, so it has become increasingly important for individuals across our nation to take part in lending their effort to such endeavors. These 1,000 volunteers from Cuesta College have taken the lead in this pursuit and for that I commend them. I request, Mr. Speaker, that the House extend them the same honor.

IN HONOR OF GERALD A. ESPOSITO

HON. CAROLYN B. MALONEY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mrs. MALONEY of New York. Mr. Speaker, I rise today to pay a respectful tribute to Gerald A. Esposito. Tonight, community board No. 1 of Greenpoint and Williamsburg, Brooklyn, will be honoring Mr. Esposito on the 20th anniversary of his appointment as district manager.

Gerald Esposito has dedicated many years of magnanimous service to the community. His lifelong residency of Greenpoint-Williamsburg has been filled with community service work. His benevolent community work began at the Boy Scouts of America and progressed to work with VISTA. The Peace Corps, and nonprofit and local government.

Much of Mr. Esposito's time has been dedicated to improving the community. Among his many accomplishments, he has fought to protect the rights of the public by battling consumer fraud and he has served as an advocate for housing and other legal matters.

In 1977, community board No. 1 hired Mr. Esposito, making him the youngest district manager in the city of New York. Over the past 20 years, he has guided the board through many of the community's complex issues and resolved numerous problems with service delivery, budget and planning. He has proven to be excellent at negotiating, building partnerships and resolving problems.

Throughout his tenure with community board No. 1, Mr. Esposito has maintained his ties with the community by belonging to various fraternal organizations and alumni associations. He has also continued in his father's footsteps by becoming Scout Master of Troop 604 and being appointed chairman of the Boy Scouts of America Lenape Bay District.

Mr. Speaker, I ask that my colleagues rise with me in this tribute to Gerald Esposito. The Greenpoint-Williamsburg community and community board No. 1 are lucky to have such a great man and leader among them. I am thrilled to have Mr. Esposito in my district.

A TRIBUTE TO THE SOUTHAMPTON PRESS NEWSPAPER ON ITS 100TH ANNIVERSARY

HON. MICHAEL P. FORBES

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. FORBES. Mr. Speaker, I rise today to pay tribute to the Southampton Press, the venerable community newspaper of Southampton, Long Island that is celebrating its 100th anniversary this year.

Since it's first edition in 1897, the Southampton Press has exemplified the finest traditions of American community journalism, providing Southampton residents with superlative coverage of local news, the arts, agriculture, business, and editorial analysis. Devoting itself fully towards serving the communities it covers, the Southampton Press has earned the highest regard of its readers and peers because it so faithfully maintains the highest journalistic ideals.

It was one of Long Island's most prominent publishers, Walter R. Burling, who founded the Southampton Press, naming his son, George, as editor and producing the inaugural issue on May 29, 1897. A newspaper veteran, Walter Burling founded and operated both the Sea-Side Times, of Southampton, and the East Hampton Star, a well-respected paper still in publication. Through 1971, the Burling family name was associated with the Southampton Press, until it was purchased by Donald Loucheim, who today publishes the paper in conjunction with his son, Joe.

The editors and writers at the Southampton Press have built a proud tradition of excellence, as evidenced by the dozens of awards and honors from the New York Press Association. In diverse categories from best editorial to spot news, coverage of the environment, education and advertising excellence, the staff at the Southampton Press has garnered the kudos of its journalistic peers.

The Southampton Press today has a higher circulation—as verified by the Audit Bureau of Circulation—than any other weekly or daily newspaper in the region. The Southampton Press now publishes two editions, each tailored to communities on either side of the Shinnecock Canal that divides the town of Southampton in two.

In recognition of the Southampton Press' role in the heritage of the town, the Southampton Colonial Society opened a special exhibition on the newspaper's history at the Southampton Historical Museum. The exhibit captures the newspaper's unique role in Southampton's history by tying its press coverage to objects and artifacts from the museum's collection.

Mr. Speaker, I ask my colleagues in the House of Representatives to join me in saluting the Southampton Press on its 100th anniversary. In doing so, we also recognize the vital role that community newspapers serve in the civic realm, providing their readers with the news and analysis they need as citizens of America's participatory democracy. Congratulations, Southampton Press.

IN LOVING MEMORY OF BERNICE IVY

HON. BILL PASCRELL, JR.

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. PASCRELL. Mr. Speaker, I would like to call to your attention the loving memory of Bernice Ivy of Paterson, NJ.

Bernice was born in Pavo, GA on October 11, 1928 and departed this life after a long illness on Thursday morning June 12, 1997. She was third eldest of nine children born to James and Dora Thompson. In 1928 while still an infant, her family moved to Florida where Bernice was raised and educated, attending Carver High School of Delray Beach, FL.

In 1946, Bernice married James Henry Ivy, Sr. of West Palm Beach, FL and 13 children were born from their union. The couple resided in Florida a few years before moving their young family to Paterson, NJ in 1954. It was there that they first began their work in the ministry pastoring a small church—the Church of God on River Street, Paterson. With fervent spirit, the young couple became well-known in town as they ministered in meetings on the streets of Paterson, proclaiming Christ and evangelizing the lost to the Kingdom of God. Later, they joined Faith Tabernacle Church of God in Christ, renamed Gilmore Memorial Church of God in Christ, pastored by the late Bishop Clarence and Dr. Arlene Gilmore. They were faithful members for 29 years.

In 1962, Bernice's interest in hair care led her to pursue an education in cosmetology, enrolling in the Scotts Beauty School of Newark, NJ. Later, she obtained gainful employment at the North Jersey Training School for the mentally handicapped for nearly 25 years. Failing health forced here retirement in 1989.

In November of 1990, Bernice and her husband James relocated back to Delray Beach, FL, where they moved their church membership to Sutton Chapel Church of God in Christ. Bernice returned to Paterson in July 1996 for vacation, but failing health prevented her return home to Florida.

The Reverend and Mrs. Ivy had one of the biggest families in their church. It was common knowledge that their trusted station wagon usually made two trips on Sunday.

As a loving wife, wonderful mother, daughter, sister, and friend, Bernice leaves to mourn a husband of 50 years, the Rev. James H. Ivy, Sr.; three sons—Collious and Timothy Ivy of Paterson and Calvin Ivy of Boston; six daughters—Paulette Williams and Bernice La Vonda Lockhart of Florida, Vanessa Dale Wilder, Alicia Marie Ivy, Kathy Ann Kuykendall, and Denise L. Coba, all of Paterson; 33 grandchildren and 9 great-grandchildren; 3 daughters-in law—Donna Ivy, Elaine Ivy, Velda Ivy; 5 sons-in-law—the Rev. Jerry Wilder, the Rev. James Kuykendall, Bill Coba, Reggie Lockhart, and Jerome Williams; her mother—Dora Thompson; 1 aunt—Dinah Mae Hayword; 4 sisters—Pearline Famon and Juanita Tripp of Paterson, Carol Pittman of California, and Willie Mae Wilson of Florida; 1 brother—Danny Thompson of Paterson; 8 sisters-in-law—Ella, Colinthia, Agnes, Jewel, Janie, Elmora, Shirley and Dorothy; 5 brothers-in-law—Sonny, Raymond, George, Eddie and Chuck; nieces, nephews and a host of relatives and friends.

Mr. Speaker, I ask that you join me, our colleagues, Bernice's loving family and friends, and the city of Paterson in remembering the kindness of Bernice Ivy and extolling her memory.

TRIBUTE TO THE WORK OF DR. INGE GENEFKE SECRETARY GENERAL—THE INTERNATIONAL REHABILITATION COUNCIL FOR TORTURE VICTIMS

HON. BENJAMIN A. GILMAN

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. GILMAN. Mr. Speaker, it is a little understood, yet tragic fact that today one-third of the world's governments utilize torture as an instrument of political power. Torture has become an effective method to suppress political dissidence, and for those governments which lack the legitimacy of democratic institutions to justify their power, torture can provide a bulwark against popular opposition.

I recently had the opportunity to confer with Dr. Inge Genefke, a Danish physician who for more than 20 years has been a pioneer in the study of the political use of torture and the consequences that torture has upon its victims. Dr. Genefke has been an outspoken and courageous bellwether in the field of finding ways to treat victims of torture, and more important, alerting the international community as to its widespread practice so that the countries that care about human rights can take concerted action to alleviate this scourge. Dr. Genefke rightly points out that torture is the most insidious weapon used by opponents of human rights, because torture can literally blot out the human spirit and eliminate the will to resist tyranny and oppression.

Beginning her clinical work investigating ways to treat torture victims in 1973, Dr. Genefke came to the conclusion that since torture was so commonplace in nondemocratic states around the world, there needed to be international outreach in order to identify and treat victims. In 1982, in Copenhagen, Denmark, Dr. Genefke established the Research Center for Torture Victims. In 1985, the center for the victims of torture was established in Minneapolis, MN based upon the Copenhagen Center's model. In 1988 the International Rehabilitation Council for Torture Victims [IRCT] was formed to coordinate the guidance and establishment of treatment centers in the countries which required them around the world. Today there are some 144 existing centers and programs in 76 countries.

The definition of torture comes from the U.N. convention against torture and other cruel, inhuman or degrading treatment or punishment, which entered into force in 1987. In the convention torture is defined,

> Any act which serves by severe pain or suffering, whether physical or mental, is intentionally inflicted on a person for such purposes as obtaining from him or a third person information or confession, punishing him for an act he or a third person has committed or is suspected of having committed, or intimidating or coercing him or a third person, or for any reason based on discrimination of any kind, when such pain or suffering is inflicted by or at the instigation of or with the consent and acquiescence of a public official or other person acting in official capacity.

Dr. Genefke rightly points out that for political leaders of undemocratic societies, torture is useful because it aims at destruction of the personality, to rob those individuals who would actively involve themselves in opposition to oppression of the self-confidence and other characteristics that produce leadership. I quote from a recent speech by Dr. Genefke:

> Sophisticated torture methods today can destroy the personality and self-respect of human beings. . . . Many victims are threatened with having to do or say things against his ideology or religious convictions, with the purpose of attacking fundamental parts of the identity, such as self-respect and self-esteem. Torturers today are able to create conditions which effectively break down the victim's personality and identity and his ability to live a full life later with and amongst other human beings.

The work of Dr. Genefke and the IRCT is in part made possible for the U.N. Voluntary Fund or Victims of Torture. It is profoundly disturbing that in view of the essential nature of the work of the treatment centers around the world that bears upon the heart of our human rights endeavors, only slightly less than $4 million has been contributed or pledged to the Voluntary Fund in 1997. While the United States will provide $1.5 million in fiscal year 1997, and $3 million in both fiscal year 1998 and fiscal year 1999, countries like Japan, Germany, and the United Kingdom only contribute a fraction of these amounts.

I urge our Government and our U.N. representative to help publicize the excellent work the IRCT performs around the world and to assist Dr. Genefke and her courageous colleagues around the globe to continue the innovative assistance they provide to the struggle to promote human rights and the establishment of democratic governments. There is enormous work yet to be done in this field. In countries like Iraq, Iran, and China the victims of oppression demand our attention.

An important step in assisting in the work of the IRCT to receive attention would be for President Bill Clinton to visit the Copenhagen Center during his upcoming visit to Denmark next month. The publicity that would be afforded to the vital work of Dr. Genefke and the IRCT by a Presidential visit would be invaluable to helping raise international awareness of the importance of this practical support for human rights. I hope that the President will give every consideration to such a visit, which I have suggested in a recent letter to the President.

TRIBUTE TO LT. GEN. JOHN E. MILLER

HON. IKE SKELTON

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. SKELTON. Mr. Speaker, it is an honor for me to bring to the attention of the House of Representatives and the American public the distinguished record of service to our Nation by a fellow Missourian, Lt. Gen. John E. Miller. He is retired from the U.S. Army today after serving this great Nation for over 34 years.

Entering the U.S. Army in 1963 as an infantry officer, Lieutenant General Miller started his career by serving two tours in Vietnam, first as the commander of B Company, 2d Battalion (Airborne), 327th Infantry, 1st Brigade, 101st Airborne Division and then as a district senior advisor. Advisory Team 68, Delta Regional Assistance Command. During his service in Vietnam, he earned a Silver Star, a Bronze Star with the ''V'' device, an Air Medal with the ''V'' device, a Purple Heart, and the Combat Infantryman Badge.

Lieutenant General Miller has served in many diverse assignments, including commanding general, U.S. Army Combined Arms Center and Fort Leavenworth; deputy commanding general for combined arms, U.S. Army Training and Doctrine Command; and commandant, U.S. Army Command and General Staff College. Other key assignments include: commander of the 101st Airborne Division (Air Assault) and Fort Campbell; deputy commandant, U.S. Army Command and General Staff College; assistant division commander (Maneuver), 8th Infantry Division; assistant deputy chief of staff for combat developments, U.S. Army Training and Doctrine Command, Fort Monroe, VA, commander, 1st Brigade, and later chief of staff, 9th Infantry Division (Motorized), Fort Lewis, WA.

In culmination of his long and illustrious career, Lieutenant General Miller served as deputy commanding general, U.S. Army Training and Doctrine Command, Fort Monroe, VA. In this capacity, he has been the driving force as the architect of the future for the Army, developing and integrating future concepts and requirements for doctrine, training, and combat developments for Army XXI to operate with joint, combined, multinational, and interagency organizations. Lieutenant General Miller provided vision and guidance in the development of the Army After Next Program and has been instrumental in integrating Army models and simulations into a dynamic, efficient, and effective program. He has led the effort in developing investment strategies which lay the foundation for the Army to grow into the early 21st century. In addition to his combat decorations, Lieutenant General Miller has earned the Distinguished Service Medal, the Legion of Merit with two Oak Leaf Clusters, the Soldiers Medal, the Meritorious Service Medal with two Oak Leaf Clusters, the Army Commendation Medal, and the Army Achievement Medal. He has also earned the Parachutist Badge, the Air Assault Badge, and the Army Staff Identification Badge.

Mr. Speaker, there is not enough time in the day to thoroughly highlight the many contributions that this outstanding Missourian has made to our Army. He has dedicated his life to our soldiers and our Nation. He is truly a leader of leaders.

ALBANIA—DEMOCRACY AT A CROSSROADS

HON. JAMES A. TRAFICANT, JR.

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. TRAFICANT. Mr. Speaker, in March 1991, Albania held free elections for the first time in 45 years. Since then, Albania has adopted a democratic form of government, launched economic reforms, and tried to reintegrate itself into Europe. Today, however, Albanian democracy is at a crossroads.

During the cold war, the Communist Albanian Party of Labor, lead by Enver Hoxha, exercised total political control over the Albanian people and virtually cut off relations with the rest of the world. Large student demonstrations in late 1990 challenged the Communist Party's exclusive hold on power and forced the government to accept multiparty elections. Although the elections' fairness was questioned by outside observers, the Albanian Party of Labor, later renamed the Albanian Socialist Party, won two-thirds of the vote. Large-scale strikes and demonstrations ensued, forcing the Socialist Party to cede power in June 1991 to a coalition government. The coalition government comprises members of all political parties, including the Socialist Party and the Democratic Party.

The March 1992 general elections resulted in a resounding victory for the Democratic Party, which gained 62 percent of the vote. The Albanian Parliament, known as the People's Assembly, elected Sali Berisha to the presidency. The Democratic Party under President Berisha has led a strong and stable government and enacted numerous economic and human rights reforms. While Albania still remains the poorest country in Europe, its economy has grown significantly since 1989. Large, inefficient industries were abandoned and collectivized farms were swiftly dismantled. As a result, Albania's economic growth rates surpassed expectations. In 1993, Albania experienced 10-percent growth in gross domestic product [GDP], and agriculture output of 14 percent. The economy continued to grow at 8 percent in 1994, and 6 percent in 1995. Furthermore, in 1995, the Albanian parliament passed a law ''on genocide and crimes against humanity'' that facilitated the prosecution of crimes from the Communist period.

Albania's political and economic successes, however, are in jeopardy. Parliamentary elections were again held in May 1996. Amidst allegations of voter fraud, almost all opposition parties pulled out before the polls closed. The Organization for Security and Cooperation [OSCE], as well as other U.S. and international election observer organizations, noted ''serious irregularities'' during the vote, including voter fraud, ballot surfing, intimidation, and coercion. The European Parliament and the OSCE called for new elections and President Berisha agreed to a partial rerun of the election in 17 districts. The opposition demanded a full election and boycotted the partial rerun. The Democratic Party was re-elected with more than a two-thirds majority. In addition to Albania's elections problems, in later 1996, Albania's high-risk investment plans, known as pyramid schemes, collapsed. The pyramid schemes, which promised exorbitant returns on investments, attracted over $1 billion in private investment. The collapse of these schemes affected 800,000 Albanians, many of whom had invested their entire life savings. Following mass riots in January 1997, the Government seized the accounts of two investment groups, banned further pyramid schemes, and approved partial compensation for the investors.

