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House of Representatives

The House was not in session today. Its next meeting will be held on Tuesday, November 4, 1997, at 10:30 a.m.

Senate

MONDAY, NOVEMBER 3, 1997

The Senate met at 12 noon, and was called to order by the President pro tempore [Mr. THURMOND].

PRAYER

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

Gracious God, thank You for this moment of prayer in which we can affirm Your call to seek unity in the midst of differences in parties and politics. So often we focus on what separates us rather than the bond of unity that binds us together. We are one in our calling to serve You and our Nation and in the belief that You are the ultimate and only Sovereign. You are the magnetic and majestic Lord of all who draws us out of pride and self-serving attitudes to work together for You. We find each other as we join our hearts in gratitude for the privilege of leading our Nation. Keep us so close to You and so open to one another that we will have a week of great progress. Help us to work expeditiously and with excellence for Your glory and our Nation's good. Through our Lord and Saviour. Amen.

RECOGNITION OF THE ACTING MAJORITY LEADER

The PRESIDENT pro tempore. The able acting majority leader, the distinguished Senator from Minnesota, is recognized.

SCHEDULE

Mr. GRAMS. Mr. President, on behalf of the majority leader, to outline today's activities, today the Senate will be in a period of morning business until 2:45 p.m., with Senators permitted to speak therein for up to 10 minutes each.

At 2:45, the Senate will proceed to executive session to consider the nomination of Charles Rossotti to be Commissioner of the Internal Revenue Service. Under a previous order, there will be 3 hours of debate on that nomination, with a vote occurring at the expiration of that time. Therefore, Members can anticipate the first rollcall vote at approximately 5:45 p.m.

The Senate may also consider and complete action on any or all of the following items: D.C. appropriations bill, FDA reform conference report, the intelligence authorization conference report, and any additional legislative or executive items that can be cleared for action. Therefore, there may be additional votes following the 5:45 p.m. vote.

As a reminder to all Members, on Friday, cloture was filed on both H.R. 2646, the A-plus education savings account bill, and the motion to proceed to S. 1269, the fast-track legislation. Those cloture votes will occur on Tuesday morning at a time to be announced later today. Therefore, all first-degree amendments to H.R. 2646 must be filed by 1 p.m. today. Needless to say, all Senators should expect rollcall votes during every day of the session this week as we attempt to complete action on the very important issues before the Senate.

Mr. President, I see no other Senators on the floor, so I suggest the absence of a quorum.

The PRESIDENT pro tempore. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

(Mr. GRAMS assumed the chair.)

Mr. BYRD. 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. BYRD. Mr. President, I may take just a few minutes longer than 10. I ask unanimous consent that I may be recognized for such time as I may require.

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

Mr. BYRD. I thank the Chair.

FAIRY TALES OF FAST TRACK: THE MYTH OF TRADE NEGOTIATIONS PARALYSIS

Mr. BYRD. Mr. President, I wish to speak this morning on the subject: the ''fairy tales of fast track: the myth of trade negotiations paralysis.''

It has been said that if one wants a lie to stick, just keep repeating it, keep shouting it, until it just seems to become a reality. On the matter of fast-track procedures for congressional handling of trade agreements, we have a whopper being shouted from the housetops in congressional testimony and on the op-ed pages of our leading newspapers by people who surely ought to know better. An example of what I am talking about appears in the Washington Post today, authored by our esteemed former colleague and former Senate Republican leader, Mr. Bob Dole, who engages in vacuous, vapid

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

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vaporings in insisting that other nations will not play ball with us on trade if they think Congress is going to take a close look at what is negotiated, and, Heaven forbid, even have an opportunity to consider amendments to trade agreements negotiated by the administration.

Here is what Mr. Dole says, in part:

> The fate of fast-track legislation this fall may determine whether the President ever will negotiate another trade agreement.

Let us take a look again at that profound statement by Mr. Dole:

> The fate of fast-track legislation this fall may determine whether the President ever will negotiate another trade agreement.

Now, there is an assertion. One might get the idea that fast-track consideration of trade agreements is normal practice, and that it is the normal practice in considering trade agreements, Mr. President. But, fast-track consideration of trade agreements is as rare as hen's teeth. It has been done all of only five times since the first very limited fast-track authority was granted by the Congress in 1974. So, in nearly a quarter of a century, we have used fast-track consideration all of five times on this floor.

Can anyone guess how many trade agreements have been negotiated in that quarter of a century? The answer is, of course, hundreds—hundreds. We have had fast track on this Senate floor five times in a little over 23 years, but in the meantime, hundreds of trade agreements have been negotiated. And the Clinton administration, as a matter of fact, is quite fond of boasting of its record of entering into some 200 trade agreements, none of them subject to fast track except the GATT and NAFTA trade pacts.

The other clarion call that we hear repeatedly from the administration, repeated by Mr. Dole again this morning, is the issue of American leadership. The United States must lead in the global economy and if Congress wants to review and possibly amend trade agreements, that's the end of that.

Here is what Mr. Dole says:

> Global trade is inevitable, and Presidential fast-track authority is indispensable if America is to lead the community of nations into the next century.

Another quite profound statement; and mind-boggling, indeed. I would suspect that we are going to be talking about American leadership a lot this week, as the Senate reviews the need for fast-track authority that has been requested by the administration.

If a trade agreement is soundly negotiated and if it would be clearly beneficial to America, I think it is a pretty fair guess that the Senate will approve it without any amendment; without even the threat of an amendment. But the threat of amendments should prove valuable as additional leverage for administration negotiators on trade matters. Some of these negotiations are pretty tough, and I should think that the Senate's careful role in reviewing the product can be used to advantage. I do not think it hurts American leadership for our trading partners—some of whom are trading adversaries when they do not implement in good faith the agreements they sign with us and continue to restrict access to their markets for American goods—to know that the U.S. Senate is looking over their shoulders. It could be useful bargaining leverage, and if I were negotiating an agreement I certainly think it would be advantageous to have the weight of future Senate scrutiny to dangle over the head of a tough bargainer on the other side of the table.

The third point that our good friend Mr. Dole makes is that somehow our trade negotiators are cooling their heels and waiting for the Senate to give assured protection to their products before beginning their negotiations. Mr. Dole says:

> Some may ask why it matters whether other countries beat us in securing trade pacts with developing nations. What are we waiting for?

Now, there is a profound question: What are we waiting for? Mr. Dole suggests that the Senate is holding up negotiations. And nothing could be further from the truth. The administration already has authority given to it in law to negotiate trade pacts. This negotiating authority was most recently provided by the Congress in the 1994 GATT agreement, or Uruguay round, and it is good into the next century.

I do not notice any crippling of the administration's negotiating authority or of its ability to successfully conclude trade agreements without the use of fast track. At the moment, the United States has been negotiating a so-called multilateral agreement on investment, MAI, for 2 years, which is now 90 percent or more complete, with strong American leadership and without the assurance of fast-track legislation. It is unclear whether the administration intends to try to get this agreement approved by the Congress under new fast-track approval legislation. Nevertheless, this immensely complicated and very important multilateral agreement has been negotiated without the benefit—without the benefit of a promise of the Senate's pulling a black bag of no amendment guarantees over its head.

I think we need an analysis of all the trade agreements concluded by the administration. Let's take a look at the scorecard. Let's see if Mr. Dole is right that without the Senate's passing the new Export Expansion and Reciprocal Trade Agreement Act of 1997, all is lost—all is lost. Let's try to determine if the Founding Fathers were completely off the mark when they gave to the Congress authority over the regulation of commerce with foreign nations in article I, section 8—article I, section 8, of the Constitution, dealing with the powers of the Congress. The Founding Fathers did not want the President to have this authority, because our Founding Fathers' memories were not short indeed and the Founding Fathers were not at all enamored with the idea of a President of the United States gathering authority unto himself like they had experienced with King George III of England. So this exclusive power was not centered on the legislative branch by whim or by fancy. There were weighty considerations of a system founded on carefully balanced powers.

Therefore, let's not get stampeded by all the alarm bells, all of the Roman candles, all of the fire crackers of lost American leadership, of preposterous assertions about the behavior of our trading partners if we don't steer our constitutional system further in the direction of executive power. The scaremongers say that the Sun rises in the west. I don't believe it. I don't believe the Sun rises at the western end of Constitution Avenue. If it does, that's a very recent phenomenon.

If our trading partners truly want to make market arrangements for new flows of goods and services with the United States, we certainly have learned that they will do so, even in the reality of scrutiny of the Congress over those deals. That has not stopped any country or group of countries from negotiating with us to date. So why should it happen now? Let us not short-change ourselves. Don't belittle ourselves. Let's not lose confidence in ourselves. This is America, the engine of world growth; the largest market, the most coveted market in the world! It is embarrassing and it is wrong to say that the role of the Congress is standing in the way of success, damaging to our world leadership, or an obstacle to getting good agreements. And it is absolutely preposterous to maintain that other nations will not negotiate with us if we follow our constitutional system.

If trade agreements are in the national interests of other nations, they will be at the table. They will be at the table, in my judgment, Congress or no Congress. Now, when was the last time that Congress rejected a trade agreement or emasculated it beyond further international consideration? These arguments put forth by the administration, and dutifully repeated—dutifully repeated by our distinguished former Republican leader, are just a pretext for not going through the rigors of defending such agreements, and all parts thereof, before the elected representatives of the people who are going to be subjected to them, certainly affected by them, and who will perhaps pay for them.

I hope that the Senate will have an informed, lengthy, robust debate on trade this week. It is high time that the Senate talked about such agreements; high time that the Senate talked about the trade deficits that we are experiencing.

My distinguished and informed and most learned colleague, BYRON DORGAN, has been talking about this from time to time over the long weeks and

months. I have seen him bring charts into the Chamber. I have heard him discuss the shortsightedness of our negotiators and how we continually let ourselves be taken to the cleaners in trade negotiations.

So I hope that we will have a good debate on trade this week because, as I say, it's high time that the Senate talked about the trade deficits we are experiencing, about the barriers that exist for access to foreign markets and about the real advantages and disadvantages of trade for our economy.

Mr. President, so much for the vacuous, vapid vaporings of those who would have us steer away from the constitutional authority of the Congress and go down that road that we have been traveling on for so long—of taking a beating in trade negotiations.

Mr. President, I ask unanimous consent that the article by former Senator Bob Dole be printed in the RECORD.

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

[From the Washington Post, Nov. 3, 1997]

GET BACK TO THE FAST TRACK ON TRADE

(By Bob Dole)

As Congress rushes to complete its work and adjourn this week, I have found myself in the unusual position of urging my former colleagues to stay—at least until they pass legislation giving fast-track trade negotiating authority to President Clinton.

During my tenure in the Senate, I often made the point that we could do more good by going home and listening to our constituents than by staying in Washington. But the decision to give the president fast-track authority is urgent and must be made now. The initial steps already have been taken in both Houses. Now it is up to the president, his administration and congressional leaders to make the case for passage.

Very simply, passing fast track is the right thing to do. Our nation's future prosperity—the good jobs that will provide a living for our children and grandchildren—will be created through international trade. Members have recognized this reality, on a bipartisan basis, for more than 20 years, giving fast-track authority to every president from Gerald Ford to George Bush.

Today it is more apparent than ever that the debate between advocates of free trade and protectionism is over. Global trade is a fact of life rather than a policy position. That is why we cannot cede leadership in developing markets to our competitors through inaction, thereby endangering America's economic future and abandoning our responsibility to lead as the sole remaining superpower.

During Chinese President Jiang Zemin's visit, it has been instructive to look at China's efforts to expand its export markets and international influence, not just in Asia but in our own back yard. China has targeted Argentina, Brazil, Chile, Mexico and Venezuela as ''strategic priorities'' to develop bilateral trade. While our elected leaders continue to ponder whether we will be fully engaged in the global economy, China is moving forward to reach free-trade agreements giving Chinese goods and services a significant tariff advantage that will eliminate the U.S. edge in productivity and proximity. The European Union also is working with the Mercosur trading block (Argentina, Brazil, Paraguay, Uruguay and associate members Chile and Bolivia) to create a partnership that will exclude the United States and favor European products.