Earlier this month, I had the honor to meet with the Speaker of the Albanian Assembly, Pjeter Arbnori, to discuss the upcoming election and the situations in Albania. Arbnori spent almost three decades in prison for his resistance to Albanian Communist dictator Enver Hoxha. Speaker Arbnori conveyed to me the urgency of the situation in Albania and the crisis facing Albanian democracy. He reassured me that the Democratic Party in Albania will honor the results of the June 29 elections. I was impressed by Speaker Arbnori's dedication to democracy and his strong commitment to the Albanian people. I believe that the United States should do all it can to ensure a democratic Albania.

As a result, I have introduced a resolution expressing congressional support for democracy in Albania. My resolution expresses the sense of the Congress that: First, the June 29 elections in Albania should be free and open and second, all political parties of Albania should honor the results of such elections. Through this resolution, the United States can show solidarity with the Albanian people during the June 29, 1997 elections.

A stable and democratic Albania is vital to the security of Europe and the United States. Should democracy falter in Albania, the world could be confronted with another Bosnia. The Albanian people need to know that America stands firmly behind their struggle to maintain and entrench democracy after years of Communist, totalitarian rule. Now, more than ever, the Congress of the United States needs to make clear its strong Commitment to a free and democratic Albania.

INTRODUCTION OF THE ALCOHOL TAX EQUALIZATION ACT OF 1997

HON. ELEANOR HOLMES NORTON

OF THE DISTRICT OF COLUMBIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Ms. NORTON. Mr. Speaker, Congress will adjourn for recess at the end of this week. By the time we return on July 10, beer and wine will have taken a toll in human life and injury, especially among teens and other young people, because these alcoholic beverages are less costly and have become a virtual part of the holiday itself. By blinking at beer and wine through the Tax Code, Congress will be actively complicit in this carnage.

That is why today I introduce the Alcohol Tax Equalization Act of 1997, a bill that would increase the taxes on beer and wine so that they are taxed according to their alcohol content at the same level as hard liquor. The bill creates a substance abuse prevention trust fund for alcohol prevention programs. The kinds of programs that work include cross-

peer mentoring by high school students about alcohol and drug abuse and traffic safety; teen courts to decide appropriate penalties for other teens who abuse alcohol; community-based prevention programs for pregnant women and highrisk populations; and 100 percent drug and alcohol-free clubs. The programs would be implemented through grants from the National Highway Traffic Safety Administration and the Substance Abuse and Mental Health Services Administration.

Ask Congress to explain why a can of beer, a 5-ounce glass of wine, and a shot of hard liquor which have the same alcohol content, are not taxed equally. The answer is plain—the beer and wine industries want it that way. Expect them to fight to preserve the enormous tax break they enjoy compared to their counterparts in the distilled liquor industry.

The Senate Finance Committee has just proposed substantially raising the taxes on cigarettes to discourage teenage smoking. The very same reasoning applies to beer and wine. Minors consume more than 1 billion beers each year. Teens are price sensitive because they have less disposable income. By taxing beer and wine substantially less than liquor, we bring the price down and encourage teens to make these the drinks of choice.

Because the Federal excise taxes on liquor are substantially higher than taxes on beer, Congress in sending the message to teens that these drinks are OK and are not as dangerous and addictive. Congress therefore bears a heavy part of the responsibility for the fact that alcohol abuse is the leading cause of death among teenagers and young adults.

Here in the District where there are so many low income and teen drinkers, taxing beer and wine fairly would be an important step in reducing alcohol-related traffic fatalities, accidents and disease. The need here is urgent. The District of Columbia death rate from alcohol is almost three times the rate in Maryland and Virginia—14.4 in the District, compared with 5.8 in Maryland, and 5.7 in Virginia (1994). I am pleased that the District is 1 of 39 States that has enacted impaired driving legislation. The bill I introduce today will take, District of Columbia and the entire country closer to the national goal of reducing alcohol-related fatalities to no more than 11,000 by 2005.

Beer is what America, and especially young, the America, drinks. In 1995, 60.3 percent of all alcohol sold was beer and 11.4 percent was wine. Only 28.4 percent was hard liquor. America is getting drunk on beer and wine. It is time for the taxes on beer and wine to reflect their alcohol content. A can of beer, a 5 ounce glass of wine, a wine cooler, and a shot of vodka are the same thing.

In America today, parents rarely give permission to teens to drink, but Congress does. It is time we withdrew that permission. This bill does just that.

RECOGNITION OF NIKOLA TESLA

HON. ROD R. BLAGOJEVICH

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. BLAGOJEVICH. Mr. Speaker, I rise today to recognize the vast accomplishments of an often neglected figure in our Nation's history. A man who strived to fulfill the American dream and in doing so aided in the synthesis of some of the most significant scientific advancements of this century. The man I wish to acknowledge is Mr. Nikola Tesla: a student, an inventor, and a hero of the American industrial revolution.

Nikola Tesla was born on the morning of July 10, 1856 in the midst of a tumultuous thunderstorm. The weather conditions surrounding his birth led some to call him the storm child while his mother preferred to assume the positive approach and affectionately referred to her son as the child of the light. Both these names proved to be reflections of Nikola's later life as an ingenious inventor. His innate love for scientific discovery became apparent at an early age and lasted throughout his lifetime.

After completing an advanced degree in the field of engineering, Tesla pursued a career as an electric engineer in the United States. He worked closely with Thomas Edison, the world renowned American inventor, to bring the wonder of electricity to the growing metropolis of New York. Allied with the commercial distribution strength of George Westinghouse, Nikola Tesla began his quest to spread the power of electricity across this great country. In 1893, Tesla was commissioned to generate the thousands of volts of electrical power necessary to light the Chicago World's Fair. In addition to this engineering feat, Tesla was also responsible for the design of the Niagara Mohawk Falls power plant which to this day provides an ecological and economical means of power to the upper portion of New York State and parts of Canada.

At the turn of the century, Nikola Tesla dedicated himself to independent research which led to a series of landmark discoveries. During this period Tesla conceived such innovations as the alternating current generator, the properties of the spinning magnetic field, the Tesla coil, the basic principals of broadcasting, as well as 700 other significant inventions and theories. Many of Tesla's discoveries form the foundation upon which our current technology is based, yet presently he receives little recognition for his contributions to the modern world. It is distressing that this man who transformed science fiction into a tangible reality is not properly credited with his accomplishments.

Nikola Tesla is a man who deserves acknowledgment for his numerous contributions to the advancement of American as well as world technology. It is an undebatable fact that Tesla was an essential component in providing the economical distribution of electricity to this country, an important factor in the industrialization of our Nation. In an age in which technology and scientific advancements are vital to everyday life, we are particularly indebted to the work of this unsung hero. The modern day conveniences of electricity, telecommunications, and broadcasting are reason enough to take time to acknowledge the man who is responsible for the basis of these innovations. Mr. Speaker, thank you for allowing me to recognize the achievements of this American citizen before the U.S. House of Representatives.

TRIBUTE TO MICHAEL A. BRAVETTE

HON. BILL PASCRELL, JR.

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. PASCRELL. Mr. Speaker, I would like to call to your attention Michael A. Bravette of Cedar Grove, NJ.

Michael was born on September 19, 1926 in Newark, NJ to Pasquale and Philomena Bianco Bravette. One of two children, he was raised in the city of Newark and attended the city's Barringen High School. During World War II, at the age of 18, Michael entered the U.S. Navy. He served as an electronic technician's mate, third class aboard the heavy cruiser U.S.S. *Bremerton,* CA–130, flagship of the Seventh Fleet in the Pacific Theater of Operations and earned five medals for his bravery and valor.

In 1949, Michael graduated from the Newark College of Engineering, now known as N.J.I.T., with a bachelor of science in electrical engineering and a master of science in management engineering. He was a founder and an officer in the fraternity, Pi Kappa Phi and earned a Student Council Pendant Award, for his service as a class officer and in other campus activities.

Michael's first professional position was as a material handling sales engineer who sold the largest single contract in the history of the company—overhead traveling cranes for maintenance on the then-new Tappan Zee Bridge.

A retiree since 1989, Michael was employed for over 30 years in marketing with both the Kearfott-Singer Co. and subsequently, the Plessey Co., as manager for advertising and customer relations. While at Kearfott-Singer, he cochaired their first successful motivation program, was the communications chairman for the zero defects program and served as president of the company's Toastmasters Club. During his many invaluable years of service, Michael was listed in Who's Who in America, Finance and Management.

One of the highlights of Michael's career was touring the company's facilities for 2 days with Apollo 13 astronaut, Fred W. Haise, Jr. He also prepared presentations and tours for astronauts Terry Hart and Mark Lee, Senator Bill Bradley, Congressman Jim Courter and Congresswoman MARGE ROUKEMA.

In 1964, Michael was appointed by then New Jersey Governor Richard J. Hughes as a tercentenary toastmaster lecturer for the New Jersey Tercentenary Commission. In this capacity, he was able to speak before several groups and was the guest speaker for the township of Cedar Grove 4th of July celebration held at the Memorial High School stadium. For his services, Michael was awarded by Governor Hughes a New Jersey Tercentenary Medal.

Michael is and always has been an active member of his community. He has been a parishioner of St. Catherine of Siena church since its construction and currently serves as one of the church's neighborhood ambassadors. Michael served as president of the Holy Name Society in 1960 and again in 1966. Under his leadership, membership in the society increased from 40 to 250. Also, Michael served as cochair of the 1965 fundraising drive which doubled the weekly donations to the church.

For several years, Michael was assistant coach and manager for Little League baseball and football in Cedar Grove. He also was a member of Cedar Grove's Democratic County Committee.

Michael remains active in the Cedar Grove Elks Lodge No. 2237 having served as exalted ruler and as chairman of the trustees. He was the public relations district chairman for the New Jersey State Elks Association 1975–76. He actively served on membership, handicapped children, housing, Memorial Day services, Flag Day, Mother's Day services, and investigation committees. He also served as the lodge's justice of the forum.

In 1989, Michael joined the Cedar Grove chapter of UNICO National and served as the chapter's vice-president, and president. Currently serving as publicity chairman, Michael authored special biographical news releases for Michael A. Saltarelli when he was elected auxiliary bishop, Archdiocese of Newark in 1990 and James Troiano who was appointed a superior court judge in 1992. He also promoted the special UNICO Dinner Dance held in 1996, in honor of Bishop Saltarelli who left New Jersey to become bishop for the diocese of Wilmington, DE.

As UNICO's membership chairman for 3 years, Michael nearly doubled the chapter's membership. He was appointed to the UNICO National Editorial Advisory Committee and the Gay Talese Literary Award Committee by the national president. He was honored by the Cedar Grove chapter as ''Man of the Year'' at the chapter' 10th Anniversary Dinner Dance in 1996. Michael is also a member of the Center for Italian and Italian-American Culture.

Michael is married to Florence Beltram whom he first met in high school. They have three children and five grandchildren. Their daughter Robyn is married to Craig Sloboda and the two live in Milford, PA. The couple has two daughters, Randi, 15 and Ashley, 10. Their son Brian is a CitiCorp vice-president and lives in Cedar Grove with his daughter Larisa, 12. Their youngest son, Barry, is a cardiologist and lives in Voorhees, NJ with his wife Cindy and his twin sons, Christopher and Matthew, 7.

Mr. Speaker, I ask that you join me, our colleagues, Michael's family and friends and the township of Cedar Grove in recognizing Michael A. Bravette for his outstanding and invaluable service to the community.

PROVIDING FOR CONSOLIDATION OF H.R. 1119, NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1998

SPEECH OF

HON. GARY A. CONDIT

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, June 19, 1997

Mr. CONDIT. Mr. Speaker, I stand today to oppose the rule. I have a great deal of respect for the chairman of the Committee on Rules, but I want those of my colleagues who can hear me, who can hear the sound of my voice to listen to my amendment which was turned down by the Committee on Rules yesterday.

We are talking about the military. We are talking about equipment and we are talking about facilities.

I had an amendment that said we have to honor our commitment to the men and women who serve in the military. I believe that if we are going to provide certain benefits—such as lifetime medical care—to them when they retire, then they are entitled to them and we ought to keep our promise.

That is the simple amendment. It's straightforward and it's honest. It's about making promises and keeping them.

I tell my colleagues, it does not make any difference how many pieces of equipment we have or what kind of facilities we build. If we do not have good men and women serving in the military it makes no difference how good our equipment or facilities are.

I went before the Committee on Rules to ask them to allow me to bring my amendment to the floor. All I was asking is that we honor the commitment we made to our military retirees and to honor the promises that we made. I was asking us to honor our commitment to them.

The U.S. military makes a commitment to a young person who comes in and signs up. They say, ''We're going to give you health benefits for life when you retire.'' All of us here in the Congress know the military has repeatedly made that promise. We have the casework to prove it over and over.

We also know that we have had problems delivering those benefits and even more problems keeping our word. This amendment would force the military to keep its word.

I am troubled that the Department of Defense doesn't support this amendment. Their legal counsel issued a three-page statement which said my amendment would ''impose undesired inflexibility'' on the Department. According to them, my amendment would be ''unwise.'' It means they don't want to keep their word.

Mr. Speaker, what kind of message are we sending our retired military population when we hide behind our promises rather than honor them? Recently a Federal judge in Florida ruled that retirees over 65 years of age who enlisted in the military prior to 1956 may now sue the Government for breaking its promise of free health care for life.

Are we really supposed to sit here in the 105th Congress and tell the next generation of American military veterans that they may have to sue the Government in order to have adequate health care coverage simply because the Department of Defense is finding it difficult to live up to its word?

Mr. Speaker, we are asking the United States to honor its commitment to our veterans.

WHO WILL CARE FOR THE POOR? NEW DATA SHOWS THE IMPENDING HOSPITAL CRISIS

HON. FORTNEY PETE STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. STARK. Mr. Speaker, we have just received the June report from our congressional hospital payment advisory panel—the Prospective Payment Assessment Commission—and it carries a dire warning about the future of the Nation's safety net hospitals in the era of managed care.

The report, ''Medicare and the American Health Care System, Report to the Congress, June, 1997,'' contains the following statement and table. It is a matter of life and death to millions of our fellow citizens that we address the problem of the uninsured in these good economic times. When an economic downturn comes, the pressure on these safety net hospitals will be unbearable—and then who will care for the uninsured and poor?

Rising financial pressure has raised concern about the willingness or ability of many hospitals to continue providing uncompensated care in a more competitive marketplace. A previous ProPAC analysis suggested that high managed care enrollment is associated with increased financial pressure from private payers and with greater reductions in the amount of uncompensated care hospitals provide.[43] Between 1992 and 1994, private payer payment to cost ratios declined 4.5 percent for hospitals located in urban areas with high managed care penetration; uncompensated care burdens for these hospitals also fell by 4.5 percent (see Table 3–14). The experience of hospitals located in areas with low managed care penetration was quite different: Their private payer payment to cost ratios rose 4.1 percent, while uncompensated care burdens fell only 0.1 percent.

CHANGE IN HOSPITAL FINANCIAL PERFORMANCE, BY MANAGED CARE PENETRATION RATE, 1992–94

[in percent]

Financial performance	Low	Medium	High
Private payment to cost ratio	4.1	3.8	−4.5
Total payment to cost ratio	0.9	−0.8	−2.0
Uncompensated care burden	−0.1	−1.4	−4.5
Cost per adjusted admission	8.2	7.0	7.3

Note: Managed care penetration rates are based on enrollment in health maintenance and preferred provider organizations as a percentage of the total population in the metropolitan statistical area (MSA). Low penetration is less than 41 percent; medium is from 41 percent to less than 50 percent; high is from 50 percent to less than 60 percent. This analysis is limited to 89 of the largest MSAs and excludes those with penetration rates of 60 percent or more.

SOURCE: ProPAC analysis of data from the American Hospital Association Annual Survey of Hospitals and the National Research Corporation.

The situation is particularly tenuous for hospitals that furnish a large amount of indigent care. They often lack the private payer base that can offset uncompensated care losses. Private payers' share of costs in pubic major teaching hospitals, for instance, is less than 15 percent (see Table 3–7). Moreover, compared with other institutions, these hospitals are already getting substantially higher private payments relative to costs, which makes it difficult for them to compete. The private payer payment to cost ratio for these facilities is 154 percent compared with an all-hospital average of 124 percent.

These hospitals are also in much weaker financial condition than other institutions, despite the additional subsidies they receive. Total gains for public major teaching hospitals, for instance, were only 1.5 percent in 1995, far below those for other hospitals. Given that one of their missions is serving the poor, they may not be able to reduce uncompensated care, particularly if other hospitals are doing so. Consequently, any increase in uncompensated care burdens could put such hospitals at serious financial risk.

PERSONAL EXPLANATION

HON. JOHN COOKSEY

OF LOUISIANA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. COOKSEY. Mr. Speaker, unfortunately, I was not present to record votes on rollcall

votes No. 221, 222, 223, and 224. Had I been present, I would have voted ''nay'' on rollcall 221, ''aye'' on rollcall 222, ''aye'' on rollcall 223, and ''aye'' on rollcall 224.

WARREN/WASHINGTON COUNTIES ARC CELEBRATES 35 YEARS

HON. GERALD B.H. SOLOMON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. SOLOMON. Mr. Speaker, I wanted to take this opportunity to heap praise on one of the most valuable and important programs that has been operating for 35 years now in my congressional district. I'm talking about the Warren/Washington Counties ARC which provides quality services to people with disabilities and their families in my hometown and neighboring communities in New York's Adirondack Mountains.

The good people who work at and operate this fine chapter deserve all the credit in the world for the time and energy they devote to those less fortunate than themselves. Helping those who have the misfortune of being born with or acquiring disabilities, mental and otherwise, is truly one of the more admirable undertakings and one of the greater responsibilities in our society. I know those they are able to help and their families and loved ones greatly appreciate everything they do to help make their lives as full and complete as possible.

And you know, Mr. Speaker, that's the remarkable thing. We would all do well to emulate the spirit of giving of those who nurture those in our communities who may be less fortunate than ourselves through no fault of their own. The staff and administrators who have made up the history of the Warren/Washington ARC will tell you that their satisfaction comes not in feeling good about themselves, but in recognizing the joy of those they help.

Mr. Speaker, I have always been one to judge people based on what they return to their community. By that yardstick, the people of Warren/Washington ARC are truly great Americans. This is a country founded on the principles of volunteerism and helping others. What better way than to help those neighbors with disabilities enjoy the same opportunities we all enjoy to be part of a community? That's why Mr. Speaker, I ask that you and all Members of the House rise with me in salute to this tremendous program and in wishing them another 35 years of unparalleled success.

AMENDING THE SAFE DRINKING WATER ACT

HON. HENRY A. WAXMAN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. WAXMAN. Mr. Speaker, today I am introducing a noncontroversial bill which will make it much easier for States to comply with the Safe Drinking Water Act.

Under the Safe Drinking Water Act amendments Congress considered last year, States are required to conduct source water assessments. These source water assessments delineate and assess sources of drinking water within each State. They are an important part of our efforts to protect the public's drinking water.

When Congress passed the Safe Drinking Water Act Amendments of 1996, there was the expectation that States could get their drinking water State revolving funds [DWSRF] up and running within a year. Accordingly, States have had the discretion to use up to 10 percent of their Federal capitalization grants for fiscal years 1996 and 1997 to conduct source water assessments. However, this short timeframe for funding has turned out to be problematic for the States. In fact, some States may not even have grant applications submitted during fiscal year 1997.

This bill would amend the Safe Drinking Water Act to fix this problem by giving States the discretion to fund source water assessments with their capitalization grants for 1 additional year. This bill would not make any new authorizations. It would place no new requirements on States, nor would it require funds to be spent on source water assessments. This bill simply gives States discretion in how they use funds they have already been granted.

When Speaker GINGRICH proposed Corrections Day in the last Congress, he said that it should be used only for noncontroversial legislation of a limited scope. I have actively participated in the corrections advisory group for the last 2 years and believe that this proposal is the ideal candidate for the Corrections Day calendar.

I have consulted with the Office of Drinking Water at the Environmental Protection Agency who have raised no objections. In fact, there is no known opposition to the bill at all. This bill is supported by the State drinking water administrators, the water supply industry, and the environmental groups.

The Association of State Drinking Water Administrators, the American Water Works Association, the Association of Metropolitan Water Agencies, the Association of California Water Agencies, Clean Water Action, and the Natural Resources Defense Council all support this bill.

Mr. Speaker, I urge every Member to support this noncontroversial bill. Congress should act quickly to send this to the President to become law.

STATEMENT ON THE RETIREMENT OF COL. DAVID HARRINGTON, U.S. AIR FORCE

HON. ELEANOR HOLMES NORTON

OF THE DISTRICT OF COLUMBIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Ms. NORTON. Mr. Speaker, I rise today to pay tribute to Col. David G. Harrington, a resident of the District of Columbia, on his retirement and to thank him for his 29 years of dedicated service to the U.S. Air Force.

Colonel Harrington joined the Air Force on July 25, 1968, and has served at several locations throughout the United States and Europe. His most recent experience has been in human resources. He has attained the position of chief of the education and training division at headquarters, U.S. Air Force.

Colonel Harrington has devoted his 29-year career to helping the men and women of the U.S. Air Force through the development of systematic policies that improve their personal and professional readiness to defend the United States and its allies. The colonel has received many awards and decorations for outstanding service during his career.

Upon the completion of such exemplary service to our Nation, I commend Colonel Harrington and wish him well in the future.

IN HONOR OF CHANCELLOR DR. VIVIAN B. BLEVINS, CHIEF EXECUTIVE OFFICER OF RANCHO SANTIAGO COMMUNITY COLLEGE

HON. LORETTA SANCHEZ

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Ms. SANCHEZ. Mr. Speaker, I would like to take this opportunity to honor Dr. Vivian B. Blevins' extraordinary commitment to education and to providing access to all students throughout her tenure as chancellor of Rancho Santiago Community College.

As chancellor, Dr. Blevins has been instrumental in promoting active engagement and participation between students, community leaders, and businesses. She has also been persistent in reaching out to the Asian-Pacific American and Latino/Chicano community.

Her many career accomplishments at the local level include: Kennedy Partners Board of the Orange County Human Relations Council, the Executive Board of Santa Ana 2000, the Board of the Delhi Center, the Advisory Board of Career Beginnings of Orange County, and the Board of Directors of KinderCaminata.

At the national level she has recently completed a 2-year term as chair of the Commission for the Office of Minorities in Higher Education of the American Council on Education. She was also chair of the Women's Caucus of the American Association of Higher Education in 1996–97 and is currently legislative liaison of the caucus. She is on the executive board of the board of directors of the Hispanic Association of Colleges and Universities [HACU] and is currently working on a cultural diversity track for the second international conference sponsored by HACU and the Bureau of Land Management.

I would like my colleagues in Congress to join me in recognizing Chancellor Vivian B. Blevins for her outstanding service to her community. Her many outstanding accomplishments clearly mark her as an outstanding intellectual and inspirational leader. The citizens of Orange County have been very fortunate to have such a remarkable individual working for them. Let us wish Chancellor Blevins many years of enjoyment and happiness in her future endeavors.

TRIBUTE TO THE 50TH WEDDING ANNIVERSARY OF DR. AND MRS. OSCAR C. ALLEN

HON. EDOLPHUS TOWNS

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. TOWNS. Mr. Speaker, I would like to bring to your attention the momentous occasion of Dr. Oscar C. Allen and Hattie Lawson

Allen's 50th wedding anniversary on June 14, 1997. The celebration was elegantly orchestrated by the couple's daughters, Dr. Adele Allen and Dr. Carol Allen, both medical doctors and accomplished pianists.

Dr. Oscar Allen was born in Baltimore, MD, where he attended public schools prior to his entering Virginia State College [VSC]. After graduating from VSC he received his bachelor of science degree. Oscar Allen entered and graduated from Howard University in Washington, DC, and received the degree—doctor of medicine in March 1944.

Dr. Allen managed to garner numerous awards and distinctions throughout his career. Among his most notable professional credentials are his awards for his Outstanding Physician Award from the Provident Clinical Society of Brooklyn; Physician Honoree of the State University of New York, Downstate Health Science Center; Alumni Award of the Greater New York chapter. Included, and most important in his impressive list of accolades is Dr. Allen's union and dedication to his lovely wife, Mrs. Hattie Lawson Allen.

Mrs. Allen is a retired educator and was for many years the assistant principal of Clara Barton High School. In addition, Hattie is the co-author with Dr. Vashti Curlin, of a book entitled ''Barron's: How To Prepare for the Practical Nurse Licensing Examination,'' first published in 1979. Hattie has managed to garner numerous distinctions, including her membership in the Alpha Kappa Alpha Sorority and the several civic and community organizations.

Mr. Speaker, I ask that you join me, our colleagues, and Dr. Allen and Hattie's family and friends, in recognizing the momentous occasion of Dr. Allen and Hattie's golden wedding anniversary.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1998

SPEECH OF

HON. TOM BLILEY

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Friday, June 20, 1997

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 1119) to authorize appropriations for fiscal years 1998 and 1999 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal years 1998 and 1999, and for other purposes:

Mr. BLILEY. Mr. Chairman, I oppose the Hefley amendment. This amendment would transfer the Naval Oil Shale Reserve Nos. 1 and 3 from the Department of Energy to the Department of the Interior so that they can be leased for oil and gas production.

The Commerce Committee shares jurisdiction over the Naval Petroleum Reserves and the Naval Oil Shale Reserves with the National Security Committee. Unfortunately, this amendment was allowed to be considered on the House floor before one of the committees of jurisdiction has had an opportunity to hold a hearing or fully study the proposal. Proceeding on this amendment without laying a proper foundation at one of the relevant committees, forced Members to vote on an issue without having answers to a number of questions raised by the proposed transfer.

And there are many unanswered questions about this proposal. For example, is the Federal Government receiving the maximum return for the leasing of this valuable asset? Are there more appropriate dispositions of this property that would result in greater returns to the Federal Government? Is the amount of bonus and royalty to be received from the proposed leasing appropriate? Is the sharing of revenues received from the leasing of this type of Federal land appropriate? Additionally, why does the Department of Energy retain responsibility for environmental restoration of the reserves after the transfer of the leasing authority to the Department of the Interior and what are the cost implications of having two Federal Department's with jurisdiction over these lands.

Finally, there is no reason why the Hefley proposal could not have been considered as a separate piece of legislation. In fact, in order to assure that maximum value is received for these assets, it might have been more appropriate to consider disposition of all the Naval Petroleum and Oil Shale Reserve together. If this amendment becomes law we will be in the curious situation of having the Federal Government retain responsibility for the Naval Oil Shale Reserve No. 2 and the Naval Petroleum Reserves Nos. 2 and 3 with the others being sold or leased. This amendment is not so intertwined with our national security that it had to be included in this bill without allowing time for full consideration of all the implications of its provisions.

Thus, I oppose the amendment and believe its consideration is premature at this time.

IN HONOR OF MARIO JIMENEZ AND THE GRADUATES OF THE CENTER OF TECHNOLOGICAL BACCALAUREATES, NO. 175, CLASS OF 1997

HON. ESTEBAN EDWARD TORRES

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. TORRES. Mr. Speaker, I ask my colleagues here assembled to join with me in celebration of this year's graduates. On June 28, 1997, my good friend, Mario Jimenez, will take part in the graduation ceremonies at the Center of Technological Baccalaureates, No. 175, Class of 1997.

Mario Jimenez is a leader in his community of Whittier, CA, which is part of the congressional district I represent in the House of Representatives. Mario travels to Huitzuco, Guerrero, in Mexico to contribute to this birthplace and to celebrate the great deeds of many young graduates. He received the great honor of master of ceremonies for the class of 1997 because of his contributions in California as well as those in Mexico.

This year's graduating class of the Center of Technological Baccalaureates includes 13 electrical technicians, 22 information systems technicians, 45 computer-accounting technicians, 8 medical technicians, and 7 computer secretarial technicians.

Electrical Technicians: Alcocer, Gonzalez Marco Vinicio; Campos, Ramirez Julio; Cazares, Cruz Luis Ricardo; Garzon, Robles Dario; Lagunas, Jennifer; Marban Garcia, Jose Antonio, Marban, Salgado Jose Antonio; Marban, Vasquez Arturo; Najera, Cuevas Jose Alberto; Ortiz, Gutierrez Jorge Antonio; Varela, Sanchez Armando; Vega, Sanchez Ivan, and Villalva, Naval Fernando.

Information Systems Technicians: Barragan, Marban Georgina Alanis; Benitez, Bahena Elizabeth; Chavez, Reyes Stibaly; Figueroa, Molina Veronica; Garces, Jimenez Nancy; Gonzalez, Franco Pedro; Gonzalez, Guevara Victor; Gonzalez, Reyes Loraine; Martinez, Castro Adriel; Melquiades, Carvajal Jose Ulises; Najerasoto, Yeimy; Orduna, San Martin Marina Liszet; Pineda, Alvarado Atenodoro; Salgado, Losano Violeta; Sanchez, Arce Miguel Angel; Sanchez, Perez Iliana; Segura, Aleman Rosario; Tafoya, Perez Ubaldina; Tejeda, Sanchez Erika; Vasquez, Lome Vianey; Vega, Vergara Viridiana Aimme, and Zagal, Mata Dinora.

Computer/Accounting Technicians: Adan, Diaz Dalila; Arteaga, Ibarra Graciano; Carrillo, Nava Pablo; Cruz, Catalan Elodia; Damian, Leyva Santos; Diaz, Bautista Teresita Del Sagario; Espiritu, Rodriguez Enriqueta; Figueroa, Gaytan Tania, Gaytan, Meza Silvestre; Gongalez, Cadenas Edgar; Herrera, Robolledo Jesus Arciando; Marban, Rebolledo Fernando; Morquecho, Rosales Angelica; Najera, Astudillo Celika; Ramirez, Betancourt Carmen; Roman, Lopez J. Bernardino; Roman, Tellez Miriam; Romero, Villanueva Erasmo; Sanchez, Mayao Saul Heriberto; Sanchez, Munoz Emilio; Sonido, Oropeza Epipania; Soto, Tenorio Miguel; Zavaleta, Apaez Gabriel; Andrade, Marban Lissete; Avila, Castro Rebeca; Bahena, Barcenas Maritza; Barrera, Trinidad Maria Guadalupe; Beltran, Astudillo Guillermo; Carrasco, Lucas Alberto; Castillo, Cuenca Alinee Anabel, Flores, Velazquez Gamaliel; Guerrero, Zamora Francisco Javier; Martinez, Castro Zaida; Martinez, Ortiz Araceli,; Miranda, Melchor Moises; Peralta, Landa Cindy Cecyl; Reza, Cruz Iganacia; Riquelme, Najera Miriam; Rodriguez, Villegas Luis Enrique; Salazar, Vite Luz Maria; Salinas, Mateos Abel; Sanchez, Benitez Yanet; Villalva, Nava Luciano; Virgos, Rocha Eduardo y Viveros, Ayala Martza Roxana.

Medical Technicians: Cardenas, Villegas Laura Elena; Marban, Lineres Martha; Mata, Vargas Margarita; Oregon, Porras Mayer; Reyes, Miranda Josue; Rodriguez, Gomez Claudia; Rosendo, Garcia Josefina, and Vargas Vazquez, Maria Guadalupe.

Computer Secretarial Technicians: Castrejon, Ocampo Rosa Maria; Herrera, Peralta Jose Alfredo; Salgado, Barrera Carolina; Salgado, Estrada Blanca Yanet; Santiguillo, Noveron Hugo; Teliz, Sanchez Olga, and Vargas, Panchito Miriam.

Mr. Speaker, it is with great pleasure that I send my best wishes to all the new graduates of the Center for Technological Baccalaureates and to a great civic leader in our community, Mario Jimenez.

GLOBAL WARMING AND POPULATION GROWTH: INSEPARABLE

HON. JAMES P. McGOVERN

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. McGOVERN Mr. Speaker, I would like to share with my colleagues an article that appeared in the Monday, June 23, edition of the

Christian Science Monitor. Written by Dr. Werner Fornos, president of the Population Institute, it identifies the relationships between global warming and population growth. With the special session underway at the United Nations to review progress on the Rio Summit, his words and insights are timely and valuable for all Members of Congress.

[From the Christian Science Monitor, June 23, 1997]

GLOBAL WARMING AND POPULATION GROWTH: INSEPARABLE

(By Werner Fornos)

During President Clinton's weekend conference in Denver with leaders of the ''Group of Seven'' and his address today before a special session of the United Nations General Assembly, global climate change will be among the primary topics of discussion.