Latin American countries are negotiating bilateral and multilateral agreements at a rate that will make it unnecessary for them to wait for the United States. In a region that is projected to be the United States' largest market in just a few years, exceeding $200 billion in trade by 2002, we are allowing competitors to eliminate our natural advantage. If this trend continues without any action on our part, we will soon need Latin America as a trading partner more than it needs us.

Emboldened by our inaction, French President Jacques Chirac recently declared, ''Latin America's essential economic interests . . . lie not with the United States but with Europe.'' His comments are indicative of the growing belief that the United States lacks the political will to seize the lead in trade with developing nations. We must prove Chirac and other of like mind wrong.

Some may ask why it matters whether other countries beat us in securing trade pacts with developing nations. A better question, however, is: What are we waiting for?

Global leadership has enormous benefits—it increases our security and creates a multiplier effect for our exports. When we lead, the world accepts our way of doing business and our industrial standards, which, in turn, increases U.S. sales abroad. If China or the European Union beat us into developing markets, they will set the rules by which trade is conducted and influence the evolution of industry in fast-growing countries to their benefit.

Given that 96 percent of the world's consumers live outside the United States and that the global economy will grow at three times the rate of the U.S. economy, it is a certainty that many of tomorrow's high-paying American jobs will be created through exports. Every $1 billion in new American exports creates 15,000 to 20,000 American jobs. And, already, more than a quarter of our economic growth and more than 10 million jobs are the direct result of overseas trade.

In order to honestly and thoroughly consider fast track, each member of Congress must recognize that the president still must consult with Congress in negotiating trade deals and that no agreement will go into effect without being passed by a majority in both houses of Congress. Fast track is a vote on process, not on substance. It would be a travesty for the leader of the greatest nation on earth not to be free to negotiate with his counterparts as an equal.

The president also needs to lead on this issue. As the leader of his party, as well as our nation, President Clinton must step up his efforts to persuade fellow Democrats to support this initiative. Fast track will not pass the House with a few dozen votes from the minority: We need an all-out presidential push. The fate of fast track legislation this fall may determine whether the president ever will negotiate another trade agreement.

The private sector—the companies that will create new jobs based on exports—also must make more forcefully the case to the American public and Congress that passing fast-track legislation is vital to America's continued economic growth.

If Congress fails to pass fast-track legislation before adjourning for the year, the danger is that, because of election-year politics in 1998, it will not pass until the 106th Congress in 1999—or even 2001, after the next presidential election. By then, the working people of America will have lost unnecessarily.

Global trade is inevitable, and presidential fast-track authority is indispensable if America is to lead the community of nations into the next century.

Now is the time for the president and Congress to work together and pass fast-track legislation.

(The writer is former Senate majority leader and the Republican nominee for president in 1996.)

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business Friday, October 31, 1997, the Federal debt stood at $5,427,225,185,059.66 (Five trillion, four hundred twenty-seven billion, two hundred twenty-five million, one hundred eighty-five thousand, fifty-nine dollars and sixty-six cents).

One year ago, October 31, 1996, the Federal debt stood at $5,247,320,000,000 (Five trillion, two hundred forty-seven billion, three hundred twenty million).

Twenty-five years ago, October 31, 1972, the Federal debt stood at $439,947,000,000 (Four hundred thirty-nine billion, nine hundred forty-seven million) which reflects a debt increase of nearly $5 trillion—$4,987,278,185,059.66 (Four trillion, nine hundred eighty-seven billion, two hundred seventy-eight million, one hundred eighty-five thousand, fifty-nine dollars and sixty-six cents) during the past 25 years.

THE TOBACCO SETTLEMENT

Mr. ROBB. Mr. President, farmers face a great deal of uncertainty. The uncontrollable forces of nature or a volatile market can destroy a farmer's livelihood without warning. When the crops are planted, growers worry about whether they'll be enough rain—or too much; whether supply will be too great or demand too small; whether prices will be too low, or production costs too high. For tobacco growers, these unavoidable concerns were compounded when the tobacco industry and the 40 states' attorneys general unveiled their global settlement of tobacco issues on June 20 of this year. The parties did not address how the settlement would affect America's tobacco growers and their communities.

Much has happened since that time. Congressional hearings have been held, legislation has been drafted, and the President has reviewed the global settlement. A common theme runs through these separate actions, and that theme is that tobacco farmers and the families and communities that depend on them should not be punished by comprehensive tobacco legislation. I believe the President said it best when he remarked during his discussion of the tobacco settlement in September that:

We have a responsibility to [tobacco growers]. They haven't done anything wrong. They haven't done anything illegal. They're good, hardworking, tax-paying citizens, and they have not caused this problem. And we cannot let them, their families, or their communities just be crippled and broken by this. And, I don't think of the public health community wants to do that * * * We're trying to change America and make everybody whole. And they deserve a chance to have

their lives, and be made whole, and to go on with the future as well.

My staff and I have been working for a number of months on a proposal I believe may offer a means of making tobacco growers whole and providing the resources necessary to expand economic opportunities in tobacco-dependent regions. While we have discussed these concepts with various people, I would like to describe it more fully now so I can get broader feedback from interested parties. In putting together this proposal, we have talked to tobacco growers, local government officials interested in economic development, agricultural economists and members of the public health community.

To reduce youth smoking, health advocates seek an immediate and substantial increase in the price of tobacco products. If Congress adopts this strategy, it will have a substantial effect throughout the tobacco-growing regions, and I believe we have an obligation to provide a soft landing for the people who would be affected.

The plan we developed contains several components. First, it would compensate quota owners for the value of their quota, which is likely to be eroded over time by this government action. Second, it would dismantle the existing Federal tobacco program, which has been under annual assault, and reinstitute a privatized supply-limiting program. Third, it would target economic development funds to tobacco-dependent communities, to be used to attract quality jobs and train individuals for them. The effect of these changes, which I will describe in more detail, would be to give quota holders the value of their asset, guarantee that producers retain a program stabilizing the supply and price of tobacco, reduce operating costs to the grower by eliminating the expenses associated with buying or leasing quota, make domestic tobacco more competitive, and provide long-term economic development.

Buy-out of quota asset.—Tobacco quota refers to the amount of tobacco that can be produced domestically. Last year, there were 1.5 billion pounds of tobacco quota. Today, quota owned by an individual, which represents the proportion of the total amount of domestic quota an owner has the right to produce, is an asset which can be bought or sold or leased. Its value has accrued over time, and for many in tobacco-producing regions it is the major asset used to pay for retirement. Farmers acquire quota throughout their lives so they can grow tobacco to sustain their families, and then in retirement sell or lease it to others for income. A substantial and immediate increase in the price of tobacco products will decrease demand and will reduce the amount of quota. This erodes the value accrued by quota-holders, as their proportionate share declines with demand. Since so many have invested in this asset, many of whom rely on it for retirement, it is appropriate to compensate for the decline in value caused by a radical change in government policy.

I propose giving quota owners $8/pound for their quota. The funds would be paid out in five annual installments of $1.60/pound based on the 3-year average—1995–1997—of their basic quota. To avoid serious tax consequences, which would be the government giving with one hand and taking away with the other, the funds could be placed in a tax-deferred 401(k)-type plan, or used tax-free to reduce debt associated with acquiring the quota. This program would convert existing quota into cash, it would terminate the existing tobacco quota system, and a new program would be instituted to give growers the right to grow tobacco through the issuance of licenses.

New Tobacco Program.—It is crucial that we reconstitute some form of supply-limiting tobacco program. Without one, production shifts to large agribusinesses that are encouraged to grow as much tobacco as possible. The price for tobacco would plummet, and many communities where tobacco is now grown would be immediately devastated. A supply-limiting program stabilizes the price of tobacco, so that wild swings don't put small growers out of business, and limits production. While many agricultural commodity programs have moved away from the supply-limiting approach, I believe it is still appropriate in the unique case of tobacco. There is no other farm product where the ultimate goal is to increase the cost to consumers, not decrease it. In addition, the free market isn't so free in the tobacco industry, because there are essentially only four buyers who have unparalleled control over the market. To require farmers to contract individually with the few large buyers is to put the farmers at a gross competitive disadvantage.

The new tobacco program should be privatized to the extent possible. No one enjoys the annual uncertainty that follows from constant attempts to end the tobacco program. Growers, who benefit from the program, should be willing to take on the obligation of running it. Once all the quota has been bought out, the new system would grant licenses to actual tobacco producers. These licenses would go to all producers, whether they were quota holders, tenant farmers or quota leasees. There would be no significant cost associated with acquiring the licenses. These licenses would give the farmer the right to continue growing tobacco, but unlike the previous system that right could not be bought or sold or leased. In other words, that license, unlike quota, would not be a liquid asset. If the grower decided to stop exercising the right to produce granted by the license, the license would be surrendered to the issuing authority, which could then reissue the license to another grower. By wringing the value out of quota through the buy-out, producers will no longer face the expense of leasing or buying quota. Once that cost of operation is eliminated—which represents about 40¢ of the price of a pound of flue-cured tobacco—the producer can be more competitive, both here and overseas. And by being more competitive, the decline in quota will not be as steep, and growers will not suffer the severe dislocation that a sudden drop in quota would create, whether that drop is caused by decreased demand or increased costs of production.

I would like to see the creation of a privatized authority that would govern the production, marketing, importation, exportation, and consumer quality assurance of U.S. farm produced tobacco. This authority, which I'll call the Tobacco Production Control Corporation, could have a varied membership, and one option would be to have an authority with 21 members. The members would include the Secretary of Agriculture, the Secretary of Health and Human Services, the Administrator of EPA, the U.S. Trade Representative, nine representatives of Tobacco Loan Associations, four rotating representatives of the public health community, one representative from domestic cigarette manufacturers, one representative form the domestic export leaf dealers, one representative from tobacco marketing facilities, one representative from the Tobacco Marketing and Quality Assurance Corporation, and one representative from the agriculture department of a tobacco state university.

The Tobacco Loan Associations would be comprised of all licensees of each respective type of tobacco. Initially, licenses would be issued to all tobacco growers based on the 3-year average—1995–1997—of tobacco they produced. The Tobacco Loan Associations would issue licenses to control the quantity of tobacco production, and would assure compliance by levying fines. Additionally, they would arrange for financing and administration of price supports, including the right to receive, process, store, and sell any U.S. produced tobacco received as collateral for private price support loans.

The Tobacco Marketing and Quality Assurance Corporation would be created to determine and describe the physical characteristics of U.S. farm-produced tobacco and unmanufactured imported tobacco, operate a crop insurance program, and assure the physical and chemical integrity of U.S. produced and imported unmanufactured tobacco. This would insure that the tobacco being used in domestically manufactured tobacco products is of the highest quality and is free from prohibited physical and chemical agents. The Quality Assurance Corporation would consist of a CEO hired by the Tobacco Production Control Corporation and a staff experience in the sampling and analysis of unmanufactured tobacco and capable of collecting data and monitoring tobacco production and consumption information.

These are the elements that could constitute a new tobacco program. Under this proposed program, once the quota holder has received the value of the asset, a new system of regulating the production of tobacco would be created. This approach honors the value of quota, retains the price stabilizing benefits of the tobacco program but eliminates the current costs associated with acquiring quota, making domestic tobacco more competitive in the future. I'd like to acknowledge the insightful contribution of Henry Maxey, a tobacco grower from Pittsylvania County, who first presented this idea to a member of my staff in a meeting a few months ago in the Halifax office of Delegate Ted Bennett. While I've gotten input from an number of people since then, Mr. Maxey should be credited with getting the ball rolling.

Economic Development.—I would like to devote $250 million annually for economic diversification in tobacco-dependent communities. Unfortunately, the biggest export in many of the tobacco-growing regions is the children. They leave the area because there aren't enough high quality jobs in the community. Tobacco legislation provides us a unique opportunity to address this situation. The economic development funds should be used for two purposes: attracting quality jobs and training people to fill them.

I believe that economic development activities are best generated from those most familiar with a community's needs. Generally speaking, I believe that economic development funds should go to counties to carry out those activities that best suit their needs. I would envision that the funds would be distributed to localities based on their proportionate share of the amount of tobacco produced annually, which is a rough approximation of how dependent each community is on tobacco income. In order to foster long-range thinking and coordination in the region, the communities should develop and submit economic development plans. In the case where an independent city is surrounded by a tobacco-dependent county, but doesn't itself produce tobacco, representatives from the city should have a voice in the development of the county's economic development plan, due to the economic interdependence of the two independent governments.