It appears that the issue is heating up these days—and for good reason. As the result of a UN-estimated average global temperature rise of 3.6 degrees Fahrenheit in the next century, the world may experience widespread flooding, the disappearance of small island nations, and rowboat-only access to Bourbon Street, Broadway, and countless other coastal spots. This prognosis will be compounded by a world population that could reach 10 to 12 billion, or higher.

Although the United States, the European Union, and 153 other nations officially recognized the problem of global climate change at the Rio Earth Summit in 1992, the United States remains woefully behind in fulfilling the Bush administration's pledge to cut greenhouse gas emissions to 1990 levels by the year 2000. Public awareness of the pending disaster has lagged behind as well, because of efforts by fuel companies and other corporations who see themselves harmed by emissions limitations.

Global climate change results when increased levels of greenhouse gases in the atmosphere block the escape of infrared, or thermal, radiation. Human activities in recent years have increased the levels of all of these gases, including carbon dioxide, ozone, methane, nitrous oxide, and chlorofluorocarbons. Water vapor is the only exception.

Carbon dioxide is the most troublesome, accounting for 60 percent of the enhanced greenhouse effect. Fuel burning, agriculture, automobile exhaust and other human emissions contribute an estimated 22 billion metric tons of carbon dioxide each year, and have caused an unprecedented 10 percent increase in atmospheric levels of the gas in the last 20 years.

Negligence by the US and the six other industrial nations of the Group of Seven—which account for 38 percent of greenhouse gas production—could lead to an estimated one to three foot increase in sea level and a mid-latitude climate zone shift of approximately 200 miles in the next century.

There is no question that controlling greenhouse gas emissions is a priority for achieving sustainable human development. And, surprisingly this is one key step toward self-preservation that can actually be beneficial to economics. Mr. Clinton has proposed an international strategy of establishing a greenhouse gas emissions quota based on a financial credit system. A similar program to control acid rain has been environmentally successful as well as cost-effective. In addition, incentives could be extended for the research and development of alternative energy sources and more efficient technologies.

The recent attention to global climate change is encouraging, but any energy policy that seeks to halt global warming cannot ignore the fact that the current world population of 5.9 billion people is projected to double in only 40 years—with 98 percent of the increase occurring in the developing world. As nations such as China and India—accounting for over 2.2 billion people—seek to industrialize, what level of havoc will their greenhouse gas emissions wreak on the atmosphere?

We must recognize that global climate change and other abuses of the environment are symptions of the strain imposed by rapid population growth and a reversal of the warming trend is unlikely unless there is a meaningful reduction in fertility.

The time is now for Clinton and other world leaders to set a course for our planet that looks beyond the present and minimizes the damage humanity has already inflicted.

The residents of numerous small island nations, who face sci-fi horror in the real-life possibility of being reclaimed by the sea, would be the immediate beneficiaries. In the all-too-near future, however, the beneficiaries would include everyone's children and grandchildren.

NIKE'S RESPONSE

HON. ELIZABETH FURSE

OF OREGON

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Ms. FURSE. Mr. Speaker, I would like to place in the CONGRESSIONAL RECORD a report that former Congressman, U.N. Ambassador, and Atlanta Mayor Andrew Young recently wrote on Nike's labor practices. I also am including in the RECORD Nike's response to the Young report.

Earlier this year, Nike asked Ambassador Young to conduct an independent review on the implementation of Nike's code of conduct and provide specific recommendation on what Nike was doing right, and what can be done better.

That report, which was released June 24, lays out some very meaningful recommendations which I believe my colleagues would be interested in reviewing. Nike's response to the Young recommendations demonstrates that this Oregon-based company is truly committed to being a leader on these issues. With my colleague from Oregon, Mr. BLUMENAUER, I commend the Young report on Nike's response, and urge my colleagues to review it.

NIKE'S RESPONSE TO ANDREW YOUNG'S REPORT ON THE NIKE CODE OF CONDUCT

Our NIKE Code of Conduct sets out a basic goal—for NIKE, and for all of our business partners—always to do what is *expected,* as well as required, of a leader.

In this spirit, in February, we decided to seek a separate and independent assessment of the extent to which our contractors are complying with that Code. We turned to one person we thought had three attributes that would make that assessment most valuable.

First, a truly independent voice. Second, a person with experience and understanding of the developing world, where most of the world's apparel and footwear products are made. And third, someone who was not party to the issue—who would bring a fresh perspective to bear.

Andrew Young, former United Nations Ambassador, life-long human rights advocate, with a wealth of experience in labor and factory issues, was an obvious choice.

Today, after four months of investigation, Ambassador Young delivered his report.

His overall assessment is that we are doing a ''good job.'' But good is not the standard NIKE seeks in anything we do.

We are acting now to improve in every area he suggests. His recommendations, and our response, are:

1. Recommendation: ''NIKE should continue its efforts to support and implement the provisions of the Apparel Industry Partnership.''

Action: NIKE was the first company to join. We will continue to work with our Partnership colleagues from the apparel industry, and related labor, human rights, religious and consumer groups. NIKE is represented on all of its various subcommittees, addressing implementation of the new Code and its monitoring principles. The most recent meeting was held the very day Ambassador Young presented his report to US.

We will carry this message of industry, labor and rights groups cooperation to all of our business partners and others in the industry. We will urge other apparel and retail companies to sign on. In the past two weeks we have already begun to do this with other athletic, dress and casual footwear companies.

2. Recommendation: ''NIKE should take more aggressive steps to explain and enforce the Code of Conduct.''

Action: As a result of comments made during Ambassador Young's factory inspection tour in March and April, NIKE reinforced implementation of the Code of Conduct and its monitoring principles by conducting eight weeks of training for NIKE production people and contract factory management in Asia, in 11 countries and 15 cities. We will follow up by:

a. Ensuring that contractors provide every employee with renewed Code of Conduct training and a simplified, written form of that Code.

b. Redoubling our efforts to ensure that every NIKE contract factory has the Code posted visibly in every major workspace, in the language of both the worker and the manager, when those language are different.

c. Add to our auditing procedures to assure that the Code of Conduct is understood, that training, posting and personal copies of the Code have the desired impact: that workers truly understand their rights, and management its obligations.

3. Recommendation: ''NIKE should take proactive steps to promote the development of 'worker representatives' in the factories who can effectively represent the workers' individual and cumulative interests.''

Action: NIKE contract factory worker representation spans a broad spectrum around the world, from worker management committees to full trade unions. NIKE will survey existing worker representation processes and require each of our contract factories to redouble its efforts to assure that workers truly have a voice in workplace issues.

4. Recommendation: ''NIKE should insist that the factories which manufacture its products create and enforce a better grievance system that allows a worker to report a complaint without the fear of retribution and abuse.''

Action: NIKE will survey existing grievance procedures in our contract factories and with other industries and factory groups. We will require each of our contract factories to adopt and implement one of several model procedures, as appropriate to its size, current representation system, and the effectiveness of that current system.

An addition, NIKE will create several pilot ombudsman projects to determine how well an outside voice can supplement and enhance the grievance procedure.

5. Recommendation: ''NIKE should expand its dialog and relationship with the human

rights community and the labor groups within the countries where they produce goods and with their international counterparts.''

Action: NIKE has already begun this process. Starting in major source countries, we are seeking to establish regular sessions with groups who can foster productive dialog on contract labor issues. The Apparel Industry Partnership and a quarterly conference call with concerned investor groups are two of several forums in which we will continue to address these issues with affiliated and interested international parties.

6. Recommendation: ''NIKE should consider some type of 'external monitoring' on an ongoing basis as a way to demonstrate its commitment to the Code of Conduct and to insure its effective application.''

Action: Specifically, Ambassador Young recommends two steps: (a) establish an ombudsman function, and (b) establish a small panel of distinguished international citizens to provide a continuing oversight role similar to that undertaken by the Ambassador. We're already doing the first, as noted above. We're working now to appoint an international oversight panel to fulfill the second.

Because NIKE is a leader, we have decided to take further steps beyond Ambassador Young's recommendations, but speaking to issues he raised.

1. NIKE will strengthen the penalty system for contract factories found in violation of the NIKE Code of Conduct. This includes escalating monetary penalties, whose proceeds will fund: (a) remedial action to correct the violation or (b) investment in worker education, recreation or habitability enhancement programs.

2. We are determined that the 500,000 jobs created by NIKE's contract relationships around the world continue to be the best jobs in the business. if any contractor consistently fails to adhere to our Code of Conduct, we will terminate their relationship with NIKE.

3. With our partner factories, NIKE will establish an ongoing training system for managers and supervisors that includes (a) basic people management skills; (b) education in local culture for expatriate managers and (c) learning the local language.

4. Ambassador Young has identified the need for a higher level of host country management in factories owned and operated by foreign investors. NIKE will assess current levels of indigenous management, and establish action plans with each contractor to assure that local management is integrated at the highest levels.

5. NIKE will continue to test pilot projects to measure the effectiveness of independent monitoring by third parties. To date two such projects have been undertaken in two countries. A third is underway.

NIKE will implement each of the actions noted above by January 31, 1998, and then reassess further steps or the enhancement of those already taken.

In addition, NIKE will continue to implement a comprehensive factory inspection program, called SHAPE (Safety, Health, Attitude of Management, People Investment, Environment) in all contract factories worldwide. Our aim is to ensure that every aspect of the factory work experience meets NIKE standards, from fire drills and sanitation to worker training and recreation programs.

Since 1994 NIKE has had independent auditors test factory compliance with our Code of Conduct. We are encouraged that Ambassador Young has found these audits to be ''professionally done, (and) rigorous,'' We will redouble our efforts to assure they are an effective tool. By August 1, 1997 NIKE will have in place a single, unified set of instructions to make sure that every independent audit, anywhere in the world, by any auditor, is done to the same standard.

NIKE management appreciates not only the independence and objectivity that Ambassador Young has brought to these issues, but the many other voices in government, the human rights, labor, religious, consumer and business communities, that have also contributed valuable insight.

Ambassador Young has demonstrated—on assignment for NIKE, but also over 40 years of public and private service in human rights arenas—that these issues are always best served by reasoned, honest and respectful discussion. We are committed to that course.

THE CRACK COCAINE EQUITABLE SENTENCING ACT OF 1997

HON. CHARLES B. RANGEL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. RANGEL. Mr. Speaker, I rise in support of the Crack Cocaine Equitable Sentencing Act of 1997. The bill, if enacted, would remove the arbitrary and unfair distinction between powder and crack cocaine sentencing. As predicted, earlier this month, the U.S. Sentencing Commission again concluded that Federal drug laws that treat crack cocaine defendants 100 times more severely than powder cocaine defendants cannot be justified. I am proud to be joined in sponsorship of this important bill by a majority of the Congressional Black Caucus.

In 1995, the U.S. Sentencing Commission released a study of Federal sentencing policy as it relates to possession and distribution of all forms of cocaine. Specifically directed by the Omnibus Violent Crime Control and Law Enforcement Act of 1994, the Sentencing Commission reported on the current structure of differing penalties for powder cocaine and crack cocaine offenses and to provide recommendations for modification of these differences. Again, following a congressional mandated study, the Sentencing Commission has restated their stance against the current 100 to 1 ratio. This time, the Commission voted unanimously to lower the sentencing disparity and asked Congress and President Clinton to address the issue within 60 days. Your support of the Crack Cocaine Equitable Sentencing Act of 1997 as an original cosponsor will facilitate timely consideration of the Commission's request.

Included in the mandatory minimum penalties enacted by Congress in 1986 and 1988 was an arbitrary distinction between crack and powder cocaine that singled out crack cocaine for much harsher treatment. The laws had the effect of creating a 100 to 1 quantity ratio for triggering equal treatment for the two pharmacologically identical drugs. For example, under current law, if a person, tried in Federal court, is found in possession of 5 grams of crack cocaine, he would be subject to a mandatory 5-year penalty. If that same person is found with 5, 50, or 400 grams of powder cocaine, he would face a maximum penalty of 1 year in prison. It would take 500 grams of powder cocaine to bring the same punishment for possessing 5 grams of crack cocaine.

One of the effects of this legislation is to punish small-scale crack cocaine users and dealers more severely than we punish their wholesale suppliers. Continuing this unfair treatment threatens to undermine the authority of the 14th amendment to the Constitution that guarantees equal protection under the law from disproportionate punishment. In addition, current policy threatens the 14th amendment's equal protection guarantees for those who live in areas where crack cocaine is more readily available and cheaper than powder cocaine, namely African-Americans and Latinos. These positions are outlined in the accompanying Letter to the Editor from a May 13, 1997, letter to the Wall Street Journal.

The Crack Cocaine Equitable Sentencing Act of 1997, brings back a sense of fairness to the Federal sentencing process. I challenge this Congress to adopt this legislation to promote that ideal.

LETTER TO THE EDITOR FROM THE HONORABLE CHARLES B. RANGEL

I write regarding Mr. Wayne J. Rocques' opinion-editorial that appeared in yesterday's Wall Street Journal. In the article, Mr. Rocques' condemns Reverend Jesse Jackson and me for our views regarding the mandatory Federal Crack Cocaine sentencing law, which we regard as unjust due to its disproportionate application to African American defendants, who represent almost 90% of the defendants in these cases. Current law mandates that persons convicted of possessing 5 grams of crack cocaine receive the same sentence (five years) as persons convicted of possessing 500 grams of powder cocaine. Since enactment of this law, the 100–1 quantity ratio has had a devastating and disproportionate impact on the African American community. The evidence is indisputable.

First, almost 97% of all crack cocaine defendants are Black or Latino despite the fact that these groups represent less than 50% of all crack users and less than 25% of the general population. In Los Angeles, from 1988 to 1991 the U.S. Attorney's Office prosecuted no white suspects on Federal crack cocaine charges while hundreds of white suspects moved through the state court system. In 1992, this two track system was repeated in 17 states.

Second, although Mr. Rocques notes the difficulty of attacking the wholesale marketing of crack cocaine, he neglects to explain the reasoning behind this statement. Crack cocaine and powder cocaine are virtually identical from a pharmacological standpoint, and crack is derived directly from powder cocaine. Consequently, wholesale powder cocaine dealers also serve as wholesale crack cocaine dealers. The consensus among drug control advocates, including Mr. Rocques, is that this is the group that must be targeted for severe sentencing. Meanwhile, small time street-level crack dealers, who often produce the crack themselves can fill our jails and face kingpin sentences with possession of as little as $50 worth of crack.

Third, to answer Mr. Rocques' question regarding why advocates for fair sentencing would concern ourselves with drug criminals, I would remind him that the Fourteenth Amendment of the Constitution requires equal treatment under the law. This sentencing disparity breaks that promise and undermines the foundation of fairness that our country is built upon.

Finally, though Mr. Rocques would have your readers believe that only Rev. Jackson and I have spoken out regarding polarizing effects of the Crack Cocaine Sentencing Law, in truth, we have been joined by others in-

cluding the entire Congressional Black Caucus, Supreme Court Associate Justice Anthony Kennedy, former Drug Czar Lee Brown and Senator Robert Dole.

Even more significant are the Congressionally requested studies produced by the bipartisan United States Sentencing Commission, which in 1995 and yesterday, unanimously, released studies that found such a disparity insupportable. Furthermore, the Sentencing Commission explained that, ''the current (100–1 sentencing) policy must be changed to ensure that severe penalties are targeted at the most serious traffickers.'' The rejection of the current biased system should guide Congress to act on these recommendations in an expeditious and responsible manner.

The Sentencing Commission's report should also spur immediate action in President Clinton, Attorney General Janet Reno, and Drug Czar Barry McCaffrey. The challenge of overcoming the zealous rhetoric of detractors demands that they fight for the commission's responsible proposal rather than issuing pensive and avoiding promises to give the report, ''very serious consideration.''

In addition, although Mr. Rocques' diatribe would label me as a supporter of drug legalization, nothing could be further from the truth. I have spent my entire professional career—first as a Federal prosecutor, then as a New York State Assemblyman and finally as a United States Congressman—advocating for increased awareness of drug abuse and control.

Despite the fact that I originally supported the Crack Sentencing legislation, I now recognize that it's application has revealed a strongly biased and flawed statute. My strong advocacy against drug trafficking and abuse does not blind me from my responsibility to correct failed policy, no matter the author.

AMENDMENT TO THE TAXPAYER RELIEF ACT OF 1997

HON. BILL ARCHER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. ARCHER. Mr. Speaker, for the information of the House, today I have submitted for printing in the RECORD a copy of a proposed amendment to H.R. 2014, the ''Taxpayer Relief Act of 1997,'' as reported. I have requested that this amendment be incorporated into the base bill upon adoption of the rule. The following is an explanation of the amendment:

DESCRIPTION OF PROPOSED ARCHER AMENDMENT TO H.R. 2014

1. MODIFICATIONS TO THE CHILD TAX CREDIT

The amendment would provide that in the case of lower- and middle-income taxpayers, the otherwise allowable child tax credit is not reduced by one-half of the otherwise allowable dependent care credit. Under the amendment, the reduction only applies to taxpayers above certain thresholds of modified adjusted gross income (''modified AGI''). For married taxpayers filing joint returns, the thresholds is $60,000. For taxpayers filing single or head of household returns, the threshold is $33,000. For married taxpayers filing separate returns, the threshold is $30,000. The reduction is phased in over the first $10,000 ($5,000, in the case of single individuals and $5,000, in the case of married individuals filing separate returns) of modified AGI above the threshold. The rules for determining a taxpayer's modified AGI and marital status under the bill remained unchanged. The effective date would be years of beginning on or after January 1, 2000.

The amendment would provide that the Secretary of the Treasury shall submit notice to all taxpayers of the passage of the child tax credit. In addition, the amendment would direct the Secretary of the Treasury to modify withholding tables for single taxpayers claiming more than one exemption and for married taxpayers claiming more than two exemptions to take account of the effects of the child tax credit. The adjustments to the withholding tables would apply to employees whose annualized wages from an employer are expected to be at least $30,000, but not more than $100,000.

2. ESTIMATED TAX SAFE HARBOR

The amendment would change the 110-percent-of-last-year's-liability estimated tax safe harbor to a 105-percent-of-last-year's-liability safe harbor for 1998.

3. REPEAL ALTERNATIVE MINIMUM TAX DEPRECIATION ADJUSTMENT

The amendment would direct the Secretary of the Treasury to conduct a study of whether the repeal of the depreciation adjustment for minimum tax purposes would have the result of permitting any corporation with taxable income from current year operations to pay no Federal income tax and, if so, the policy implications of that result. The study would be due no later than January 1, 2001, to the House Committee on Ways and Means and the Senate Committee on Finance.

4. AIRPORT AND AIRWAY TRUST FUND EXCISE TAXES

The amendment would provide that the deposit rules with respect to the commercial air passenger excise taxes are modified to permit payment of these taxes that otherwise would have been required to be deposited during the period July 1, 1998, through September 30, 1998, to be deposited on October 13, 1998.

5. MODIFICATION TO TAX BENEFITS FOR ETHANOL AND RENEWABLE SOURCE METHANOL

The amendment would delete those provisions in the bill relating to a reduction in tax benefits for ethanol and renewable source methanol.

6. NAME OF THE ACT

The amendment would change the name of the Act from the ''Revenue Reconciliation Act of 1997'' to the ''Taxpayer Relief Act of 1997''.

7. CHANGE IN BUDGETARY TREATMENT OF CERTAIN EXPIRING PROVISIONS

The amendment would amend the Balanced Budget and Emergency Deficit Control Act of 1985 to provide that any preferential rate (or any credit or refund) that is scheduled to expire and that, under current scorekeeping conventions, is presumed to be extended for purposes of determining the present-law revenue baseline shall, for budget scorekeeping purposes, be assumed to expire on the scheduled expiration date.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1998

SPEECH OF

HON. RICHARD W. POMBO

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 23, 1997

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 1119) to authorize appropriations for fiscal years 1998 and 1999 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal years 1998 and 1999, and for other purposes.

Mr. POMBO. Mr. Chairman, I rise in support of the Brady-Pombo amendment to H.R. 1119, the fiscal year 1998 Defense Authorization Act. Congressman BRADY and I are offering this amendment in response to statements made by Under Secretary of State for Global Affairs Timothy E. Wirth regarding the use of U.S. soldiers in foreign countries to guard rain forests and endangered species. On June 3, 1997, at the Western Hemisphere Defense Environmental Conference, Mr. Wirth stated that using troops as glorified park rangers was ''a legitimate military issue.''

Mr. Chairman, President George Washington once said, ''To be prepared for war is one of the most effectual means of preserving peace.'' I believe this unprecedented notion of sending American military forces for purposes of ''environmental crusades'' is misguided and fundamentally flawed. America's ability to maintain its military readiness and leadership should not be compromised at the expense of sending our troops to foreign lands to defend rain forests and endangered species. At a time of significant military downsizing, we must ensure that our military remains in a position to protect and defend our own national security threats, not environmental quests in foreign countries.

While it is true that America is a global power with vital interests in key regions of the world, this new role for the military is inappropriate and unwise. The Quadrennial Defense Review's [QDR] recommendations, stated that ''military readiness must first and foremost remain a measure of our Nation's ability to deter, and when necessary, to wage war in defense of our national interests.'' I believe sending American troops jeopardizes the ability of U.S. military forces to maintain military readiness as the top priority as indicated in the QDR. I believe it is important that Congress express its strong support for maintaining military readiness and not allow our well-trained troops to be sent on missions that detract from their primary mission: To preserve and protect our Nation's freedom.

I urge my colleagues to support the Brady-Pombo amendment. Our brave men and women in the Armed Forces deserve nothing less.

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 1998

SPEECH OF

HON. EDDIE BERNICE JOHNSON

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

Monday, June 23, 1997

The House in Committee of the Whole House on the State of the Union had under consideration the bill (H.R. 1119) to authorize appropriations for fiscal years 1998 and 1999 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal years 1998 and 1999, and for other purposes.

Ms. EDDIE BERNICE JOHNSON of Texas. Mr. Chairman, the amendment to H.R. 1119 that I bring to the desk requires the Defense Department, by January 1, 1998, to submit to Congress a report on the feasibility and desirability of converting active guard reserve (AGR) personnel (active duty reservists who are involved with organizing, administering, recruiting, instructing, or training other reservists) to dual-status technicians.

Mr. Chairman, my involvement in this issue comes from the best example of the democratic process at work; a constituent request. During the 105th Congress, a constituent implored me to look into this program, ask for a study that would hopefully lead to a change in it by converting AGR personnel to dual-status technicians in order to save the tax payer more than 2.61 billion dollars per year. This number has been confirmed by General Accounting Office studies and should not be ignored. Therefore, I ask that Congress require the Secretary of Defense to conduct its own study which I and many others believe, will yield the same evidence from the G.A.O. and Rand Corporation studies.

In the current political climate where Federal governmental agencies and programs like N.E.A. and welfare are being scrutinized for their relevance and cost-effectiveness—Pentagon programs should be subject to the same scrutiny and analysis, DOD should be required to undergo the same type of introspection, study and analysis. My amendment requiring the DOD to undertake this study is non-controversial, pragmatic and necessary if Congress is to gain a full and objective picture of the age—dual status technician issue and its possible reform. I thank you for your consideration of this amendment.

VETERANS' CEMETERY PROTECTION ACT OF 1997

SPEECH OF

HON. RON PACKARD

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 23, 1997

Mr. PACKARD. Mr. Speaker, as chairman of the House Military Construction Appropriations Subcommittee, I know that our military men and women devote years of service to our country. We must honor our commitment to our current military, but must not forget about our veterans. To do so would be to abandon the very things that our veterans have fought so hard to preserve.

The American Government entered into a compact with the men and women who put their lives on the line for our freedom. We must make sure that the Government lives up to its end of the bargain. We owe our veterans the respect they deserve.

Mr. Speaker, the men and women buried at national cemeteries across the country deserve our deepest respect and thanks. Unfortunately, vandals and thieves have made a mockery of their final resting places by desecrating Riverside National Cemetery, which is located just outside of my district in Riverside County, and most recently, the National Memorial Cemetery of the Pacific in Hawaii.

I applaud my colleague from Riverside for his swift work to introduce and bring to the floor H.R. 1532, the Veterans' Cemetery Protection Act. Ken Calvert recognized that deliberate acts of vandalism against America's fallen comrades must not be tolerated. Demeaning and degrading the final resting place of veterans who made the ultimate sacrifice for the Nation strikes at all veterans and all Americans.

Mr. Speaker, as a former naval officer, these acts of vandalism touch me directly. I firmly believe that criminal penalties for theft and vandalism and National Cemeteries must be imposed. The Veterans' Cemetery Protection Act will do just that. I strongly encourage all of my colleagues to support this important legislation. Our veterans gave their all for our country. We must give them nothing less in return.

THE 200TH ANNIVERSARY OF MISSION SAN JUAN BAUTISTA, ONE OF CALIFORNIA'S GREAT TREASURES

HON. STEPHEN HORN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. HORN. Mr. Speaker, today is the 200th anniversary of Mission San Juan Bautista, which was founded on June 24, 1797, by Father Fermin Francisco de Lasuen, a Spanish basque Franciscan priest. It was the feast day of Saint John the Baptist.

As we go about our daily business in the Capitol, we frequently see the statue of Junipero Serra, the founder of what became the 21-mission system which begins in the south at San Diego and extends over 600 miles to the north.

Father Serra had the vision of missions that would be the centers of Christian education and practice in their particular area. The missions were ultimately also the educators and the producers and manufacturers of the clothes and food needed in what was to become the State of California in 1850.

In modern management terminology, Father Serra was the visionary chairman of the board/chief executive officer. Father Lasuen was the quietly effective chief operating officer with the talent and organizational skills to carry out the vision. With the death of Serra in 1784, Lasuen soon became his most energetic successor. In 1 year, Lasuen founded four missions including San Juan Bautista. Given the difficulties of transportation and communication that was a remarkable feat.

San Juan Bautista is the largest mission in continuous service since its founding. It is the only mission with three aisles. Some of the other missions are in ruins. Still others, such as Santa Barbara, have been beautifully restored after an earthquake in 1925. Fortunately, San Juan Bautista is still in its original condition, despite being within a mile of the San Andreas Fault. Eight miles away is Hollister, the county seat of San Benito County. That community of 20,000 is known as ''the earthquake capital of California.'' The Franciscan priests were architects, builders, administrators, and educators, among their numerous roles. With foresight, the mission is constructed of large adobe bricks. They have now withstood the tremors of two centuries.

The bicentennial festivities were spread over the period from Friday, June 20 through Wednesday, June 25. Friday began with a 6:30 p.m. Kiddie Parade.

Sunday was not only a beautiful day to celebrate the continuity provided by the mission but also the first formal recognition of the role of Father Lasuen.

All of us were delighted that a delegation of community leaders from Vitoria, Spain, were able to join us. Father Lasuen grew up in Vitoria, the capital of a largely Basque province. A relative of the distinguished American author of the history of the Basque people read a letter from his uncle, Robert Laxalt, author of the *Sweet Promised Land.* Laxalt described Lasuen as ''*The Quiet Legend* who was seasoned by experience, a wise administrator and a spiritual leader tempered by reality.''

Under the dedicated and able leadership of Bicentennial Committee Chairman Leonard Caetano, who with the help of his wife—and my classmate—Rosemary (Mim), and a hard-working group of committee members an amazing array of activities were arranged for the several thousand who participated in this unique celebration.

Some of the Sunday events included:

6:30 a.m.—Re-enactment of the founding of the mission.

7:00 a.m.—Bilingual mass followed by a pancake breakfast.

10:00 a.m.—A parade which included bands, dancers, horses and wagons, one of which was masterfully driven by Romaldo Martin of the M & M Farms who was joined by his friend George Nunes. They ably made it through the streets with this U.S. Representative, who grew up on a ranch five miles from the mission, standing up and waving to a friendly crowd.

11 a.m. to 3:00 p.m.—A chicken barbecue.

3:00 p.m.—Dedication of the bronze bust of Father Lasuen.

4:00 p.m.—Grand prize drawing for a pick-up truck. This is still farm country.

The dedication was particularly moving. The Native Sons of the Golden West, the Native Daughters of the Golden West, and the Daughters of the American Revolution presented generous checks for the restoration fund. Besides myself, Assemblyman Peter Frusetta made a formal presentation on behalf of the California State Assembly. A representative of State Senator McPherson made a similar presentation on behalf of the State Senate.

The crowd was pleased to hear from the current priest Father Edward Fitz-Henry. His predecessor was Father Maximilian Santa Maria, who inspired the community to celebrate this significant milestone in the history of the mission. His humor was enjoyed by all. He

was the able translator for the guests from Vitoria.

The bust of Father Lasuen by Alberto Forrestor was appreciated by all. It contains the likeness that various accounts of the time have noted and as historian Robert Laxalt has summarized: Father Lasuen ''was a young man of medium height, a ruddy complexion, a pock-marked face—probably from small pox, a moderate growth of beard, black-eyed and black hair.''

The letter from Robert Laxalt and the words from the heart of the delegation from Vitoria were well received.

Throughout the celebration, there was active participation by a number of the Native American tribes such as the Mutsun whose ancestors made San Juan Bautista one of the most prosperous of the 21 missions. Their artistry was in evidence throughout the city.

Mission San Juan Bautista was also a major center for church music. In the early eighteen hundreds, Indiana youth were trained to read music and harmonize by following their colored notes up and down the scale. Their voices filled the air as the chords and bells were heard in the small town that was growing and in the productive green valley that lies below.

Cheryl Miller, a reporter for the Hollister Free Lance interviewed Sonne Reyna, a member of the local American Indian Intertribal Council, who said that ''the bicentennial is a time for 'reconciliation' between the Native American and mission communities.'' Reyna added that the members of ''the bicentennial committee have been very sensitive of what we as an Intertribal Council want to do to honor the ancestors.''

Other active participants were the California state park rangers who provide interpretation of the history of the area from the Castro House and the Plaza Hotel on the south of the mission plaza and the barn, stable, and houses on the east. There are some fine specimans of equipment and wagons from the latter part of the 19th century.

Eleven miles away is Fremont Peak, named in honor of John Charles Fremont, ''the Pathfinder,'' whose topographic expedition came to the area in the 1840's and raised the American flag over what was then Mexican territory. General Castro looked at the Americans through his spyglass. They looked down at him. No damage was done by either side. After three days, the Fremont expedition headed east to the United States of America whose boundary was still far from the Pacific Ocean.

Mr. Speaker, it was a privilege to be asked to speak on this significant occasion. When I was in grammar school at San Juan, my mother, Isabelle McCaffrey Horn, was the speaker at an annual ''Peak Day'' to celebrate Fremont's raising of the American flag for the first time in California.

Then and now, San Juan is ''A City of History'' as the banner was inscribed at the western entrance.

For the return of a native son who has never forgotten his roots, it was also an opportunity to see classmates from both elementary and high school and to meet the current community leaders.

If our fellow citizens wish to live for a moment in a proud past, they should visit San Juan, its mission, El Teatro Campesino, its well preserved homes from another century, and meet the dedicated group of those who deeply care about historic preservation. It would be time well spent.

Mr. Speaker, I have attached some of the newspaper coverage which preceded the celebration. They include the Pinnacle (June 19, 1997), the Hollister Free Lance (June 20, 1997), and the Dispatch, located in Gilroy which is 10 miles north of San Juan.

[From the Pinnacle, June 19, 1997]

SAN JUAN TO CELEBRATE MISSION'S 200TH BIRTHDAY

Beginning tomorrow (Friday) and running through Tuesday, Mission San Juan Bautista will be a beehive of activity as thousands of visitors are expected to help celebrate the mission's bicentennial.

A Kiddie Parade will kick off activities Friday, beginning at 6:30 p.m.

On Saturday, beginning at 8 a.m., there will be a reading of names of individuals buried in the mission cemetery, followed at 10:30 by a Native American blessing.

From 11 a.m. to 5 p.m. the Fiesta, complete with food, games and entertainment, will take place and at 5:30 p.m. there will be a bilingual mass. Crowning of the queen is scheduled for 8 p.m. Saturday on the plaza, followed by two dances at 9, one featuring Mexican music at the Veterans of Foreign Wars Hall and another, at the Community Center, for the country music crowd.

A full day of activities is slated for Sunday, beginning at 6:30 a.m. with re-enactment of the founding of the mission, at 7 there will be a bilingual mass and pancake breakfast.

The parade through downtown San Juan Bautista will be at 10 a.m. Chairman Leonard Caetano is expecting more than 100 entries in the parade.

A second day of Fiesta activities begins at 11 and continues until 5 p.m. The chicken barbecue will also take place between 11 and 5.

At 3 p.m. Sunday there will be a dedication of the bronze statue of Father Fermin de Lasuen, founder of the mission. At 4 p.m. the grand prize drawing of a pick-up truck will take place.