In some circumstances, counties have banded together to form regional economic development commissions, like the A.L. Philpott Southside Economic Development Commission in Virginia. In that case, the commission should be given the authority to coordinate the economic development funds, allowing the various counties to benefit from a regional approach. Such an approach would avoid duplicative efforts to provide the same services or attract the same industries as a neighbor in the region, making the funds more effective. When coordinating the economic development investments, the commission will be required to target a certain percentage of the funds to the most tobacco-dependent counties as determined by their proportionate share of the amount of tobacco produced annually. This approach combines regional planning with local investment.

The funds can only be used for specific purposes, such as improving the quality of all levels of education in the region, promoting tourism through natural resource protection, constructing advanced manufacturing centers, industrial parks, water and sewer facilities and transportation improvements, establishing small business incubators, and installing high technology infrastructure improvements. We will need to insure, however, that these funds are not used to reduce the amount of funding that would otherwise be provided by the local, State or Federal governments.

Whenever there is a major shift in a program like the one this proposal contemplates, we need to be concerned about providing a smooth transition. In fact, the uncertainty created by the mere possibility of major tobacco legislation will undoubtedly affect tobacco growers next year, who expect a serious decline in quota because these issues remain unresolved. To make sure that current producers can survive until this new system is implemented over the 5-year buy-out period, we should consider giving a minimum of income protection during this period. One option would be to add protections in the event tobacco quota falls by more than 10 percent from 1997 levels. If that occurs, tobacco producers would be eligible for a $1/pound payment for lost quota from their 1997 level. This is especially important to farmers operating without much margin, as we make the transition to a more competitive marketplace.

I hope that these ideas generate some discussion and ultimately I intend to introduce legislation incorporating these ideas. My purpose is to find a mechanism that recognizes the changes facing the tobacco industry, and provides some degree of certainty to tobacco growers and their communities so they are not faced with cataclysmic upheaval as a result of those changes.

I look forward to working toward this particular goal with colleagues who are interested in this particular challenge.

52ND ANNUAL AL SMITH DINNER

Mr. MOYNIHAN. Mr. President, for half of our century—52 years—one of the notable events in the life of New York City has been the annual dinner of the Alfred E. Smith Memorial Foundation, sponsored by the Archdiocese of New York, and presided over by the cardinal archbishop, most recently by His Eminence John Cardinal O'Connor. The foundation supports the hospitals of the archdiocese.

The centerpiece, if you will, of the evening is the dinner speaker. Over the years, truly great men and women of our age have appeared in the ballroom of the Waldorf-Astoria Hotel. Kings, prime ministers—Winston S. Churchill was the 1947 speaker, in the company of James V. Forrestall—and Presidents or Presidential candidates by the score. It fell to me to write the first draft of Averell Harriman's address when he was Governor of New York; it was, I do believe, a distinction he treasured ever after. And now we have had Buffalo's gift to the Nation, Timothy J. Russert.

This year the speaker was Timothy J. Russert, Moderator of ''Meet The Press,'' which, come to think, is celebrating its 50th anniversary just now. Mr. Russert was by turns irreverent and riotous. But his purpose was profoundly serious and, if you will, reverent. It is something Al Smith would very much wish to have had said. We are just now in a phase of considerable self-congratulation about American society. A world away from the slums and factories that Smith, with his Tammany colleagues Robert F. Wagner and James A. Foley, along with Frances Perkins and, of course, Franklin D. Roosevelt helped transform. A world at once vastly improved, and grossly degraded. For in the course of resolving so many difficulties in our public life, we have seen a near-to-incomprehensible collapse in our family lives. As Mr. Russert states:

> At the turn of this century, just three short years from now, there will be seventy million children under the age of eighteen living in the United States. More than a third of them, one in three, nearly twenty-five million, will have been born into single parent households.

This is the central challenge to American institutions in the generation to come. Doubly so in that Congress and the President have chosen to eliminate the Social Security Act provision for dependent children, a drop-dead date not 4 years away.

Can anyone imagine Al Smith or his Industrial Commissioner Frances Perkins doing such a thing! One suspects that neither can Mr. Russert, but this is an unnecessary speculation. What is necessary is that his urgent and cogent words be read and absorbed as widely as possible.

To this end, Mr. President, I ask unanimous consent that the full text of this year's address to the Al Smith dinner be printed in the RECORD.

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

ADDRESS BY TIMOTHY J. RUSSERT

What an honor to be here. The roster of previous speakers is filled with luminaries. They are from a world I report on—the world of Washington politics.

But for some curious reason, a strange fate seems to befall those who have spoken from this podium. For example, in 1991, your speaker was former White House Chief of Staff, John Sununu. I should note, six weeks after appearing here, he was forced to resign. As he was contemplating his future, legend has it, he approached the revered First Lady, Barbara Bush, poured out his heart. ''Why is

it,'' he asked, ''that people seems to take such an instant dislike to me?'' The First Lady looked at him solemnly and said, ''Because it saves time John.''

In 1993, Bob Dole addressed the Al Smith dinner. Months later, he attended a White House function for former Presidents. He observed a remarkable scene. Three of your former speakers, engaged in private conversation. Jimmy Carter, Gerald Ford, Richard Nixon. That's right. Jimmy Carter, Gerald Ford and Richard Nixon actually talking to one another. In his customary stage whisper, Senator Dole blurted out, ''Look at those three. See No Evil, Hear No Evil, and Evil.''

In 1950, the year I was born, your speaker was Vice President Alben Barkley. Five short years later, he was the keynote speaker at Washington and Lee University's mock political convention, where he concluded his inspirational address by bellowing, ''I would rather be a servant of the Lord than sit in the seat of the mighty.'' Which was a prudent thing to say, because he promptly dropped dead of a heart attack. But nothing can equal your stellar line up in 1972. Your guest speakers, Kurt Waldheim and Spiro Agnew. Who booked that one? What were you thinking of?

A quick news update. I can report tonight that President Clinton is feeling a little better about Chelsea going off to college. He just figured out it freed up another bedroom for fund raising. It's not fair just to poke fun at politicians. We in television news certainly have our shortcomings. It seems we reduce everything to sound bites, devoid of content or nuance. David Brinkley recently observed, the way television news would report the unveiling of the Ten Commandments in 1997, would be as follows:

''Moses came down from the mountain top today with the Ten Commandments. Here's Sam Donaldson with the three most important.''

Yogi Berra said it best after flunking his English exam for the third time. I guess he wanted to go to journalism school. The teacher ran down the aisle, shook him and said, Yogi, don't you know anything? He looked up and said, ''I don't even suspect anything.'' I've had a few of my own humbling experiences. I am a recovering Buffalo Bills fan. For four years I took Meet the Press to the site of the Super Bowl. At the last game, in the Georgia Dome, the studio director was saying in my ear piece, ''You have thirty seconds, fill.'' So I looked into the camera and I said, ''Well, now it's in God's hands. And God is good and God is just. Please God, one time, go Bills!''

As I walked off the set, my colleague Tom Brokaw said, ''You Irish Catholics are shameless. You can't pray on the air.'' I said, I just did, Tom, and you'll see. Well, the Dallas Cowboys snuck by the Bills, 52 to 17. As I moped back to the hotel, Tom looked up and said, ''Hey Russert, I guess God's a Southern Baptist.'' But by far, the most extraordinary event in my life was when I first joined NBC in 1984 as the executive in charge of the Today program. I had grown up in Buffalo, watching a flickering black and white TV set with then Today cast of Dave Garroway and J. Fred Muggs.

I was determined to reinvigorate the Today Show—to travel the program around the world, to bring people to places they couldn't afford to go, or never see in their lifetime. Steve Friedman, the Executive Producer at that time said, you're right. Where should we go? I said, in the Spring, nothing better than Italy. The vibrancy, the fashion, the music, the art. And if we time it right, perhaps we could bring our viewers behind the walls of the Vatican—where Catholics and non-Catholics would have an opportunity to see the mysteries of that remarkable institution.

Friedman said, ''You're right. Get the Pope.'' I said, ''Get the Pope? Friedman, that's a big booking. I used to be an alter boy, but there are a few steps in between.'' So I wrote a letter to the Pope, and heard nothing back. I then faxed it to our bureau in Warsaw and had it translated into Polish. I journeyed to Philadelphia and met with the late Joseph Cardinal Krol, God bless him. A close friend of the Pope who is also of Polish descent. He read my letter, was very taken that it was written in vernacular Polish and said, ''Are you Polish?''

I realized it would be inappropriate to respond with anything but the truth. And I said, ''No, but I'm from Buffalo, some of my best friends are!'' Suddenly the phone rang and Cardinal Krol said, ''Would you like to come to the Cathedral? The young Diocesan Boy's Choir is preparing for Christmas.'' I said, ''There's nothing I'd rather do than listen to those little cherubs lift the rafters of the Cathedral.'' We went and they were magnificent. After about fifteen minutes, Cardinal Krol turned to me and said, ''You know, Mr. Russert, my dream is to one day have these young men sing for the Holy Father.'' And I said, ''This is *a* Cardinal!''

And having been trained by the Jesuits and the Sisters of Mercy, I quickly amended my letter to say, if His Holiness accepts our invitation, NBC will of course be accompanied by the Arch Diocesan Boy's Choir of Philadelphia. Who else? Two weeks later the phone rang. It was Cardinal Krol. He asked me to come to Rome and to meet with the Pope's advisors. And it was an extraordinary week as we went from meeting to meeting and ultimately I was lead into a room about this size. It was empty, but for myself. And suddenly the door opened, and there stood, dressed on white, the Holy Father, in my church, the Vicar of Christ.

And as he approached me, my mind quickly turned from NBC's ratings and Bryant Gumbel's career to the prospect of salvation. And you heard this tough, hard-hitting, nononsense moderator of Meet the Press begin by saying, ''Bless me Father.'' He approached me, took me by the arm and said, ''You are the man called Timothy from NBC.''

I said, ''Your Holiness, please don't ever forget this face.''

He said, ''They tell me you're an important man.''

I said, ''Your Holiness, with all due and deep respect, there are only two of us in this room—and I'm a most distant second.''

He put his hand on my shoulders, looked me in the eyes and said, ''Right.''

His Holiness agreed to greet the Today Show on live American television, a first. And I told Bryant Gumbel and Jane Pauley that this would be different. That they had met Presidents and Kings and Queens and Senators and Governors, but never the Pope. Bryant, who happened to be Catholic said, ''Don't worry, I can handle it.''

Suddenly the Pope appeared on television. It was Bryant's chance to ask him a question—direct to the people of America. And Bryant said, ''Your Holiness, these are pictures of my children. Would you please bless them?''

And Jane Pauley jumping in said, ''I have twins!''

An extraordinary week from the Vatican for NBC. I was accompanied by my wife who was pregnant. The Holy Father blessed her womb and said, ''Please bring your baby back to Rome next year.'' We did just that, and as we stood in the first row of the Papal audience, we proudly held our son Luke, who was wearing a white T-shirt with red letters, Totus Tuus. All Yours. That is the Pope's personal motto, which he uttered to the blessed Virgin after being shot. ''Blessed Mother,'' He said, ''if I live, I will rededicate my life to you. Totus Tuus.'' All Yours.

The Pope spotted Luke, rushed towards him, took him in his arms, held him high, admiring his face, his shirt. Exclaimed over and over again, very nice, very nice. I of course, had an NBC crew standing by, taping the entire event. I dubbed it into slow motion and shipped it to my Italian mother in law. After sharing it with her friends for several hours, even she is willing now to admit, there is some value in having an Irish son in law. But my wish that day in Rome is the same I have tonight. That all our children in New York will be as blessed and loved as my own, as your own.

Tonight you have taken an important first step. Your dinner tickets will fund pre and post natal care for teenage moms and their babies. But this must only be the beginning of our efforts. At the turn of this century, just three short years from now, there will be seventy million children under the age of eighteen living in the United States. More than a third of them, one in three, nearly twenty-five million, will have been born into single parent households. Many of them kids having kids. And we all know what that means for most of them. Your Senator Pat Moynihan warned about this thirty-five years ago, but the nation did not listen.