A bilingual prayer session is set for 6 p.m. on Monday.

On Tuesday, beginning at 10 a.m. a blessing of the chapel service is scheduled. The bicentennial luncheon begins at 11:30 a.m. followed by a mass at 3 p.m. and reception at 4:30. The bicentennial dinner dance is scheduled for 7 p.m. Tuesday and is the final activity of the four day event.

[From the Hollister Free Lance, June 20, 1997]

MISSION CELEBRATES 200TH YEAR

(By Cheryl Miller)

A celebration 200 years in the making starts tonight with a parade commemorating Mission San Juan Bautista's bicentennial.

The Kiddie Parade begins at 6:30 p.m. at Mutkelem and Third streets and ends at the corner of Polk and Second. A full slate of ceremonies, games, dances and meals resumes at 10:30 a.m. Saturday.

Preparation activities were still under way Thursday afternoon.

''We'll be ready when it gets here,'' said Leonard Caetano, chairman of the mission bicentennial committee. ''We're busy as a bunch of beavers.''

The official bicentennial is Tuesday. On that day 200 years ago, Father Fermin de Lasuen, a Franciscan priest, established the mission along what is now known to be the San Andreas Fault.

The mission was one of eight established by de Lasuen and the 15th among 21 founded by the Franciscans in what was referred to as Alta, California. Thanks to the work of members of various Native American tribes, Mission San Juan Bautista became one of the most prosperous sites in the Franciscan's chain.

The mission today is one of the best preserved sites in the former statewide chain. Its church is the only one with three aisles and officials claim a Mass has been said there every day since its founding.

The mission has had a lasting impact on the city that grew up around it. Sam Juan Bautista was once an important stopping point for stages that traveled between Northern and Southern California. Tourism remains a top industry today in the town often referred to as the Mission City.

A state park grew up around the mission as well. Today, 40,000 fourth-graders is it the park annually to study the buildings of the people who lived near the mission in its various eras.

The mission itself remains an active Catholic church. The mission hosts regular services for parishioners, weddings and ceremonies for the community. The total theater group, El Teatro Campesino, plays to sold out crowds in the mission every holiday season.

The weekend's activities include a full slate of tributes to the founders, Native Americans, and others who contributed to the mission.

A bronze statute of Father de Lasuen, donated by the residents of his hometown, Vitoria, Spain, will be dedicated in front of the mission Sunday at 3 p.m.

A Native American blessing will be said at 10:30 a.m. Saturday, at the plaza, A roll call of the names of about 200 Mutsun Indians buried in the mission will then be read.

Sonne Reyna, a member of the San Juan American Indian Intertribal Council, said the bicentennial is a time for ''reconciliation'' between the Native American and mission communities.

''We feel that the padre and the bicentennial committee have been very sensitive of what we as an Intertribal Council want to do to honor the ancestors,'' Reyna said.

Members of the San Juan Indian Council and an inter-tribal delegation will be participating in various bicentennial events.

A fiesta featuring a barbecue, a raffle, games and music will be held from 11 a.m. to 5 p.m. on Saturday and Sunday.

Events resume Tuesday when Bishop Sylvester Ryan will bless a newly restored chapel located behind the current church. The tiny chapel was built in 1797 but abandoned by the church in favor of a larger facility.

It was used as a schoolroom and gift shop and then nearly forgotten until restoration work began last year. After the bicentennial celebration, the chapel will likely be opened for regular use, according to church officials.

The weekend's bicentennial celebration is being dedicated to Anthony Botelho, a San Juan resident who was active in both the community and mission life. He died last November at the age of 83.

''He was probably as active as anybody ever was,'' said Caetano. ''He started (working in the mission community) when he was 16 and he was even planning for the bicentennial when he fell ill and passed away.''

A ceremony in Botelho's honor is tentatively scheduled between 2 p.m. and 3 p.m. Sunday at the plaza.

[From the Gilroy, CA Dispatch, June 20, 1997]

CELEBRATION OF MISSION SJ BAUTISTA'S 200TH YEAR

(By Cheryl Miller)

SAN JUAN BAUTISTA.—A celebration 200 years in the making begins tonight in the

Mission City commemorating Mission San Juan Bautista's bicentennial.

''We'll be ready when it gets here,'' said Leonard Caetano, chairman of the mission bicentennial committee. ''We're busy as a bunch of beavers.''

A Kiddie Parade begins at 6:30 p.m., and a full slate of ceremonies, games, dances and meals resumes at 10:30 a.m. Saturday.

The official bicentennial is Tuesday, and on that 200 years ago, Father Fermin de Lasuen, a Franciscan priest, established the mission along what is now known to be the San Andreas Fault.

The mission was one of eight established by Lausen and the 15th among 21 created by the Franciscans in what was then referred to as Alta California. Thanks to the work of members of various Native American tribes, Mission San Juan Bautista became one of the most prosperous sites in the Franciscan's chain, producing the largest crop among the 21.

The mission today is one of the best preserved sites in the former statewide chain. Its church is the only one with three aisles and church officials claim a mass has been said there every day since its foundation.

The mission has had far-reaching effects on the city that grew up around it as well. San Juan Bautista was once an important shopping point for stages that traveled between Northern and Southern California. And tourism remains a top industry today. The town is often referred to as the Mission City.

A state park grew up around the mission as well. Today, 40,000 fourth-graders visit the park annually to study the buildings of the people who lived near the mission in its various eras.

The mission itself remains an active Catholic Church and hosts daily services for parishioners, weddings and ceremonies for the community.

The weekend's activities include a full slate of tributes to the Spaniards, Native Americans and others who contributed to the mission. A bronze statue of Father de Lasuen, donated by the people of Vitoria, Spain, de Lausen's hometown, will be dedicated in front of the mission Sunday at 3 p.m.

A Native American blessing will be said at 10:30 a.m. Saturday at the plaza. A roll call of the names of about 200 Mutsun Indians buried in the mission cemetery will be read.

Sonne Reyna, a member of the San Juan American Indian Intertribal Council, said the bicentennial is a time for ''reconciliation'' between the Native American and mission communities.

''We feel that the padre and the bicentennial committee have been very sensitive and very supportive of what we as an Intertribal Council want to do to honor the ancestors,'' Reyna said.

Members of the San Juan Indian Council and inter-tribal delegation will be participating throughout the weekend's events.

A fiesta featuring a barbecue, raffle, games and music will be held from 11 a.m. to 5 p.m. on Saturday and Sunday.

Events resume Tuesday when Bishop Sylvester Ryan will bless a newly restored chapel, located in back of the current church. The tiny chapel was built in 1797 but abandoned by the church in favor of a larger facility.

It was used as a schoolroom and a gift shop and then nearly forgotten until restoration work began last year. After the bicentennial celebration, the chapel will likely be opened for regular use according to church officials.

WHERE IS THE SUCCESS IN OUR CURRENT POLICY TOWARD CHINA?

HON. STEPHEN HORN

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Tuesday, June 24, 1997

Mr. HORN. Mr. Speaker, I have voted against MFN status for China every year since becoming a U.S. Representative in 1993. I will vote against MFN status for China again today.

The economic reforms initiated by the Chinese Government in 1978 have vastly improved the lives of the Chinese people. I understand the argument that this improvement has led to better opportunities for the people of China and I hope that China's economy will keep growing and the lives of its people improve. However, I cannot ignore the fact that this economic liberalization has been carried out under a politically repressive regime that does not respect the basic rights or dignity of its people. Hopefully, in the years to come, more economic freedom will lead to political freedom. But, until that day comes, we cannot close our eyes to the Chinese Government's unpardonable behavior.

The United States has much to gain by engaging the leaders of China on a broad range of issues. Nonetheless, engagement must not become an excuse for a lack of principle or a lack of will on the part of the United States to stand up for American beliefs. Respect for Chinese sovereignty does not mean that the United States must ignore behavior by the Chinese Government that we regard as reprehensible.

For many years, the debate on MFN served as a useful inducement for the Chinese Government to improve its human rights record. There are good people in the United States who believe that the annual debate now does more harm than good. They believe ending China's MFN status would serve no useful purpose. I disagree. One compelling reason the debate carries little weight with the Chinese Government now is that China has come to take annual extension of MFN status for granted. I question whether the leaders of the Chinese regime would treat American concerns so cavalierly if they believed that China would suffer an economic disadvantage because of their behavior.

Since President Clinton delinked human rights from the extension of MFN, China has exported nuclear weapons technology and ballistic missiles in violation of its treaty commitments. It has supported nations hostile to the United States and continues its military threats against Taiwan. China has also failed to enforce bilateral agreements with the United States on intellectual property which costs American businesses and workers billions of dollars in lost profits and wages.

But even worse, China has imprisoned still more domestic critics and threatened foreign individuals and organizations who rightly criticize the government in Beijing. China increasingly jails those who practice their faith. In short, China has failed to comply with human rights conventions it has agreed to in international treaties and it has flagrantly disregarded attempts by the United States to achieve a better footing for bilateral relations. The delinking of human rights from MFN has caused more harm than the much-needed Congressional debate on Chinese behavior.

Although China does offer an important and growing market for American goods, the American business community has seen minimal gains in many Chinese markets—and suffered in others—as China plays one nation off against another in an attempt to affect policy. I agree that trade with China is a matter of great importance, not only to our trade-based economy and our national security, but also to the future development of China and the rights of its people. But trade, and our overall relationship with China, must be a two-way street. American policy cannot be based on what Beijing wants. Our policy should reflect what is in the long term interest of our fellow citizens.

Soon, Hong Kong will be controlled again by China. What will the United States do if freedom is smothered by the Chinese authorities? What will this House do? The current U.S. position on engaging China is more hope than policy. I applaud the efforts of many of my colleagues—including David Dreier, Chris Cox, Robert Matsui, John Porter, and others—who are working on legislation that will establish a meaningful policy of engagement with China. We need a framework that will propose real actions to engage and respond to China and a policy that China cannot take for granted.

Whether or not the United States and China can coexist peacefully in the next century is one of the great questions we must all consider. If we are to live in peace, how will we establish a relationship to do so? The United States must develop a plan for working realistically and constructively with China to solve the many issues of concern to both countries. The United States and China need to establish a relationship based on mutual trust and respect. Unfortunately, I do not believe such a relationship exists today. I cannot vote to support MFN in good conscience because of the many serious concerns I have stated. However, I strongly support efforts that offer the promise of a real dialogue with China about fundamental American beliefs regarding dignity and fairness. I also strongly support the creation of a relationship in which American concerns are treated with the same sensitivity as America has treated China's concerns.

Daily Digest

Senate

Chamber Action

Routine Proceedings, pages S6105–S6288

Measures Introduced: Six bills were introduced, as follows: S. 950–955. **Page S6186**

Measures Reported: Reports were made as follows:

Special Report entitled ''Printing Pictures of Missing Children on Senate Mail''. (S. Rept. No. 105–34)

S. 955, making appropriations for foreign operations, export financing, related programs for the fiscal year ending September 30, 1998. (S. Rept. No. 105–35)

Special Report entitled ''Developments in Aging: 1996, Volume 1''. (S. Rept. No. 105–36)

Pages S6185–86

Measures Passed:

Charitable Donation Antitrust Immunity: Senate passed H.R. 1902, to immunize donations made in the form of charitable gift annuities and charitable remainder trusts from the antitrust laws and State laws similar to the antitrust laws, clearing the measure for the President. **Page S6287**

Budget Reconciliation: Senate continued consideration of S. 947, to provide for reconciliation pursuant to section 104(a) of the concurrent resolution on the budget for fiscal year 1998, taking action on amendments proposed thereto, as follows:

Page S6105–82

Adopted:

Roth/Moynihan Amendment No. 431, of a technical nature. **Page S6120**

Roth/Moynihan Amendment No. 434, to provide for an income-related reduction in the subsidy provided to individuals under part B of title XVIII of the Social Security Act, and to provide for a demonstration project on an income-related part B deductible. **Page S6132**

Kennedy Amendment No. 440, to means-test Senatorial health benefits in the same way as the bill means-tests Medicare part B premiums and deductibles. (Upon division, this provision of the amendment was agreed to.) **Pages S6132–33**

Hutchison Amendment No. 446, to require States to verify that prisoners are not receiving food stamp benefits. **Pages S6147–48**

Wellstone/Domenici Amendment No. 449, to provide for full mental health parity with respect to health plans purchased through the use of amounts provided under a block grant to States.

Pages S6150–51

Domenici (for Lieberman) Amendment No. 452, to require medicaid managed care plans to provide certain comparative information to enrollees.

Pages S6156–57

Domenici (for Feinstein) Amendment No. 453, to require managed care organizations to provide annual data to enrollees regarding non-health expenditures.

Pages S6156–57

Domenici (for Craig/Bingaman) Amendment No. 454, to provide for a study and report analyzing the short term and long term benefits and costs to the medicare system of coverage of medical nutrition therapy services by registered dietitians under part B of title XVIII of the Social Security Act.

Pages S6156–57

Domenici (for Harkin/McCain) Amendment No. 457, to reduce health care fraud, waste, and abuse.

Pages S6167–68

Rejected:

Kennedy/Wellstone Amendment No. 429, to strike the provision relating to the imposition of a copayment for part B home health services. (By 59 yeas to 41 nays (Vote No. 111), Senate tabled the amendment.) **Pages S6105, S6107–13**

Kennedy Amendment No. 440, to strike income-relating of the Medicare part B premiums and deductibles. (By 70 yeas to 30 nays (Vote No. 113), Senate agreed to a motion to table this division of the amendment.) **Pages S6132–42**

Pending:

Harkin Amendment No. 428, to reduce health care fraud, waste, and abuse. **Pages S6105, S6132**

Gramm Amendment No. 444, to provide waiver authority for penalties relating to failure to satisfy minimum participation rate. **Page S6145**

Reed Amendment No. 445, in the nature of a substitute. **Pages S6145–47**

Hutchison Amendment No. 447, to modify the reductions for disproportionate share hospital payments. **Page S6148**

Chafee/Rockefeller/Jeffords Amendment No. 448, to clarify the standard benefits package and the cost-sharing requirements for the children's health initiative. **Pages S6148–50**

Durbin/Wellstone Amendment No. 450, to provide food stamp benefits to child immigrants. **Pages S6151–52**

D'Amato/Harkin Amendment No. 451, to improve health care quality and reduce health care costs by establishing a National Fund for Health Research. **Pages S6152–56**

Domenici (for Murkowski) Amendment No. 455, to confirm Title IV, Energy Title, to the provisions of the bill, with respect to the use of underutilized Strategic Petroleum Reserve facilities. **Pages S6157–65**

Domenici (for Abraham/Levin) Amendment No. 456, to extend the moratorium regarding HealthSource Saginaw until December 31, 2002. **Pages S6165–67**

Domenici (for Helms) Amendment No. 458, to provide for inclusion of Stanly County, North Carolina in a large urban area under the Medicare program. **Page S6168**

Domenici (for Helms) Amendment No. 459, to provide for inclusion of Stanly County, North Carolina in a large urban area under the Medicare program. **Page S6168**

Domenici (for McCain/Wyden) Amendment No. 460, to provide for the continuation of certain Statewide medicaid waivers. **Pages S6168–69**

Domenici (for McCain) Amendment No. 461, to provide for the treatment of certain Amerasian immigrants as refugees. **Page S6169**

Domenici (for Jeffords) Amendment No. 462, to require the Secretary of Health and Human Services to provide medicare beneficiaries with notice of the medicare cost-sharing assistance available under the medicaid program for specified low-income medicare beneficiaries. **Page S6169**

Domenici (for Jeffords) Amendment No. 463, to provide for the evaluation and quality assurance of the children's health insurance initiative. **Page S6169**

Domenici (for Brownback) Amendment No. 464, to establish procedures to ensure a balanced Federal budget by fiscal year 2002. **Pages S6169–70**

Domenici (for Allard) Amendment No. 465, to expand medical savings accounts to families with uninsured children. **Pages S6170–71**

Domenici (for Chafee) Amendment No. 466, to extend the authority of the Nuclear Regulatory Commission to collect fees through September 30, 2002. **Pagess S6171**

Domenici (for Grassley) Amendment No. 467, to preserve religious choice in long-term care. **Page S6171**

Domenici (for Kyl) Amendment No. 468, to allow medicare beneficiaries to enter into private contracts for services. **Page S6171**

Domenici (for Specter) Amendment No. 469, to extend premium protection for low-income medicare beneficiaries under the medicaid program. **Page S6171**

Domenici (for Specter) Amendment No. 470, to strike the limitations on DSH payments to institutions for mental diseases under the medicaid program. **Page S6171**

Domenici (for Specter) Amendment No. 471, to strike the limitations on Indirect Graduate Medical Education payments to teaching hospitals. **Page S6171**

Domenici (for Burns) Amendment No. 472, to provide that information contained in the National Directory of New Hires be deleted after 6 months. **Page S6171**

Domenici (for Hutchinson) Amendment No. 473, to clarify the number of individuals that may be treated as engaged in work for purposes of the mandatory work requirement for TANF block grants. **Pages S6171–72**

Domenici (for McCain) Amendment No. 474, to provide for the extension and expansion of spectrum auction authority and to provide for the flexible use of electromagnetic spectrum. **Page S6172**

Lautenberg Amendment No. 475, to ensure that certain legal immigrants who become disabled are eligible for disability benefits. **Page S6172**

Lautenberg (for Kerrey) Amendment No. 476, to enhance taxpayer value in auctions conducted by the Federal Communications Commission. **Page S6172**

Lautenberg (for Durbin) Amendment No. 477, to provide food stamp benefits to child immigrants. **Page S6172**

Lautenberg (for Rockefeller) Amendment No. 478, to require balance billing protections for individuals enrolled in fee-for-service plans under the Medicare Choice program under part C of title XVIII of the Social Security Act. **Page S6172**

Lautenberg (for Dodd) Amendment No. 479, to provide for medicaid eligibility of disabled children who lose SSI benefits. **Page S6172**

Lautenberg (for Murray) Amendment No. 480, to clarify the family violence option under the temporary assistance to needy families program. **Pages S6172–73**

Lautenberg (for Dodd) Amendment No. 481, to amend the provision with regard to transfer cases. **Page S6173**

Lautenberg (for Levin) Amendment No. 482, to allow vocational educational training to be counted

as a work activity under the temporary assistance for needy families program for 24 months. **Page S6173**

Lautenberg (for Wyden) Amendment No. 483, to provide for the continuation of certain State-wide medicaid waivers. **Page S6173**

Lautenberg (for Harkin) Amendment No. 484, to make community action agencies, community development corporations and other non-profit organization eligible for welfare-to-work grants. **Page S6173**

Lautenberg (for Feinstein) Amendment No. 485, to provide that the hospital length of stay with respect to an individual shall be determined by the attending physician. **Pages S6173–74**

Lautenberg (for Feinstein) Amendment No. 486, to provide additional funding for State emergency health services furnished to undocumented aliens. **Page S6174**

Lautenberg (for Feinstein) Amendment No. 487, to provide for the application of disproportionate share hospital-specific payment adjustments with respect to California. **Page S6174**

Lautenberg (for Wellstone) Amendment No. 488, to provide for actuarially sufficient reimbursement rates for providers. **Page S6174**

Lautenberg (for Mikulski) Amendment No. 489, to reinstate the requirements for provider payment rates. **Page S6174**

Lautenberg (for Kennedy) Amendment No. 490, to improve the provisions relating to the Higher Education Act of 1965. **Pages S6174–75**

Lautenberg (for Baucus) Amendment No. 491, to prohibit cost-sharing for children in families with incomes that are less than 150 percent of the poverty line. **Page S6175**

Lautenberg (for Kennedy) Amendment No. 492, to ensure the provision of appropriate benefits for uninsured children with special needs. **Page S6175**

Lautenberg (for Kennedy) Amendment No. 493, to exempt severely disabled aliens from the ban on receipt of supplemental security income. **Pages S6175–76**

Lautenberg (for Conrad) Amendment No. 494, to provide for medicaid eligibility of disabled children who lose SSI benefits. **Page S6176**

Lautenberg (for Conrad) Amendment No. 495, to establish a process to permit a nurse aide petition to have his or her name removed from the nurse aide registry under certain circumstances. **Page S6176**

Lautenberg (for Kerrey) Amendment No. 496, to strike the limitation on the coverage of abortions. **Page S6176**

Lautenberg (for Kohl) Amendment No. 497, to clarify that risk solvency standards established for managed care entities under the medicaid program shall not preempt any State standards that are more stringent. **Page S6176**

Lautenberg (for Harkin) Amendment No. 498, to allow funds provided under the welfare-to-work grant program to be used for the microloan demonstration program under the Small Business Act. **Page S6176**

Domenici Amendment No. 499, to provide SSI eligibility for disabled legal aliens. **Pages S6176–77**

Domenici (for Chafee/Rockefeller) Amendment No. 500, to require that any benefits package offered under the block grant option for the children's health initiative includes hearing and vision services. **Page S6177**

Domenici (for Chafee/Rockefeller) Amendment No. 501, to require that any benefits package offered under the block grant option for the children's health initiative includes hearing and vision services. **Pages S6177–78**

Roth (for D'Amato) Amendment No. 502, to establish a Medicare anti-duplication provision. **Pages S6178–80**

Lautenberg (for Rockefeller) Modified Amendment No. 503, to extend premium protection for low-income medicare beneficiaries under the medicaid program. **Pages S6180, S6181**

Lautenberg (for Kennedy) Amendment No. 504, to immediately transfer to part B certain home health benefits. **Pages S6180–82**

Roth (for Lott) Amendment No. 505 (to Amendment No. 448), to improve the children's health initiative. **Page S6182**

Roth Amendment No. 506, to make technical corrections and revisions. **Page S6181**

Roth (for Lott) Amendment No. 507 (to Amendment No. 501), in the nature of a substitute. **Page S6181**

Roth (for Lott) Amendment No. 508 (to Amendment No. 500), in the nature of a substitute. **Page S6181**

Roth (for Lott) Amendment No. 509 (to Amendment No. 492), in the nature of a substitute. **Page S6181**

Lautenberg (for Rockefeller) Amendment No. 510, to require that any benefits package offered under the block grant option for the children's health initiative includes hearing and vision services. **Page S6181**

Roth Amendment No. 511, to provide a substitute for the children's health insurance initiatives. **Page S6181**

Chafee Amendment No. 512 (to Amendment No. 511), to clarify the standard benefits package and the cost-sharing requirement for the children's health initiative. **Pages S6182–83**

Roth (for Lott) Amendment No. 513 (to Amendment No. 510), in the nature of a substitute. **Page S6183**

Roth (for DeWine) Amendment No. 427, to continue full-time-equivalent resident reimbursement for an additional one year under medicare for direct graduate medical education for residents enrolled in combined approved primary care medical residency training programs. **Page S6182**

Motion to waive a point of order that Section 5822 of the bill violates section 313(b)(1)(A) of the Congressional Budget Act. **Page S6178**

Motion to waive section 310(d) of the Congressional Budget Act with respect to consideration of Reed Amendment No. 445, listed above. **Page S6146**

Motion to waive section 305(b)(2) of the Congressional Budget Act with respect to consideration of D'Amato Amendment No. 451, listed above. **Page S6155**

Withdrawn:

Gregg Modified Amendment No. 426, to provide for terms and conditions of imposing Medicare premiums. **Pages S6105–06**

During consideration of this measure today, Senate also took the following action:

By 62 yeas to 38 nays (Vote No. 112), three-fifths of those Senators duly chosen and sworn having voted in the affirmative, Senate agreed to a motion to waive section 313(b)(1)(A) of the Congressional Budget Act of 1974 with respect to consideration of Section 5611 of the bill, providing for an increase in the eligibility age for Medicare from age 65 to 67. **Pages S6113–32**

By 37 yeas to 63 nays (Vote No. 114), three-fifths of those Senators duly chosen and sworn not having voted in the affirmative, Senate rejected a motion to waive section 310(d) of the Congressional Budget Act of 1974 with respect to consideration of division 1 of Kennedy Amendment No. 440, to delay the effective date of income-relating of the Medicare part B premiums and deductibles. Subsequently, a point of order that this division of the amendment was in violation of the Congressional Budget Act was sustained, and the amendment thus fell. **Pages S6132–44**

A unanimous-consent agreement was reached providing for further consideration of the bill and amendments/motions pending thereto, on Wednesday, June 25, 1997, with votes to occur thereon. **Pages S6287–88**

Messages From the House: **Page S6185**

Measures Referred: **Page S6185**

Measures Placed on Calendar: **Page S6185**

Communications: **Page S6185**

Executive Reports of Committees: **Page S6186**

Statements on Introduced Bills: **Pages S6186–90**

Additional Cosponsors: **Pages S6190–91**

Amendments Submitted: **Pages S6191–S6284**

Notices of Hearings: **Page S6284**

Authority for Committees: **Page S6284**

Additional Statements: **Pages S6284–87**

Record Votes: Four record votes were taken today. (Total—114) **Pages S6113, S6132, S6142, S6144.**

Adjournment: Senate convened at 9:30 a.m., and adjourned at 10:54 p.m., until 9:20 a.m., on Wednesday, June 25, 1997. (For Senate's program, see the remarks of the Acting Majority Leader in today's Record on page S6288.)

Committee Meetings

(Committees not listed did not meet)

APPROPRIATIONS—FOREIGN ASSISTANCE

Committee on Appropriations: Subcommittee on Foreign Operations ordered favorably reported an original bill (S. 955) making appropriations for foreign operations, export financing, and related programs for the fiscal year ending September 30, 1998.

GOVERNMENT PERFORMANCE AND RESULTS ACT

Committee on Appropriations/Committee on Governmental Affairs: Committees held joint hearings to examine the goals and requirements of the upcoming implementation of the Government Performance and Results Act of 1993 which will require Federal agencies to submit a strategic plan outlining their major functions and operations over the next six years to Congress and OMB not later than September 30, 1997 and its importance to the American public, receiving testimony from Franklin D. Raines, Director, and John Koskinen, Deputy Director for Management, both of the Office of Management and Budget.

Hearings were recessed subject to call.

NOMINATION

Committee on Commerce, Science, and Transportation: Committee concluded hearings on the nomination of Jane Garvey, of Massachusetts, to be Administrator of the Federal Aviation Administration, Department of Transportation, after the nominee, who was introduced by Senators Kennedy and Kerry, testified and answered questions in her own behalf.

ELECTRIC UTILITIES DEREGULATION

Committee on Energy and Natural Resources: Committee met to further discuss proposals to advance the goals of deregulation and competition in the electric power industry, focusing on the repeal of the Public Utility Holding Company Act of 1935 and related

matters, receiving testimony from Barry P. Barbash, Director, Division of Investment Management, Securities and Exchange Commission; Susan Tomasky, General Counsel, Federal Energy Regulatory Commission, Department of Energy; Sam I. Bratton, Arkansas Public Service Commission, Little Rock; Ferd C. Meyer, Jr., Central and South West Corporation, Dallas, Texas; Martin B. Kanner, Kanner and Associates, on behalf of the Consumers for Fair Competition, and William S. Scherman, Skadden, Arps, Slate, Meagher and Flom, on behalf of the Entergy Corporation, both of Washington, D.C.; Les E. LoBaugh, Jr., Pacific Enterprises, Los Angeles, California; and Larry A. Frimerman, Ohio Consumers' Counsel, Columbus, on behalf of the National Association of State Utility Consumer Advocates.

Committee recessed subject to call.

NOMINATION

Committee on the Judiciary: Committee ordered favorably reported the nomination of Eric H. Holder Jr., of the District of Columbia, to be Deputy Attorney General, Department of Justice.

PUNITIVE DAMAGE AWARDS

Committee on the Judiciary: Committee concluded hearings to examine the current punitive damage award system and its effect on the legal system, the economy, and the American consumer, focusing on the RAND report on punitive damages in financial injury jury verdicts, after receiving testimony from Representative Campbell; Theodore B. Olson, Gibson, Dunn & Crutcher, Washington, D.C., former United States Assistant Attorney General; Stephen Carroll, RAND, Santa Monica, California; and Stephen Daniels, American Bar Foundation, Chicago, Illinois.

House of Representatives

Chamber Action

Bills Introduced:16 public bills, H.R. 2117–2032; 1 private bill, H.R. 2033; and 2 resolutions, H.J. Res. 84 and H. Con. Res. 105, were introduced.

Pages H4338–39

Reports Filed: Reports were filed as follows:

H.R. 2016, making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 1998, (H. Rept. 105–150);

Committee on Appropriations report on the Subdivision of Budget Totals for Fiscal Year 1998 (H. Rept. 105–151); and

H. Res. 174, providing for consideration of H.R. 2015, Balanced Budget Act and H.R. 2014, Taxpayer Relief Act (H. Rept. 105–152). **Page H4338**

Journal Vote: By a recorded vote of 369 ayes to 59 noes, Roll No. 232, the House agreed to the Speaker's approval of the Journal of Monday, June 23.

Pages H4290–91

Recess: The House recessed at 9:37 a.m. and reconvened at 10:00 noon. **Page H4227**

Riegle-Neal Amendments of 1997: The House agreed to the Senate amendments to H.R. 1306, to amend the Federal Deposit Insurance Act to clarify the applicability of host State laws to any branch in such State of an out-of-State bank—clearing the measure for the President. **Pages H4230–31**

Portrait Monument Ceremony: Agreed by unanimous consent that the authorization contained in H. Con. Res. 216, passed in the 104th Congress, relating to use of the rotunda for a ceremony to commemorate the placement of the Portrait Monument in the Capitol Rotunda, be extended to the 105th Congress, subject to concurrence by the Senate.

Pages H4231–32

Corrections Calendar—Federal Employee Life Insurance: On the call of the Corrections Calendar, the House passed H.R. 1316, to amend chapter 87 of title 5, United States Code, with respect to the order of precedence to be applied in the payment of life insurance benefits. Agreed to the Committee amendment in the nature of a substitute.

Pages H4232–34

M-F-N to China: By a recorded vote of 173 ayes to 259 noes, Roll No. 231, the House failed to pass, H.J. Res. 79, disapproving the extension of nondiscriminatory treatment (most-favored-nation treatment) to the products of the People's Republic of China. **Pages H4234–90**

The joint resolution was considered pursuant to the order of the House of June 23. **Pages H4166–67**

Department of Defense Authorization Act: The House continued consideration of amendments to H.R. 1119, to authorize appropriations for fiscal

years 1998 and 1999 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal years 1998 and 1999. The House completed debate and considered amendments to the bill on June 19, 20, and 23.

Pages H4291–H4309

Agreed to the Buyer amendment that prohibits funding for the deployment of ground forces in the Republic of Bosnia and Herzegovina after June 30, 1998 without a request from the President or otherwise as the Congress may determine; prohibits funding for law enforcement activities in Bosnia and Herzegovina after enactment; and requires a Presidential report on political and military conditions in Bosnia not later than December 15, 1997 (agreed to by a recorded vote of 278 ayes to 148 noes, Roll No. 234). **Pages H4298–H4301, H4308–09**

Rejected the Hilleary substitute amendment to the Buyer amendment that sought to prohibit funding for the deployment of ground forces in the Republic of Bosnia and Herzegovina after December 31, 1997; allow an extension of up to 180 days by the President if he transmits a report to the Congress requesting an extension and a joint resolution is then enacted specifically approving the request; prohibit funding for law enforcement activities in Bosnia and Herzegovina after enactment; and require a Presidential report on the deployment on the ground of U.S. forces not later than October 31, 1997 (rejected by a recorded vote of 196 ayes to 231 noes, Roll No. 233). **Pages H4301–08**

Agreed to H. Res. 169, as amended, the rule providing for consideration of the bill on June 19.

Pages H3934–45

Commission On Security and Cooperation in Europe: The Chair announced the Speaker's appointment of Representatives Hoyer, Markey, Cardin, and Slaughter to the Commission on Security and Cooperation in Europe. **Page H4309**

Bipartisan Task Force on Reform of the Ethics Process: Agreed by unanimous consent that the order of the House of May 7, 1997, as extended on June 12, 1997, be further extended through Tuesday, July 15, 1997. The order of the House concerning the ethics process made in order during the period beginning immediately and ending on July 15, 1997: (1) the Committee on Standards of Official Conduct may not receive, renew, initiate, or investigate a complaint against the official conduct of a member, officer, or employee of the House; (2) the Committee on Standard of Official Conduct may issue advisory opinions and perform other non- investigative functions; and (3) a resolution addressing the official conduct of a member, officer, or employee of the House that is proposed to be offered from the floor by a member other than the Majority Leader or the Minority Leader, or a Member designated from the floor by the Majority Leader or the Minority Leader at the time of notice pursuant to clause 2(A)(1) of Rule IX, as a question of the privileges of the House shall once noticed pursuant to clause 2(a)(1) of Rule IX, have precedence over all other questions except motions to adjourn only at a time or place designated by the Chair in the legislative schedule within two legislative days after July 15, 1997. **Pages H4313–14**

Recess: The House recessed at 10:37 p.m. and reconvened at 1:05 a.m. on Wednesday, June 25.