And now we have a generation of children who will not have a life of love and discipline and values, but an existence of drugs and gangs and sickness, and too often, death. Fifteen children a day are shot dead in the United States of America. The health care facilities of this nation, of this diocese, are going to be overwhelmed by these children. Oh how I wish we could change behavior, and try we must. For these children will either be our future work force who respect people and property and get to work on time, or they will be our future crime statistics.

Hopefully someday our society will proclaim its central mission is to convince our young people to finish school, learn a skill, get a job, get married and then have a baby. In that order. This, I believe, is the most important economic, national security and moral issue facing our nation. But in the meantime, we cannot just ignore the children in need. That is what Al Smith told us. It's what John Cardinal O'Connor has shown us. You won't read about it in the tabloids or see it on TV. He has refused to publicize his compassion, but your Cardinal has personally cared for more than one thousand people with AIDS.

Going alone at night, he holds their hands, empties their bed pans, combs their hair. Simply sitting with them in the final days of their life. It is called living the gospel. Helping the poorest of the poor, the sickest of the sick. That's what Al Smith did, and it's what John O'Connor does. And so must we all. I was hungry and you gave me food. I was thirsty and you gave me drink. I was sick and you took care of me. Words to reflect on as we return tonight to the comfort of the Upper East Side, Westchester, Long Island or wherever. Let us count our blessings but let us share our blessings with vigor and new urgency.

Tutoring, mentoring, being even more generous to the Al Smith Foundation. Catholic charities, the inner city scholarship fund. Together we can redirect lives and probably even save a few souls. Embrace the spirit of the happy warrior, Al Smith, and the holy warrior, John O'Connor. Two men it will always be said, who fought the good fight and who kept the faith. By the quiet eloquence of their example, they have defined our mission here tonight. To nurture and protect the uniqueness, the dignity, and the preciousness of life from beginning to end.

To care and to share. That is our charge. That is our challenge. As we leave the 52nd Annual Al Smith dinner, we remember the words of your speaker from 1960. ''Let us go forth asking His blessing and His help, but knowing that here on Earth, God's work must truly be our own.'' Thank you.

Mr. MOYNIHAN. I yield the floor and suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. ALLARD). The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

RECESS

Mr. BYRD. Mr. President, at the request of the distinguished majority leader, I ask unanimous consent that the Senate stand in recess until the hour of 2:30 p.m. this afternoon.

There being no objection, the Senate, at 1:01 p.m., recessed until 2:31 p.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. ROBERTS).

Mr. ROCKEFELLER addressed the Chair.

The PRESIDING OFFICER. The Senator from West Virginia is recognized.

FAST-TRACK AUTHORITY

Mr. ROCKEFELLER. Mr. President, I feel very strongly that we should give the President fast-track authority before we adjourn. He needs fast-track authority. We are not saying what is going to be in the trade bill that comes after the fast-track authority.

It is extremely important to remember that fast-track authority is something every President has had since 1974. There is absolutely nothing new in it. The idea that we would withhold from the President fast-track authority on the notion that only the Congress can negotiate trade agreements—Lord help us when it comes to the point where the Congress has to negotiate trade agreements. There are some trade agreements where we can put our imprimatur on that trade agreement, for example: NAFTA, which I voted against; GATT, which I voted for; Chile, which would be upcoming; or others.

But let's understand that in virtually all cases the President could go ahead and negotiate, his people at the U.S. Trade Representative's office could go ahead and negotiate trade agreements, and what the Congress thinks or does not think does not really apply. We would, obviously, watch that, and in the Finance Committee we watch trade very closely.

The whole notion of withholding from the President of the United States, in a highly visible action, withholding fast-track authority from the President of the United States, doing that in the Senate or in the House or both, is absolutely unthinkable in terms of good judgment, as far as I'm concerned.

I can tell you in my own State of West Virginia which is not exactly located on either the Atlantic or Pacific Ocean, that trade and exports are a tremendous part of our economy. We have tens of thousands of people who are working exclusively because of international trade. We need to be increasing that. We need to be opening up new markets not only as the State of West Virginia but also as a nation. There are about 11.5 million jobs in this country right now which are exclusively related to international trade. We ought to be pursuing that.

One of the people that I work with was talking with somebody from the U.S. Trade Representative's office the other day and that person had just come back from a certain part of the world—I think, South America—and said that other countries are going ahead and making agreements and cutting deals on trade and that they are bypassing the United States because we are withholding fast-track authority. It is expired. It doesn't exist. We have to reauthorize it. We need to reauthorize it.

Somehow, also, the idea that the United States exists all by ourselves in this world doesn't make sense anymore, much less the U.S. Senate being able to sit and determine what will happen in the world. I think the history of the last week and what has happened with the stock markets has shown that transactions are international, they are instantaneous, they are electronic, they depend enormously upon each country taking the maximum advantage of the comparative advantage which it has in terms of goods which it produces. The United States has an enormous comparative advantage. Not to take full advantage of that doesn't make any sense to me.

Actually, it might interest some people to know that West Virginia, which is not thought of as an internationally related State, in fact, is. In terms of the proportion of the jobs in our State which are related to products which are exported internationally, only three or, maximum, four other States export more of what they produce proportionately than does the State of West Virginia. So here is a State in the middle of the Appalachian mountains—not just because of coal, not just because of steel, but because of many things—we are highly dependent on the international trade environment.

Mr. President, I remember several years ago when fast track was still in existence. We had two votes. One was on something called NAFTA; the other was on something called GATT. We could have done neither of those unless we had first made sure that the President had fast-track authority, which he did. I happen to think NAFTA was a bad deal for the State of West Virginia and I think I have been proved correct. I would definitely vote again as I did then, which was to vote negatively.

On the other hand, GATT was tremendously important to the State of West Virginia. As somebody who is interested in trade, I went to Geneva to work with some of the international trade folks where the GATT, the General Agreement on Tariff and Trade, was being negotiated. I worked on antidumping. That is central to West Virginia's steel industry. I worked on countervailing duties. That is central to America's trading interests. Also, circumvention. Most people don't know what circumvention is. Here is a good example. Sony television used to make all of its television sets in Japan, and then export them to Mexico with everything done but the front piece glass—not the tube that actually radiates the pictures but the front piece of glass. That would be added on in Mexico and then would be exported into the United States from Mexico, counting as a Mexican import. That is circumvention for the purposes of trade law. In the GATT we were able to stop that. So Sony had to build a plant in America, hiring 1,000 American workers, to do what they had previously done in an entirely different fashion.

Trade law is important. Section 337 has everything to do with intellectual property protection. It is the future of our information technology that is at stake. So we could not even have negotiated the GATT agreement without fast track. I'm saying that the President of the United States and his team of negotiators ought to have the right to negotiate a critical trade agreement as they choose, but then we would have the right to either approve it or disapprove it according to how we felt. I think that is a perfectly reasonable relationship.

The Congress, in a sense, we up or down the trade agreement, but we don't down the process through which the administration can get into the trade agreement. We don't simply say, ''fast track you are not going to have,'' so you can't begin to negotiate a trade agreement.

I think that is totally counter to the purposes of international trade and frankly to the interests of my own State. So I hope that in the Senate and these coming days as we debate this issue that we would give the President of the United States the fast-track authority which President Reagan had, which President Ford had, which President Carter had, which President Bush had, and which President Bill Clinton ought to be able to have.

I yield the floor and 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.

EXECUTIVE SESSION

NOMINATION OF CHARLES ROSSOTTI, OF THE DISTRICT OF COLUMBIA, TO BE COMMISSIONER OF INTERNAL REVENUE

The PRESIDING OFFICER. Under the previous order, the hour of 2:45 p.m. having arrived, the Senate will now go into executive session and proceed to the nomination of Charles Rossotti, which the clerk will report.

The bill clerk read the nomination of Charles Rossotti, of the District of Columbia, to be Commissioner of Internal Revenue.

The PRESIDING OFFICER. The time for debate on the nomination shall be limited to 3 hours, with 60 minutes under the control of the Democratic leader or his designee, 90 minutes under the control of the Senator from New York [Mr. MOYNIHAN], and 30 minutes under the control of the Senator from Delaware [Mr. ROTH].

The Senator from Delaware is recognized.

Mr. ROTH. Mr. President, as we consider the nomination of Charles O. Rossotti to become the new Commissioner of the IRS, it's appropriate that we pause to take a good look at that agency as a whole. Let me say from the beginning, that Mr. Rossotti—who came before the Finance Committee just a little over 1 week ago—is uniquely suited to this confirmation. I am impressed by him and his background. Mr. Rossotti is a successful businessman—in touch with the needs, concerns, and risk-taking mindset of entrepreneurs. He has made his mark as a management consultant and expert on computer systems—a vital background at a time when one of the agency's major setbacks is its dysfunctional information system. I intend to vote for Mr. Rossotti's confirmation, and I encourage my colleagues to do the same.

Having said this, I also want to say something about the Internal Revenue Service and its current condition. September 23 to 25, the Finance Committee held what will be the first in a series of hearings to probe an agency that is cloaked in more secrecy than the FBI and the CIA. What we learned in our initial hearings was so disturbing that the IRS—its stories of abuses, mismanagement, lack of accountability and perverse incentives—continues to captivate the attention of taxpayers everywhere.

As last month ended, the House Ways and Means Committee, with the support of the White House, moved legislation to restructure the IRS. Chairman ARCHER is to be commended for his work. I compliment him on the job he has done in reversing the White House's position on the issue.

The growing effort to restructure and reform the IRS reflects the growing concern about the agency. Congressional switchboards have been inundated with calls from Americans who have their own tales of IRS-induced woe. Likewise, we have received thousands of letters, faxes, e-mails and notes—some of them hand delivered—each detailing another story of power run amok. A recent NBC News/Wall Street Journal poll shows that 21 percent of Americans report to have had some dealings with the IRS, in addition to simply filing their taxes. Of these Americans, a full 42 percent felt they were treated unfairly. Forty-two percent. And as if these statistics aren't compelling enough, the poll found that 70 percent of Americans believe that the incidents of abuse and mistreatment by the IRS that we uncovered in our hearings occur on a regular basis.

Mr. President, our hearings, these statistics—and the growing consensus we're witnessing in Washington—make it clear that something must be done to rechart the course of this powerful agency. On the Tuesday following our hearings, the Secretary of the Treasury and the Acting Commissioner of the Internal Revenue Service held a joint press conference to introduce what has been called a list of mini-initiatives. These included: keeping offices and telephone lines open one Saturday a month to address taxpayer grievances; giving taxpayers ''customer feedback surveys''; and, rewriting taxpayer notices in plain language.

Beyond these reforms, the agency, itself, has suspended four IRS managers, demonstrating an increased awareness of the abuses disclosed in our three-day hearings.

Each of these measures is a welcomed change. As Acting Commissioner Michael Dolan told the committee—that the IRS has made mistakes, handled taxpayer cases very badly, and caused Americans to suffer in ways they should not have. Acting Commissioner Dolan testified that the Internal Revenue Service has disrupted . . . lives without excuse.

My concern, Mr. President, is that these initiatives—though welcomed—may still be insufficient to meet all the problems that affect the IRS. To understand how the Government can collect the necessary and proper amount of taxes in a way that does not harass, abuse or overly burden the American taxpayer will take a thorough examination—one that engages not only Congress, but the agency and the administration.

Such a thorough examination will require 6103 authority—the authority granted to only two Members of Congress. Only by appropriately using that authority can we have a complete understanding of what must be done to properly restructure and reform the IRS.

The hearings we held a few weeks ago were intended as a solid beginning in a process that must be comprehensive. It is likely that we will get only one shot at restructuring the Internal Revenue Service. We must make certain that reform legislation addresses all the problems that we are in the process of discovering.

The problems—administratively and culturally—within the agency are the culmination of a history where power has been left unchecked, where objectives have been misapplied and priorities misplaced. They exist despite past reform efforts. And unless they are appropriately addressed this time around, they will continue to plague the agency.