Pages H4336–37

Amendments: Amendments ordered pursuant to the rule appear on pages H4339–75.

Quorum Calls—Votes: Four recorded votes developed during the proceedings of the House today and appear on pages H4289–90, H4290–91, H4307–08, and H4308–09. There were no quorum calls.

Adjournment: Met at 9:00 a.m. and adjourned at 1:06 a.m. on Wednesday, June 25.

Committee Meetings

MILITARY CONSTRUCTION APPROPRIATIONS

Committee on Appropriations: Ordered reported H.R. 2016, making appropriations for military construction, family housing, and base realignment and closure for the Department of Defense for the fiscal year ending September 30, 1998.

LEGISLATIVE APPROPRIATIONS

Committee on Appropriations: Subcommittee on Legislative approved for full Committee action the Legislative appropriations for fiscal year 1998.

TRANSPORTATION APPROPRIATIONS

Committee on Appropriations: Subcommittee on Transportation approved for full Committee action the Transportation appropriations for fiscal year 1998.

HOMEOWNERS' INSURANCE—DISASTER PRONE AREAS

Committee on Banking and Financial Services: Subcommittee on Housing and Community Opportunity held a hearing on The Adequacy of Available Homeowners' Insurance in Disaster Prone Areas—The Problem. Testimony was heard from Daniel Sumner, General Counsel, Department of Insurance, State of Florida; and public witnesses.

FINANCIAL SERVICES REFORM

Committee on Commerce: Subcommittee on Finance and Hazardous Materials held a hearing on Financial

Services Reform. Testimony was heard from public witnesses.

EDUCATION AT A CROSSROADS

Committee on Education and the Workforce, Subcommittee on Oversight and Investigations held a hearing on Education at a Crossroads, What Works, What's Wasted in Federal Drug and Violence Prevention Programs. Testimony was heard from Representatives Barton of Texas and Etheridge; Carotta Joyner, Director, Education and Employment Issues, GAO; and public witnesses.

OSHA'S REINVENTION PROJECT

Committee on Education and the Workforce: Subcommittee on Workforce Protections held a hearing on the Occupational Safety and Health Administration's reinvention project. Testimony was heard from Gregory Watchman, Acting Assistant Secretary, OSHA, Department of Labor.

OVERSIGHT—INSPECTORS GENERAL—INVESTIGATIVE PRACTICES

Committee on Government Reform and Oversight, Subcommittee on Government Management, Information, and Technology held an oversight hearing on Investigative Practices of Inspectors General. Testimony was heard from Representatives Hamilton and Goss; Jacquelyn Williams-Bridgers, Inspector General, Department of State; Eleanor Hill, Inspector General, Department of Defense and Chair, President's Council on Integrity and Efficiency (PCIE); Michael Bromwich, Inspector General, Department of Justice; Patrick McFarland, Inspector General, OPM and Chair, Investigations Committee, PCIE; and Robert M. Bryant, Assistant Director, Criminal Investigative Division, FBI, Department of Justice and Chair, Integrity Committee, PCIE.

GULF WAR SYNDROME-STATUS OF EFFORTS TO IDENTIFY

Committee on Government Reform and Oversight: Subcommittee on Human Resources held a hearing on Status of Efforts to Identify Gulf War Syndrome, with emphasis on Recent GAO Findings. Testimony was heard from Donna Heivilin, Director, Planning and Reporting, GAO.

Hearings continue June 26th.

MISCELLANEOUS MEASURES; LIBERIAN ELECTION

Committee on International Relations: Subcommittee on Africa approved for full Committee action the following: H. Con. Res. 99, expressing concern over recent events in the Republic of Sierra Leone in the wake of the recent military coup d'etat of that country's first democratically elected President; and a resolution urging a restoration of peace in Congo-Brazzaville.

The Subcommittee also held a hearing on The Liberian Election: A New Hope? Testimony was heard from Howard Jeter, U.S. Special Envoy to Liberia, Department of State; and public witnesses.

SECURITY AND FREEDOM THROUGH ENCRYPTION (SAFE) ACT

Committee on International Relations: Subcommittee on International Economic Policy and Trade approved for full Committee action amended H.R. 695, Security and Freedom Through Encryption (SAFE) Act.

NORTHERN IRELAND—HUMAN RIGHTS

Committee on International Relations: Subcommittee on International Operations and Human Rights held a hearing on Human Rights in Northern Ireland. Testimony was heard from public witnesses.

MISCELLANEOUS MEASURES

Committee on Resources: Held a hearing on the following bills: H.R. 700, to remove the restriction on the distribution of certain revenues from the Mineral Springs parcel to certain members of the Agua Caliente Band of Cahuilla Indians; H.R. 948, Burt Lake Band of Ottawa and Chippewa Indians Act; H.R. 976, Mississippi Sioux Tribes Judgment Fund Distribution Act of 1997; and H.R. 1604, to provide for the division, use, and distribution of judgment funds of the Ottawa and Chippewa Indians of Michigan pursuant to dockets numbered 18–E, 58, 364, and 18–R before the Indian Claims Commission. Testimony was heard from Representative Stupak; Ada E. Deer, Assistant Secretary, Indian Affairs, Department of the Interior; and public witnesses.

OVERSIGHT

Committee on Resources: Subcommittee on Forests and Forest Health held an oversight hearing on Resident Exotic Plants and Pests threatening the health of the National Forests. Testimony was heard from William Mattson, Chief Insect Ecologist, N. Central Forest Experiment Station, Forest Service, USDA; Barbara Burns, Forest Insect and Disease Specialist, Department of Forests, Parks and Recreation, State of Vermont; and public witnesses.

UTAH WILDERNESS PROTECTION

Committee on Resources: Subcommittee on National Parks and Public Lands held a hearing on the following measures: H.R. 1952, Utah Wilderness and School Trust Lands Protection Act of 1997; and H.R. 1500, to designate certain Federal lands in the State of Utah as wilderness. Testimony was heard from Representatives Cannon and Cook; and public witnesses.

MISCELLANEOUS MEASURES

Committee on Resources: Subcommittee on Water and Power held a hearing on the following bills: H.R.

134, to authorize the Secretary of the Interior to provide a loan guarantee to the Olivenhain Water Storage Project and H.R. 1400, Tumalo Irrigation District Water Conservation Project Authorization Act. Testimony was heard from Eluid Martinez, Commissioner, Bureau of Reclamation, Department of the Interior; and public witnesses.

BALANCED BUDGET ACT; TAXPAYER RELIEF ACT

Committee on Rules: The Committee granted by a recorded vote of 9 to 4, a rule providing for the consideration of H.R. 2015 (''The Balanced Budget Act'') and waives all points of order against its consideration. The rule provides three hours of general debate equally divided and controlled by the chairman and ranking minority member of the Committee on the Budget. The rules considers the amendment printed in the Congressional Record and numbered 1, as adopted. All points of order are waived against the provisions of the bill, as amended by the rule. The rule provides one motion to recommit, with or without instructions. Section 2 of the rule provides for the consideration of H.R. 2014 (''The Taxpayer Relief Act'') and waives all points of order against consideration of the bill and against its provisions, as amended by the rule. The rule provides three hours of general debate equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means. The rule considers the amendment printed in the Congressional Record and numbered 2, as adopted in the House and in the Committee of the Whole. The rule provides for consideration of the bill, as amended, as an original bill for the purposes of further amendment. The rule provides for the consideration of an amendment printed in the Congressional Record and numbered 1, only if offered by Representative Rangel of New York or his designee, which shall be debatable for one hour equally divided and controlled by the proponent and opponent, and which shall not be subject to amendment or to a demand for a division of the question in the House or in the Committee of the Whole. All points of order are waived against the amendment. Finally, the rule provides one motion to recommit, with or without instructions. Testimony was heard from Representatives Kasich, Shays, Smith of Michigan, Archer, Thomas, Roukema, Fawell, Davis of Virginia, Castle, Barton of Texas, Spratt, Minge, Bentsen, Pomeroy, Rangel, Levin, Cardin, McDermott, Becerra, Peterson of Minnesota, Kennedy of Massachusetts, Hinchey, Dingell, Pallone, Brown of Ohio, Norton, Nadler, Taylor of Mississippi, Maloney of New York, Conyers, Meek of Florida, Visclosky, Eshoo, Furse, Thurman, Berry, Goode, Turner, Boyd, and John.

CIVILIAN AIR TRAFFIC MANAGEMENT—ROLE OF R&D

Committee on Science: Subcommittee on Technology held a hearing on The Role of R&D in Improving Civilian Air Traffic Management. Testimony was heard from Steven B. Zaidman, Director, Office of System Architecture and Investment Analysis, FAA, Department of Transportation; Henry McDonald, Director, Ames Research Center, NASA; and public witnesses.

FUTURE OF SOCIAL SECURITY

Committee on Ways and Means: Subcommittee on Social Security continued hearings on the Future of Social Security for this Generation and the Next. Testimony was heard from public witnesses.

BRIEFING—NATO ENLARGEMENT

Permanent Select Committee on Intelligence: Met in executive session to receive a briefing on NATO Enlargement. The Committee was briefed by departmental witnesses.

COMMITTEE MEETINGS FOR WEDNESDAY, JUNE 25, 1997

(Committee meetings are open unless otherwise indicated)

Senate

Committee on Appropriations, Subcommittee on District of Columbia, to hold hearings on proposed budget estimates for fiscal year 1998 for the District of Columbia, 10 a.m., SD–192.

Committee on Banking, Housing, and Urban Affairs, Subcommittee on Securities, to resume oversight hearings to examine Social Security investment in the securities markets, 10 a.m., SD–538.

Committee on Commerce, Science, and Transportation, Subcommittee on Science, Technology, and Space, to hold hearings on proposed legislation authorizing funds for fiscal year 1998 for the United States Fire Administration, Federal Emergency Management Agency and the Office of Associate Administration for Commercial Space Transportation, 2 p.m., SR–253.

Committee on Foreign Relations, to hold hearings on pending nominations, 10 a.m., SD–419.

Committee on Governmental Affairs, Permanent Subcommittee on Investigations, to hold hearings to examine waste within the Medicare's durable medical equipment program, 9:30 a.m., SD–342.

Committee on the Judiciary, to hold hearings to examine encryption, key recovery, and privacy protection in the information age, 10 a.m., SD–226.

Full Committee, to hold hearings on pending nominations, 2 p.m., SD–226.

Committee on Rules and Administration, to hold hearings to examine campaign financing, focusing on whether political contributions are voluntary, 9:30 a.m., SR–301.

Committee on Veterans Affairs, to hold hearings to review a recent General Accounting Office (GAO) report entitled "Gulf War Illnesses: Improved Monitoring of Clinical Progress and Re-examination of Research Emphasis Needed", 9:30 a.m., SH–216.

Committee on Indian Affairs, to hold oversight hearings on the Administration's proposal to restructure Indian gaming fee assessments, 2 p.m., SD–562.

House

Committee on Agriculture, Subcommittee on Livestock, Dairy, and Poultry, hearing to review the current status and future prospects of livestock, dairy, and poultry trade between the United States and Asia, 10:00 a.m., 1300 Longworth.

Committee on Appropriations, Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies, to markup appropriations for fiscal year 1998, 9:30 a.m., 2362A Rayburn.

Subcommittee on Foreign Operations, Export Financing and Related Programs, to markup appropriations for fiscal year 1998, 3 p.m., H–144 Capitol.

Subcommittee on VA, HUD and Independent Agencies, to markup appropriations for fiscal year 1998, 12:30 p.m., H–140 Capitol.

Committee on Banking and Financial Services, hearing on the Eizenstat Report and related issues concerning U.S. and Allied efforts to restore gold and other assets looted by Nazis in World War II, 9 a.m., 2128 Rayburn.

Committee on Commerce, to markup the following: H.R. 629, Texas Low-Level Radioactive Waste Disposal Compact Consent Act; H.R. 1276, Environmental Research, Development, and Demonstration Authorization Act of 1997; and a measure to waive temporarily the Medicaid enrollment composition rule for the Better Health Plan of Amherst, New York, 10 a.m., 2123 Rayburn.

Committee on Education and the Workforce, to markup the following measures: H.R. 1853, Carl D. Perkins Vocation and Applied Technology Act Amendments of 1997 Act, and H. Res. 139, expressing the sense of the House of Representatives that the Department of Education, States, and local education agencies should spend a greater percentage of Federal education tax dollars in our children's classrooms, 10:00 a.m., 2175 Rayburn.

Committee on Government Reform and Oversight, Subcommittee on National Security, International Affairs, and Criminal Justice, hearing on Effectiveness of Counterdrug Technology Coordination at ONDCP, 2 p.m., 2154 Rayburn.

Committee on International Relations, hearing on United States Policy Toward Lebanon, 10:00 a.m., and to markup the following: H. Con. Res. 88, congratulating the Government and the people of the Republic of El Salvador on sucessfully completing free and democratic elections on March 16, 1997; H. Con. Res. 81, calling for a United States initiative seeking a just and peaceful resolution of the situation on Cyprus; a measure to transfer naval vessels to certain foreign countries; H. Con. Res. 99, expressing concern over recent events in the Republic of Sierra Leone in the wake of the recent military coup d'etat of that country's first democratically elected President; a resolution urging a restoration of peace in Congo-Brazzaville; and H.R. 1432, African Growth and Opportunity Act, 4 p.m., 2172 Rayburn.

Subcommittee on the Western Hemisphere, hearing to review issues in Central America, 1:30 p.m., 2255 Rayburn.

Committee on the Judiciary, hearing on proposals to provide rights to Victims of Crime, including the following measures: H.J. Res. 71, proposing an amendment to the Constitution of the United States to protect the rights of crime victims; and H.R. 1322, Victims' Rights Constitutional Amendment Implementation Act of 1997, 9:30 a.m., 2141 Rayburn.

Subcommittee on Commercial and Administrative Law, to markup H.R. 764, Bankruptcy Amendments of 1997, 1 p.m., 2237 Rayburn.

Subcommittee on Immigration and Claims, hearing on the following bills: H.R. 7, Citizenship Reform Act of 1997; and H.R. 1428, Voter Eligibility Verification Act, 10 a.m., 2226 Rayburn.

Committee on Resources, to markup the following measures: S.J. Res. 29, to direct the Secretary of the Interior to design and construct a permanent addition to the Franklin Delano Roosevelt Memorial in Washington, D.C.; H.R. 765, Shackleford Banks Wild Horses Protection Act; H.R. 799, to require the Secretary of Agriculture to make a minor adjustment in the exterior boundary of the Hells Canyon Wilderness in the States of Oregon and Idaho to exclude an established Forest Service road inadvertently included in the wilderness; H.R. 822, to facilitate a land exchange involving private land within the exterior boundaries of Wenatchee National Forest in Chelan County, Wa.; H.R. 838, to require adoption of a management plan for the Hells Canyon National Recreation Area that allows appropriate use of motorized and nonmotorized river craft in the recreation area; H.R. 901, American Land Sovereignty Protection Act; H.R. 951, to require the Secretary of the Interior to exchange certain lands located in Hinsdale, Colorado; H.R. 960, to validate certain conveyances in the city of Tulare, Tulare County, California; H.R. 1127, National Monument Fairness Act of 1997; H.R. 1198, to direct the Secretary of the Interior to convey land to the City of Grants Pass, Oregon; and H.R. 1658, Atlantic Striped Bass Conservation Act Amendments of 1997, 11 a.m., 1324 Longworth.

Committee on Transportation and Infrastructure, Subcommittee on Aviation, hearing on market-based solutions to air service problems for medium-sized communities,9:30 a.m., 2167 Rayburn.

Next Meeting of the SENATE

9:20 a.m., Wednesday, June 25

Senate Chamber

Program for Wednesday: After the recognition of one Senator for a speech, Senate will continue consideration of S. 947, Budget Reconciliation, with votes to occur thereon.

Senate may also begin consideration of S. 949, Revenue Reconciliation.

Next Meeting of the HOUSE OF REPRESENTATIVES

10 a.m., Wednesday, June 25

House Chamber

Program for Wednesday: Complete consideration of H.R. 1119, National Defense Authorization Act for FY 1998 (structured rule);

Vote on Suspension, H. Con. Res. 102, Resolution Regarding Cost of Government Day (Rolled from Monday, June 23); and

Consideration of H.R. 2015, Balanced Budget Act (modified closed rule, 3 hours of general debate).

Extensions of Remarks, as inserted in this issue

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