Despite past efforts at reform, Lord Acton's phrase about absolute power is still given frightening clarity in an agency that—as we have shown—resorts to unethical or illegal tactics in dealing with taxpayers. Our hearings showed how IRS employees use pseudonyms, despite the fact that they are prohibited according to the agency's manual. We showed how blue sky assessments are made against Americans—assessments that have no basis in fact or tax law. We showed how they are used to hurt the taxpayer, or simply to raise the individual statistics of an IRS employee. We showed how statistics and quotas are used to rate employees, despite the fact that such usage is strictly prohibited, and how levies and seizures are used to measure employee performance.

We listened to heartbreaking testimony by courageous witnesses—private citizens whose lives have been torn apart by the IRS, as well as current employees of the agency who speak of horrific tactics and practices within the agency. One witness has disclosed how IRS abuse led to suicides, the break up of families, the destruction of businesses, and loss of financial credit and personal reputation.

Employees testified concerning a culture of secrecy, vindictiveness, abuse, and retribution that exists within the agency, itself—often targeted against employees, themselves. And let me say here, Mr. President, the vast number of IRS employees are good, hard-working, honest men and women. Without the help of the employees themselves, our hearings would have been impossible. We discovered that IRS employees want change. They understand that change is necessary. They are performing an extremely difficult duty—an important duty—under extremely difficult circumstances.

We heard of false allegations of wrongdoing against targeted employees. We learned about one senior agent who discovered an electronic listening device in the IRS employee break room, the area where agency employees are supposed to be able to relax and hold informal conversations. The room, Mr. President, had been bugged. Buttons were found under the desks of several IRS managers who were listening to their employees—violating their privacy. And as if this discovery wasn't bad enough, the senior agent who had discovered and reported the bugging devices was the one who was investigated. Our hearings, Mr. President, struck a chord with the American people. They struck a chord because Americans fear the IRS. It touches the life

of every family—of every business. And our hearings struck a chord because Americans believe Congress is serious about reforming the agency—reform that must be thorough enough to address the problems that we are continuing to uncover.

As I said when I opened the hearings, Congress has given the IRS awesome power in an effort to help the agency carry out its tremendous responsibility. In that Congress has given such power, it is also Congress' responsibility to ensure that it is being used prudently, constructively, and with regard for the taxpayer and employees of the agency. Working together, we must help the IRS get back to its mission statement—to collect the proper amount of tax revenue at the least cost; serve the public by continually improving the quality of our products and services; and perform in a manner warranting the highest degree of public confidence in [the IRS's] integrity, efficiency, and fairness.''

Toward achieving this, we must answer three fundamental questions that I posed during the Committee hearings:

First, does the IRS have too much power?

Second, if Congress were to limit that power, what expectations do we have that the new limits will be more effective than the old limits?

And, third, how do we go about changing the culture of the IRS?

With the painful disclosures still lingering weeks after the hearings, I believe it is safe to say that we have an answer to the first question. The IRS does have too much power. The very manner by which seizures, liens, and levies can be imposed—often without due process, and the manner in which the agency has now been shown to abuse those methods of tax collection—suggests that the IRS's power is beyond what would be considered necessary and prudent.

Now, Mr. President, we must focus on the latter two questions: How can Congress effectively limit the agency's power while allowing it sufficient authority to carry out its important responsibility? And what can we do to change the culture of the IRS?

As we turn our attention to these issues and consider possible legislative remedies, I want us to keep the following four criteria in mind:

First, we must restructure the Internal Revenue Service. The IRS—like many Federal departments and agencies—was created in the industrial age. While its mission is necessary to collect the revenue Government needs to run legitimate programs and services, its organization, administration, and infrastructure must be engineered to meet the needs, demands and expectations of the information age. The IRS must be dedicated to service. It must be responsive to taxpayer needs and above political influence.

Second, in restructuring the IRS, we must build into its system a mechanism that promotes accountability and continuous improvement. Our hearings raised serious problems about the lack of accountability of IRS employees. We found there to be little accountability for their actions—against taxpayers and internally, against employees of the agency. There is a need for a zero tolerance policy for improper and abusive behavior. There must be zero tolerance for failure to follow procedures and regulations. Accountability must also contain appropriate restraints on powers—especially the use of liens, levies and seizures—to assure that taxpayers are treated fairly. It must include a top to bottom review of employee evaluations, and make certain that such evaluations are not based on goals, quotas or statistics. There must be no promotion in spite of abusive behavior. And accountability certainly includes the ability to identify IRS employees. The IRS must include signatures on correspondence and do away with false identifications.

Third, comprehensive reform must address the issue of due process for taxpayers. Our investigation and hearings disclose cases where innocent taxpayers had liens placed against their homes, where they had their automobiles seized and bank accounts frozen without notification or the right to appeal. Restructuring and reforming the agency must include strengthening and implementing fundamental procedures for due process, and those procedures must be followed to protect and serve the taxpayer.

Fourth, and finally, reform and restructuring the IRS must result in more timely results for taxpayer problems. Our hearings showed that the IRS does not fix problems within a reasonable time frame. Change in this area must go beyond the systemic to embrace the culture within the IRS, as well.

Just as in the private sector, an employee's promotion should be based on his or her ability to serve the client—to resolve problems, not create them—to assure that a fair and appropriate tax has been paid, and not to harass or intimidate the client into paying more than is due.

These Mr. President are changes that can be made. Service must be the hallmark of the IRS. It is certainly the hallmark of America's finest corporations. Each day they become more effective and efficient, more service oriented and customer friendly. If they do not, they are quickly overtaken by other concerns, or they go out of business altogether. A mechanism that establishes self-sustaining improvement within the IRS is critical to the future of that agency.

As I said during the hearings, just as the IRS is quick to say that no honest taxpayer should ever fear an agency audit, the IRS itself should never fear congressional oversight. Congress must continue its oversight. One discovery from our first series of hearings is that it was the first time the full Senate Finance Committee—which has IRS oversight authority—has ever held such hearings. Congress must be vigilant. Our current efforts must lay a foundation for systematic oversight.

These four recommendations that have come immediately out of our hearings lay a strong foundation for the reform process. We have a consensus that something must be done. What we do must build on this momentum to assure that our effort at reform and restructuring is based on a complete understanding of the problems and necessary remedies.

Toward this end, the Finance Committee will continue to investigate and hold hearings. When Congress returns next year, the Finance Committee will hold additional hearings and work to act on reform and restructuring that addresses all the problems and concerns disclosed thus far. We will work with the House, the President, and Commissioner Rossotti—once he's been confirmed—to ensure that not only is there a complete understanding of the challenges and problems currently plaguing the IRS. We must ensure that such efforts at restructuring and reforming are complete, workable, and effective in making this powerful agency more efficient, more service oriented, and less frightening to honest Americans.

Mr. Rossotti has a background and the experience that will be invaluable in helping us bring about the kind of changes we believe are needed in the agency.

Mr. President, I yield the floor.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER (Ms. COLLINS). The Senator from New York is recognized.

Mr. MOYNIHAN. Madam President, our revered chairman, in calling up this important nomination of Mr. Charles O. Rossotti, spoke at length of the problems we have encountered with the Internal Revenue Service and spoke of the need for public confidence in that agency and the manner in which our tax revenues are collected.

He spoke of the determination of the Committee on Finance to see that this issue is addressed fully, comprehensively, and carefully. I would like to stand here and say that as this goes forward, there can be complete public confidence in the chairman of the Committee on Finance, Senator ROTH, that it will be done in a nonpartisan way. I don't think I should use the word ''bipartisan,'' because I don't think there is a Republican method of collecting taxes fairly and efficiently or a Democratic method. It is something that we must do properly as a Nation.

We do well to remind ourselves that we began as a Nation in protest against taxation we thought was improper and illegal and that this issue has never been far from our concerns, although not until recently has the Committee on Finance exercised its oversight jurisdiction. It is our duty to see what is going on in this large public agency,

which was founded in 1862 on the occasion when the Federal Government imposed for the first time an income tax. And which, as the distinguished chairman said, has the organization and pattern of the industrial age, as yet but little responsive to the modes of management which have emerged in a postindustrial age with great efficacy and public response.

I am here to state that there is complete support on this side of the aisle for the chairman's program. The particulars will emerge as we work at the facts, as we uncover them. We have our first hearing on the IRS restructuring legislation this Wednesday. Again, I will say this is not a bipartisan matter, it is a nonpartisan matter of central importance to the Federal Government. As the chairman indicated in his closing passage, the nomination of Charles Rossotti to be Commissioner of the Internal Revenue Service is an important measure of cooperation from the executive branch. The chairman noted that President Clinton has supported this. In particular, Secretary of the Treasury Rubin, much impressed by the work of the commission headed by a member of our committee, Senator KERREY of Nebraska, and legislation introduced by him and another Member, Senator GRASSLEY of Iowa, again in an across-the-aisle mode. It was Secretary Rubin who thought that the time had come to bring modern management modes into the IRS and, indeed, Madam President, Mr. Rossotti will be the first Commissioner not to be a tax lawyer in a half century, since World War II. This is not, as Everett Dirksen would have said, to slight the tax lawyers. They typically defend the public, the individuals against the Government, and their task grows steadily more rewarding as the tax code become steadily more incomprehensible. Still, we have brought the right man to do the job at this moment.

I would like just to offer a brief comment, if I can have the indulgence of the Chair, about an article which appeared in the New York Times, whilst we were contemplating this second phase of the effort which the chairman began with those 3 days of dramatic and powerful testimony. And that is an article by Paul C. Light, a professor of public affairs and political science at the University of Minnesota's Hubert Humphrey Institute, in which Professor Light pointed out that whatever we do to restructure and simplify the Tax Code, we still have a problem of organization within the IRS itself. We still have to do something to reduce the multiple layers of bureaucracy which, and I quote Dr. Light, ''leaves no one accountable for how agents treat taxpayers.''

I think you would find this is a normal development of an agency in place over a very long time in which you have career public servants in a system which has gradations of compensation, and presumedly responsibility that go from General Service 3 to General Service 17, and then there are supergrades beyond that.

You create this in a 19th-century mode. It is called civil service reform. And on this floor a century ago, 110 years ago, it was debated with great vigor. It meant to take the individuals in the public employ out of any area of political influence, political choice, patronage of jobs.

But it easily results in what Professor Light calls layering—the GS–5 on top of the GS–4, the GS–6 on top of the GS–5. And he gives this illustration, a very concise one. He said:

> Just imagine a bureaucracy that goes something like this: an agent—

The agent is the person who deals with the individual citizen—

> an agent reports to a district group manager, who reports to a branch chief, who reports to an assistant chief of the division, who reports to the assistant district director, who reports to the assistant regional commissioner, who reports to the regional commissioner, who reports to the chief of staff to a deputy assistant commissioner, who reports to the deputy assistant commissioner, who reports to the assistant commissioner, who reports to the chief operating officer, who reports to the deputy commissioner, and so on.

You haven't even reached the top of the layer.

That is the kind of progression you will get over a century in an organization in which the internal incentives are to be promoted, as they should be. It is how Colin Powell went from being a member of the Pershing Rifles at City College in New York, where I began my education, to Chairman of the Joint Chiefs of Staff of the U.S. Armed Forces. And they encourage them. But there can be too much. It can separate accountability to the point where it cannot be found in the system.

It has been remarked that the Catholic Church, which has been around for centuries, has managed all these years with just three layers of authority. You have Pope, bishop, and priest. There are some honorific; every so often a priest will be called a monsignor, but it is Pope, bishop, priest. And it is something to be thought about, as this whole subject is considered in the Congress.

We spend too little time on organizational matters, too little time on how much we have spread out agencies. I have been witness, in my time in Government, to a number of sequences by which the Bureau of Public Roads in the Department of Commerce, a small effective agency known in the 1920's and 1930's for its very vigorous civil service that was mostly working on farmer market roads, and then comes some other legislation, the interstate highway program, and the next thing you know you have the Department of Transportation.

I have seen small activities in the field of education. We had a commissioner of education, oh, going back a long way, and various able persons ran it. It was in the Department of Health, Education and Welfare. And don't you know, gradually it spun off and became the Department of Education. And there have been efforts in the other body to put an end to it. But by and large, these efforts are never successful. They take longer than you think. They are not very rewarding. You cannot put them in a newsletter.

As a matter of fact, we don't have newsletters anymore. I do not want to speak with anything less than the fullest admiration of our colleagues in the House of Representatives, but when I came to this body each Senator had a certain amount of funds—we had the franking privilege, which went back to 1790, and enabled us to write persons, to send out mailings to our constituents.

For my part, I represent some 18 million people. You cannot meet them, but you can write them. Or rather you could write them. The one thing from that great revolution we had across the way a few years ago is we abolished the one direct contact between Members of the Congress and the citizenry, which was the newsletter. The first one went out from Philadelphia in 1790, a gentleman from North Carolina, as I recall, telling his folks that there was not much going on just then, but he had hopes that there might be a tariff change which would improve the sales of our local product. By ''our local product'' he meant whiskey, corn whiskey, as against rum from the Caribbean. Indeed, it was an important source of revenue. And it kept the settlers across the Appalachians connected to the Atlantic coast as against the Ohio-Mississippi system which took them through French territory at the time.

We have lost that direct contact. This agency ought not to lose its. I was impressed, if I may say, by Mr. Rossotti's response on this point. We were speaking of these matters during his hearing, and I raised this issue of layering. And afterward he wrote me a letter in which he said—and I will take the liberty of quoting as I do not see any other Senator seeking recognition just now—he said:

> Your comment about the ''layering'' that accumulates in many large organizations that are organized on traditional lines is getting at a very important point. Excessive layering often lies at the heart of many problems, especially the difficulty upper management faces in understanding accurately what actually goes on in the front lines. It can also slow down action to fix problems. Of course, I do not yet know enough about the specific facts at the IRS to know how this problem affects the IRS and what might be done about it. As I begin my assessment of the situation at the IRS, however, I will most certainly be thinking hard about this issue.

If I may say, this is a promising response. We have had lots of nominations before our committee in the 21 years that you and I have served there together, sir. And without in any way disparaging any of my predecessors, this is the first evidence I have ever had of any of the nominees listening to

anything that we said. Perhaps at most they keep an ear open, thinking that as soon as we stop talking, it is over, and ''I can get out of here and on with my job.''

But to get a letter like that back—well, Mr. Rossotti is a management specialist. He deals with modern systems. He has built an international firm for which people engage him to help them with the kinds of problems we have here. It is a good beginning.

Now, sir, one last point. The employees of the Internal Revenue Service are well-paid public servants, but none of them makes a third of the salary of an average tax attorney. And the average tax attorney has to master this—what is it?—9,479 pages of the Internal Revenue Service. Look at it—9,479 pages. That speaks dereliction of our duty. We can't go on producing these.

I take the liberty of displaying to the Senate and to our distinguished Presiding Officer the bill we adopted on July 31—820 pages added to the 9,479; 820 pages entitled Taxpayer Relief Act. What taxpayer relief will there be from having the IRS have to understand what is in here, as well as individual taxpayers? We better watch this. It is the way organizations can develop. It is a form of entropy. Energy goes down the system, complexity goes up and abuse takes place.

We can attend to organizational matters as much as we want. We can certainly attend to abuse. But until we simplify the Tax Code as a multiyear effort, as one that is real, we will fail to address the heart of the problem. Remember the simplifiers that took over on the other side of the Capitol who said we will get rid of all these complexities? What did they do? They added 820 pages. That speaks to a systemic problem, and we are old enough and capable enough as a society to address them. I, for my part, am hugely pleased that we will.

I want to thank again our chairman, without whom this would not be taking place, and thank Senator KERREY of Nebraska and thank Secretary Rubin. This is a good beginning and a good note on which to start. I urge the confirmation of Mr. Rossotti, an extraordinarily able man.

I do not know that political party has ever entered into the calculation of who ought to be the Commissioner of the Internal Revenue, but I do expect that by and large it has been a person who is of the same party as the President who nominates him. It is an interesting fact that this is not the case in this instance. I am sure we will have his cooperation, and I am sure you will know how to use it to the greatest public advantage.

I ask unanimous consent to have the previously referred to material printed in the RECORD.

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

OCTOBER 27, 1997.

Hon. DANIEL P. MOYNIHAN,
U.S. Senate, Washington, DC.

DEAR SENATOR MOYNIHAN: I want to thank you very much for your quick consideration of my nomination and for your supportive and generous comments at my hearing.

Your comment about the ''layering'' that accumulates in many large organizations that are organized on traditional lines is getting at a very important point. Excessive layering often lies at the heart of many problems, especially the difficulty upper management faces in understanding accurately what actually goes on in the front lines. It can also slow down action to fix problems. Of course, I do not yet know enough about the specific facts at the IRS to know how this problem affects the IRS and what might be done about it. As I begin my assessment of the situation at the IRS, however, I will most certainly be thinking hard about this issue.

Once again, thank you for your help, and if I am confirmed I look forward to working with you in the months ahead.

SINCERELY,
CHARLES ROSSOTTI.

[From the New York Times, Oct. 18, 1997]

THE TAX AGENCY'S LAYERED LOOK

(By Paul C. Light)

PHILADELPHIA.—Before Congress and President Clinton create an oversight board to monitor the Internal Revenue Service and end taxpayer abuse at the agency, they should take another look at what made that abuse possible.

There are simply too many layers of bureaucracy at the I.R.S. which leaves no one accountable for how agents treat taxpayers.

Creating an oversight board won't make a difference unless it can see abuse happening at the bottom. The solution, then, is not to add layers of supervision, but to get rid of them.

The I.R.S. has been lengthening the chain of command for decades. In 1960, for example, the senior leadership consisted of just 13 people. By 1996, despite efforts to streamline the agency it had grown to more than 60.

There can be something like a dozen layers of supervisors between the President, who is the chief executive of the agency, and agents in regional offices.

Just imagine a bureaucracy that goes something like this: an agency reports to a district group manager, who reports to a branch chief, who reports to an assistant chief of the division, who reports to the assistant district director, who reports to the assistant regional commissioner, who reports to the regional commissioner, who reports to the chief of staff to a deputy assistant commissioner who reports to the deputy assistant commissioner, who reports to the assistant commissioner, who reports to the chief operating officer, who reports to the deputy commissioner, and so on.

No wonder rogue agents thought they could get away with harassment. Had the I.R.S. added field agents instead of new layers of supervisors perhaps district managers wouldn't have needed to institute the collection quotas that fueled taxpayer abuse.

Some legislators believe that simplifying the tax code is a solution to the agency's problem, but that won't make the I.R.S. any less likely to abuse taxpayers. The best way to reduce taxpayer harassment is not a flat tax, but a flat I.R.S.

Mr. MOYNIHAN. I yield the floor.

The PRESIDING OFFICER. The Senator has 11 minutes remaining.

Mr. ROTH. I yield myself such time as I may consume.

I assure my distinguished colleague I will be very brief.

I want to point out that the hearings we held earlier this year were the result of the close cooperation between the minority side and majority side. I appreciate very much the full cooperation and assistance that the distinguished Senator from New York provided us.

We look forward to bringing about reform that has nonpartisan support. I think the Senator is perfectly correct. It is not a Republican, it is not a Democratic, it is a nonpartisan solution that we seek.

I have to say that I do think we are very fortunate in having a distinguished individual like Mr. Rossotti to be available. I think you made a very strong case as to why he should be confirmed because he has the very qualities and the very experience that I think are essential at this particular juncture.

You talked about the layered lives within the IRS. Mr. Rossotti is, fortunately, an expert on management. He is an expert on high technology. As I understand, much of his experience is giving advice and consulting with large firms as to how to become more effective, more efficient. So I think you made the point very well.

I think next year, I say to my distinguished friend and colleague, it is critically important that we begin some steps to simplify the Code. That is something I want to consult with you at the staff level because it is complex. It is going to be a multiyear effort. But there is no time better suited to start this than next year. I look forward to working with you on this important matter.

Mr. MOYNIHAN. Madam President, may I thank my dear chairman for saying there is no time like now. What a better moment to start addressing the Tax Code than that point which, nominally at least, we have a balanced budget and we are not driven by the exigencies of revenue as such. We can address the question of complexity, efficiency, and clarity.

Simplicity—we are a republic. We are meant to be simple. Good people of Maine would like that, I think, and I think the people of Delaware would. In New York we are somewhat given to complexifying, but I think we might find a little simplicity refreshing.

I yield the floor.

Mr. ROTH. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll. The assistant legislative clerk proceeded to call the roll.

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

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

Mr. GRAMS. Madam President, I ask unanimous consent that I be allowed to speak for about 5 minutes and that the time be deducted from the time of the majority leader.

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

IRS REFORM

Mr. GRAMS. Madam President, before we vote on IRS Commissioner nominee Charles O. Rossotti, I'd like to take this opportunity to make a few remarks about the direction IRS reform should take.

But first let me commend Mr. Rossotti for his courage to take on this job. I believe with his expertise and experience in private business management, Mr. Rossotti is qualified to head the agency, and I am confident that he will help improve IRS services and management.

Madam President, the American people have every right to be outraged by the disturbing details that emerged during 3 days of Senate hearings into the tax collection practices of the IRS.

Testimony from taxpayers and current and former IRS officials provided chilling accounts of mistreatment, abuse of power, and the merciless trampling of citizens' rights. What's even more shocking is that these improper and illegal practices within the IRS aren't random occurrences—they happen regularly.

For decades, IRS agents have routinely snooped through the supposedly confidential tax files of thousands and thousands of Americans. That could include me, or you. IRS agents are evaluated and promoted based on their total tax collections, a practice outlawed a decade ago.

IRS managers often cover up abusive behavior by collection agents. In stark contrast to our legal system, all alleged tax debtors are assumed guilty and treated as criminals.

The distressing tales told by the Senate witnesses were hardly isolated incidents; hundreds of working, law-abiding Minnesotans have contacted my office with similar grievances.

Though the individual details of their stories vary, the message is the same: the IRS devastated their lives. Many lost their homes, cars, businesses, and professional licenses—not to mention their reputation and self-respect.

Congress established the IRS with good intentions but the agency has evolved into what Nobel laureate Dr. Milton Friedman labels ''a self-generating monstrosity over which the people have little control.''

As a result, our tax system has become extremely complicated, difficult even for IRS experts to understand, and our tax burden has become so heavy and so unfair that it's unbearable for many working Americans.

The tax system under which the IRS operates today has become a redistributor of private incomes, a mechanism to enforce social re-engineering, and a launch pad for class-warfare.

It is anti-family. It destroys economic opportunity, hinders our job creation, impedes productivity and retards competitiveness. It has deepened the despair and disaffection among the poor and disadvantaged. It encourages abuse, waste, and corruption.

Congress deserves much—if not most—of the blame for the abuses of our current tax system because it is Congress that writes the Tax Code in the first place.

There are now nearly 10,000 pages of Tax Code, 20 volumes of tax regulations, and thousands and thousands of pages of instructions.

Besides making the tax system so complicated, Congress has seriously neglected its oversight responsibilities over the IRS. In fact, the Senate hearings were the first formal oversight of the agency ever conducted by Congress. That in itself is very shocking.

Congress for decades has been passing new tax laws and regulations without looking back to see how the system has been affected, or if it's working, or if it's unfair.

It's more obvious than ever that the present tax system will fail to lead us into the next century without fundamental reforms. But can Washington fix the IRS problems it created? Yes—if Washington can muster the political will to do it.

The first thing Congress must do is take its oversight responsibility of the agency more seriously. Let's end the secretive ways of the IRS and open the process to the sunlight.

Let's put the IRS under strict scrutiny, periodically reviewing its operations, exposing abuses, and ending illegal practices.

I welcome the fact that President Clinton changed his mind and presented a plan aimed at improving taxpayer-assistance services at the IRS, including a board with private citizens to oversee the agency.

Although this is a positive step, the proposed changes are mostly cosmetic and will do nothing to address the deep-rooted deficiencies within the IRS. Very simply, the heart of the problem with the IRS is the tax policy on which all IRS decisions are based.

To end the abuse once and for all, Congress must pass new legislation to reform our tax system and replace the ever-more-complicated Tax Code with one that's simpler, fairer, and more friendly to taxpayers.

The American people deserve a fair Tax Code that promotes harmony between people and doesn't separate us into classes, a code that encourages work and savings; a code that rewards families and success rather than penalizes them; a code that stimulates real economic growth and produces more jobs and, yes, higher tax revenues; a code that allows taxpayers to keep more of their own money.

Congress must explore every available solution in our quest to re-create our tax system and achieve these objectives.

Passing the House IRS bill may sound tempting, as it does make some needed changes, but I agree with Senator ROTH that we need to do the job right the first time around, not accept minor changes that may prevent or delay efforts to reform our overall tax system.

Madam President, the leadoff witness at the Senate IRS hearings summed up the debate with a message Congress cannot ignore: ''If the public ever knew the number of abuses covered up by the IRS, there could be a tax revolt.''

The public is beginning to understand the depth of the IRS problems. Tinkering with the IRS won't work and the time for real tax reforms is now.

Thank you very much. I yield the floor.

Mr. GRAMM addressed the Chair.

The PRESIDING OFFICER. The Senator from Texas is recognized.

Mr. GRAMM. Madam President, I yield myself such time as I might use off the leader's time.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

IRS REFORM

Mr. GRAMM. Madam President, I wanted to come over today and talk about the IRS and about reforming the IRS. We are on the floor considering the nomination of Charles Rossotti to be head of the IRS. We had an excellent hearing on the nomination in the Committee on Finance. His background is somewhat different in that he is an information management person, a very successful businessperson. I believe that he will be an excellent head of the IRS. I intend to vote for him. However, like most people who have spoken during this time, I want to talk about reforming the IRS, not the naming of the new head of the agency.

First of all, Madam President, I want to reject the idea that what is wrong at the IRS is sort of a sociological environment that has developed there. We heard a little of that during our hearings. We heard a lot of it from the Treasury Department when an effort was undertaken to try to change the IRS.

The whole logic of this argument, which I reject, is that the problem at the IRS is that an atmosphere has developed, that there is this sociological environment that has come into existence over a long period of time, and what we really need is to have some counselors come in and have sensitivity training for IRS agents and that will make everything great.

We then have terms used, and I would have to say by Members of both parties, such as, ''Let's make the IRS a consumer-friendly agency.'' I am afraid that just reeks of nonsense to me. Let us not forget that we did not create the IRS with the best of intentions. Congress created the IRS to get money from people who, by and large, did not want to joyfully give. When it comes to the IRS, most Americans are not happy givers. They believe that Government spends too much money. I share that belief. They believe that the Government spends it inefficiently and unwisely. I share that belief. In fact, both

of those beliefs would be strengthened if the average citizen could spend 1 week as a Member of the Senate. People do not like paying taxes. They object to much that the Government does, and the IRS uses the power of the State to force people to provide money that, by and large, they do not want to provide.

But there has developed a notion that somehow at the end of this process, when the agent calls up and says, ''I'm from the Internal Revenue Service and I want to help,'' people would say, ''Well, gosh, great; it's awfully nice that you called. This is the beginning of a good day, possibly a good week or year and may be a turning point in my life.''

If we are going to approach the IRS problem from the point of view that the agents simply need sensitivity training or that this can become such a friendly Government agency that people will be happy to hear from it, I think we are making a terrible mistake.

I think the problem with the IRS is very easy to define and quite hard to do something about. The problem with the IRS, to paraphrase an ancient Greek, is that power corrupts. The basic problem with the Internal Revenue Service is that IRS agents, in the bureaucracy that has developed to collect taxes, have tremendous power. I guess the best way I found to try to get people to visualize it is to talk about a courtroom. Most of us, fortunately, have never been in a courtroom, but almost everybody has seen it on television or at the movies.

Think of yourself as going into a courtroom and the judge is from the IRS. You look over at the jury, and the 12 jurors are all from the IRS. And then you look over at the prosecutor's table, and the prosecutor is from the IRS. And the policeman who is going to testify, having arrested you, is from the IRS. And you walk into the courtroom faced with a presumption that you are guilty.

Now, that sounds like a picture that is completely out of focus as far as the American system of justice is concerned. But in reality that is an accurate picture of a taxpayer dealing with the Internal Revenue Service.

Now, the question is, how do you change that picture? How do you do it in such a way as to guarantee due process? How do you separate the powers of the IRS to eliminate the abuse? And how do you do it all in such a way that you do not undermine the ability of the Internal Revenue Service to collect $1.6 trillion a year in taxes from working Americans.

That is our challenge. I want to congratulate our colleagues in the House for their efforts. I want to congratulate Senators GRASSLEY and KERREY for their IRS restructuring commission effort. I think that effort gave us a good starting point. I think Chairman ARCHER's bill is a good bill.

But I would have to say that I agree with Chairman ROTH, that what we need to do is to carry this issue over until next year. We had very productive hearings, hearings that awakened not only us but the American people to abuses in the IRS. But now, before we legislate, we need to hear from some people who have ideas as to how we fix the problem. I think we need to hear from financial experts, including people from the Internal Revenue Service. I think we need to be certain that this issue has been thoroughly examined.

I would like to share just a few thoughts and then yield the floor, because I see that we have other colleagues who have come to the floor.

First, I believe that we need, to the maximum extent possible, to try to find a way to separate powers that are currently joined together in the Internal Revenue Service. It seems to me, if you look at the criminal justice system, that the separation of functions represents a separation of powers that, while it doesn't always succeed, while there are failures and abuses in the system, at least in the criminal justice system you have the police that do the investigating and then they take their evidence to the district attorney and the district attorney evaluates their evidence and in the process evaluates them. And then the district attorney goes to a grand jury and the grand jury evaluates the evidence and makes the determination as to whether there is sufficient evidence to take you into court. If they decide there is, you go into a court where you have a judge and where you have a jury. And the investigating police, the district attorney, the grand jury, the judge, and the jury all represent separations of power and checks on the potential abuses of one or the other.

Our problem in the Internal Revenue Service is that this one agency performs all of those functions. It seems to me that the first thing that we have to try to do is to find a way to separate those functions so that each of these different levels of our dealings with the Internal Revenue Service represents a check on the potential abuses of the other level or function that we are dealing with.

Obviously, this is a golden opportunity for us to look at the Tax Code, to look at its complexity, to look at the degree to which it is unfair, and try to fix it. I am not one of those who believes that short of Heaven we will ever eliminate the Internal Revenue Service. We can change its name, we can change the plaque, we can take down the flag, but in reality, as long as the Government spends massive sums of money, somebody, some agency is going to have to collect that money. But I think, with a simplified system, we could dramatically change the way the IRS works by making it easier for citizens who intend to abide by the law to do it.

I think also that, to the degree that we control Government spending so that Government takes less, to the degree that we spend the money more wisely, then I think we would make people more willing to pay taxes. The great Abraham Lincoln was quoted during the Civil War as having said that he was a joyful taxpayer. He perhaps was the last one in America. Because he supported winning the Civil War. I think, to the extent that we can make the system simpler and fairer, to the extent that we can be wiser in our expenditure of money, that we can improve the situation. But, in the end, the Internal Revenue Service has too much power. We need to shift the burden of proof. The Internal Revenue Service should have the burden of proving that someone is a lawbreaker. We should not begin with the presumption, when you are dealing with the Internal Revenue Service, that the taxpayer is guilty.

It seems to me that we ought to also look at a system where, if I am trying to run a business and the IRS comes in and audits me and I spend $250,000 on accountants and lawyers, defending myself from the IRS, and at the end the IRS says, or the judge and jury say: This was all a mistake. You didn't do anything wrong. If that turns out to be the case, it seems to me that small business ought to be able to go into court and say: Look, I spent $250,000. I didn't do anything wrong. The IRS didn't even say it's sorry. Maybe the IRS ought to have to pay that small business $250,000 and pay their court costs.

A final point which has almost never been mentioned in this debate but which I want to mention here because I think it has to be a factor in our deliberations, is that at the end of the day, with whatever we do in reforming the IRS, it still has to be able to collect taxes. I have no sympathy for people who cheat on their taxes. People who cheat on their taxes make the rest pay more. And as we strengthen the rights of taxpayers—which I am in favor of, and I intend to fight hard for—as we shift the burden of proof, as we divide the powers of the IRS and make it less intrusive, to the extent that such reforms make it easier for people to cheat we have to have stiffer penalties for those who knowingly violate the law.

So I think we have quite a legislative effort ahead of us. I think we have a golden opportunity to do something that is important. I want to congratulate Chairman ROTH and the Finance Committee because I do believe we had an excellent set of hearings. But simply because we know more about the problem does not mean that we yet know the solution. I am hoping that we can have equally productive hearings on ideas from people around the country as to what could be done to fix the IRS, how we could change the system. We should take the time to get it right, be more comprehensive in what we want to achieve, and build on an excellent bill that came over from the House. We have an opportunity to dramatically change the Internal Revenue

Service and convince Americans that, while the Government is still spending too much money and is not spending it as wisely as it should, that the tax system is fairer and that the collection process is fairer as a result of the reform efforts that we are about to undertake.

I don't think people expect to love their Internal Revenue agent, unless they married one or unless one is their child or their parent. But they expect to be treated fairly. And obviously they know when they are contacted by the IRS that they are potentially in deep trouble, and it is that threat that drives many people to go ahead and declare income that they might have hidden and to pay taxes that they didn't want to pay.

So, finding this balance, I submit, is going to be a difficult task. I am very grateful that I am on the Finance Committee and I am going to have an opportunity to play a small role in it. I think it is important. I am glad that we are waiting to gather more facts, not just on the problem but the solution. I thank my colleagues for their tolerance and I yield the floor.

The PRESIDING OFFICER (Mr. ALLARD). WHO YIELDS TIME? THE SENATOR FROM MICHIGAN?

Mr. ABRAHAM. Mr. President, I seek unanimous consent to speak for up to 5 minutes, the time to be deducted from the leader's time.

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

Mr. ABRAHAM. Mr. President, I don't believe I will necessarily need the full 5 minutes, even, but let me speak today about an issue of great concern to the citizens of my State.

The PRESIDING OFFICER. The Senator from Michigan is recognized.

BERRY ALERT CAME WEEK AFTER SALE

Mr. ABRAHAM. Mr. President, in March of this year, over 200 schoolchildren in my State contracted the hepatitis A virus from food served by the school lunch program. As news of the outbreak began to pour in, the Michigan Department of Community Health and the Centers for Disease Control went into action to determine the cause. They soon found the culprit: frozen strawberries sold to the school lunch program by a San Diego company named Andrew & Williamson. Investigators also discovered that some of the strawberries sold to the school lunch program had been illegally certified as domestically grown when, in fact, they had been grown in Mexico.

Mr. President, these strawberries should never have been served in the school lunch program in the first place. By law, products sold to the school lunch program must be certified as being domestically grown.

Companies have typically been trusted to do the right thing, but Andrew & Williamson chose to do something else. They chose to misrepresent their product's country of origin and over 200 people were poisoned as a result.

But now, Mr. President, disturbing new information has come to light from the criminal case against Andrew & Williamson which indicates USDA officials may have had advance warning of the illegal strawberries. An article in Saturday's edition of the San Diego Union Tribune disclosed that USDA was alerted 1 week after the school lunch purchase from Andrew & Williamson that the fruit was from Mexico. In addition, the newspaper also reports that the Federal official at USDA who was alerted thought it serious enough to file an administrative report and wanted to investigate the charge, but was rebuffed by her supervisor.

Mr. President, I ask unanimous consent that the text of the San Diego Union Tribune article be printed in the RECORD.

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

[From the San Diego Union-Tribune, Nov. 1, 1997]

BERRY ALERT CAME WEEK AFTER SALE

WITNESS SAID HE WARNED USDA THAT FRUIT WAS GROWN IN MEXICO

(By Rex Dalton)

A federal official received an early complaint in October 1996 that a San Diego company was illegally selling Mexican strawberries to the federal government for school lunches, according to newly released documents.

That means the U.S. Department of Agriculture knew about the sale four months before the strawberries were served in February. The USDA did not investigate until after the berries caused about 270 cases of hepatitis A in Michigan schools in March.

In fact, the 1.7 million pounds of frozen strawberries had not been delivered to government warehouses when the warning came in, shortly after the USDA's strawberry purchase was announced Oct. 17, 1996.

The disclosure of the early warning is in witness statements recently released under unusual circumstances to defense attorneys for Andrew & Williamson Sales Co. Inc. of Otay Mesa.

The stawberry-processing company and two executives were indicted on charges of fraud and making false statements in connection with the sale of Baja-grown fruit to the USDA for the National School Lunch Program. The charges are not related to contamination of the berries. Produce sold to the program must be grown in the United States, according to federal law.

The witness statements were made in April to the USDA's Office of the Inspector General, but were not disclosed to defense attorneys until Oct. 14. The defense attorneys had received many other witness statements and documents after the June indictments.

Joseph Milchen, the attorney for company founder Frederick L. Williamson, said he received the key witness statements from the U.S. Attorney's Office in San Diego. The U.S. Attorney's Office informed Milchen it sent the statements right after getting them from the USDA.

Williamson, 60, of Oceanside has pleaded innocent. The other executive, Richard H. Kershaw, has pleaded guilty.

The San Diego Union-Tribune reported in September that at least three leaders in the California strawberry industry told USDA officials in January that Mexican strawberries were being sold illegally to the lunch program. The berries were served around Valentine's Day and the hepatitis A cases developed within a few weeks.

At congressional hearings in the spring on the hepatitis A epidemic, USDA officials testified they only had vague allegations about a possible illegal sale shortly before the outbreak.

When Sen. Spencer Abraham, R-Mich., learned *The Union-Tribune* had reported the USDA had evidence in January of an illegal strawberry sale, he expressed outrage and called for a Senate hearing on the USDA's handling of the strawberry sale.

Sen. Paul D. Coverdell, R-Ga., chairman of the Senate Agriculture Subcommittee on Marketing, Inspection and Product Promotion, then began working to set up the hearing into the USDA's accountability.

Against this backdrop of heightened concern about food safety and imported produce, the new witness statements were released in San Diego.

Phillip L.B. Halpern, an assistant U.S. attorney whose office is handling the Andrew & Williamson prosecution, could not be reached for an interview.

USDA officials in Washington declined to comment.

The agency is continuing to investigate the Mexican strawberry sale, which also has been linked to nearly 50 cases of hepatitis A in Maine, Louisiana and Wisconsin. Federal authorities believe a field worker in Mexico accidentally contaminated the fruit while it was being picked in April and May 1996.

Hepatitis A is spread through contact with human fecal matter. Investigators who later visited farm fields where the berries were grown found outhouses adjacent to rows of strawberries, and no ready method for harvesters to wash their hands. The virus can cause nausea, vomiting, fever and jaundice. In rare cases, it can be fatal.

The key witness statement that recently was released was made by Frederick J. Haas, who operates a Watsonville produce sales operation called U.S. Food Service.

As the USDA's Office of the Inspector General began its probe, Haas made separate statements on different dates in April.

In an April 8 statement, Haas told the inspector general's office he called the USDA's Sandra K. Gardei in January and told her about the Mexican strawberry issue. Gardei oversaw the October 1996 strawberry purchase.

That statement and those of other witnesses were provided to Andrew & Williamson defense attorneys last summer.

But not until Oct. 14 did the defense attorneys receive an ''addendum'' statement that Haas made April 15 and an April 11 statement by Haas' administrative assistant, Jeanette Baum.

Those statements detail how on Oct. 24, 1996—just a week after the announcement of the USDA's purchase of frozen strawberries—Gardei was called about the use of Mexican strawberries.

Haas' April 15 statement says he told Gardei the USDA should not purchase the strawberries from Andrew & Williamson's brokers ''because that product was grown in Mexico.''

After the strawberries first were linked to hepatitis A in Michigan on March 28, Gardei prepared an administrative report for the USDA describing how she was alerted in January and February about the Mexican fruit.

In that administrative report, Gardei said she sought to open an immediate investigation.

She said in the administrative report that her USDA superior, Darrell J. Breed, refused to open an investigation. Gardei also said

Breed ordered his secretary to remove copies of her administrative report from USDA files.

But Gardei's April 3 statement to USDA investigators makes no mention of any calls in October from Haas or any other California strawberry leader.

Neither Gardei nor Breed have been available for interview. Breed denies in his statement to the inspector general's office that he sought to cover up or mislead USDA investigators. His secretary denied in her statement that he ordered her to remove Gardei's administrative report from USDA files.

While Michigan's Abraham had hoped to have a subcommittee hearing soon to explore USDA handling of the strawberry purchase and probe, congressional aides say it appears as if no hearing will be held this year.

Congressional aides say USDA Inspector General Roger C. Viadero has asked to meet privately with interested legislators about the issue.

Mr. ABRAHAM. Mr. President, this information, if true, is very inconsistent with what was asserted by Federal officials at a June 5 hearing of the full Agriculture Committee. There, USDA officials testified at the hearing that they knew nothing more than nonspecific and vague complaints of potential violations at Andrew & Williamson, the San Diego company which sold the fruit to the Government for school lunches.

If the newspaper article and witness allegations are true, it would certainly raise serious questions as to whether the full committee and this Senator were misled. I believe we are owed an explanation and suggest the Government officials involved be called to testify under oath regarding their actions.

Senator COVERDELL has written USDA to ask for a response to these serious charges, but so far nothing has been heard. It is my intention to keep pressing the USDA for answers as well as seek the appropriate oversight of this matter. I want to be sure that the Government agencies responsible for protecting us are doing their job.

This dangerous incident, the poisoning of Michigan children by their own School Lunch Program, should concern us all, Mr. President. The company involved seems to have demonstrated a reckless disregard for public safety.

To that end, I have introduced legislation which makes such conduct a felony with a maximum penalty of 5 years imprisonment and/or a fine of $250,000 per count. This change in law will ensure that individuals who intentionally misrepresent their goods will now suffer the appropriate consequences of their actions. The recent outbreaks of hepatitis A, cyclospora and *E. coli* demonstrate that a new commitment to food safety is sorely needed in this country. I will continue working to see that Congress takes the appropriate measures to assist the USDA, FDA, and Centers for Disease Control in their efforts to keep America's food supply the safest in the world.

Mr. President, I yield the floor.

EXECUTIVE SESSION

NOMINATION OF CHARLES ROSSOTTI, OF THE DISTRICT OF COLUMBIA, TO BE COMMISSIONER OF INTERNAL REVENUE

The Senate continued with the consideration of the nomination.

Mr. MOYNIHAN. Mr. President, I yield such time as he may require to my distinguished friend and colleague on the Finance Committee, the Senator from Louisiana.

The PRESIDING OFFICER. The Senator from Louisiana is recognized.

Mr. BREAUX. Mr. President, I thank the ranking member, the Senator from New York, for recognizing me.

I take this time just to say a couple of words about the President's nominee to be the Internal Revenue Service Commissioner, Mr. Charles Rossotti, who I enthusiastically support. I think the President has made a good choice. It is interesting to note that this appointment will be the first nontax lawyer to head the Internal Revenue Service since World War II. That might not make a lot of waves in some areas, but I think considering the problems we are experiencing with the Internal Revenue Service that this is a very positive qualification at the current time.

I say that because I think that many of the problems that we heard in the days of hearings that we had in the Senate Finance Committee about the Internal Revenue Service were not so much tax problems but human problems; not so much a problem about how much money was being collected and where it was being collected from or where it was not being collected from, but really more evidence was given to us about mishandling of individuals, mistreatment of individuals, setting quotas for Internal Revenue Service agents that they had to meet in order to be considered for an appointment; review processes of Internal Revenue Service personnel that were conducted by Internal Revenue Service personnel themselves whose appointments many times were based on how they defended the Internal Revenue Service.

These are not problems that call for a tax attorney but rather cry out for a person who is experienced in the business world, who is experienced with handling large numbers of employees, who is experienced in the management of a company or in the management of a corporation. These are the type of qualifications that I think are needed at this particular time in the history of the Internal Revenue Service. It is a very large agency with over 100,000 employees, and, of course, there are going to be mistakes made. The question is not whether mistakes are going to be made, but rather how we correct those mistakes. I think Mr. Charles Rossotti brings a particular degree of expertise to this position at this particular time.

I was interested in some of the answers that he gave when we asked him questions about what he thought needed to be done and how would he approach his job. I think the responses we received were right on target for what is needed at this time.

He said that he would not tolerate IRS workers who treat taxpayers abusively and would fire such workers as necessary.

I don't know about my colleagues, but as one Member of the Senate, I feel a sense of apprehension when I deal with the Internal Revenue Service, and I am a Member of the U.S. Senate and sit on the Senate Finance Committee which has jurisdiction over the Internal Revenue Service. Yet, I feel a little hesitant when I deal with the agency for fear of doing something wrong. It is like that knock on the door that comes and someone says, ''It is the IRS,'' and they are here to see you and you go into an absolute panic. That should not be the feeling that Americans have toward an agency that really works for them. They work for the taxpayers of this country, as do we.

So I was very pleased to see Charles Rossotti say, ''I will not tolerate IRS workers who treat taxpayers abusively and would fire such workers, if necessary.''

He also said that the practice of evaluating an IRS employee performance based on quotas or based on how many cases they make will not be a determining factor in how well they do within the agency. I think that is important.

I think some of our colleagues have probably had experiences in respective States where State troopers were promoted and evaluated based on how many tickets they wrote. It was a quota system. They had to issue so many tickets in 1 day or they were going to be looked upon as not doing their job properly. That is something that I think is a mistake.

Mr. Charles Rossotti has indicated that that will not be the basis for evaluating and determining performances by IRS agents. I think that is a step in the right direction. They should not be judged just on how much money they bring in. They should be judged on a whole series of factors on how they perform on their jobs, not the least of which is how they treat the people they work for—the taxpayers of this country.

He outlined three principles. These are not tax principles. These are personnel principles, management principles, and that is why I think he is the right man for the job at this time.

In talking about management responsibility, he said he would expect managers to keep on top of activities under their authority and quickly halt abuses. These managers will be responsible for the abuses that may or may not occur within their jurisdiction.

He said that he was going to be strongly supportive of open communication. He wants to create an atmosphere in which workers are willing to bring problems to the attention of the managers without fear of reprisal. That is a personnel decision. We had people

from the agency testifying before our committee behind a screen to separate them from the other IRS personnel for fear of retribution because of their testimony.

They actually said they were fearful to tell anybody about the problems that they saw for fear of being retaliated against or demoted or never promoted because of their willingness to come up and say, ''Look, there's something wrong in my section. I don't think we're dealing right with the people that we work for.'' So I was very pleased to see that the nominee addressed the question of open communication.

And then, finally, on the performance measurements—and I mentioned this—he said, there will be no revenue quotas or perceptions of quotas in worker evaluation. Instead, he said he wants to create a set of measurements that do in fact measure what we want, including taxpayer satisfaction with their dealings with the agency.

I think that that goes a long way. If an agent is of the opinion that he is going to be judged on his performance based on how much money he brings in, there is a certain degree of pressure to go out and do as much as he or she possibly can. That should not be the guiding principles of the Internal Revenue Service agents when they deal with the American public.

The final point I make is that I think most of us would agree that the American taxpayer should feel there is someone within this department that is on their side. They know that the 104,000 Internal Revenue Service agents have a job, that their job is to collect the legitimate revenues that are owed by taxpayers so that their country could be a better place, a safer place in which to live. They understand that.

But right now they feel that in dealing with this agency of Government, there is no one on their side, that they are against a bureaucracy and that they are really helpless, particularly when they understand that they have to somehow prove themselves innocent if they are ever accused by the Internal Revenue Service. I think that is wrong.

I mean, every courthouse in America that I have ever been in, when someone is accused of doing something wrong, the person who is bringing that accusation, whether it be a State's attorney, the district attorney, or what have you, has an obligation to make the case beyond a reasonable doubt and with a preponderance of the evidence in civil cases and beyond a reasonable doubt in criminal cases. The person making the accusation has to prove it to various standards according to the court that they happen to be operating in—except here, where the Government can bring down the full bureaucracy of the American Government on an individual taxpayer, and somehow that individual has to come in and say, ''Let me attempt to prove my innocence,'' instead of having the Government prove that something was done incorrectly, improper, or illegally in order to justify a penalty against the American taxpayer. I think that is incorrect. I think that that should be changed.

The other point that I think is important to note right now is that we have legislation—I have introduced it with a number of cosponsors; it has been incorporated into the Senators KERREY and GRASSLEY proposal—which creates this commission, which creates what I will call a Taxpayer Protection Office where when the taxpayer has a problem with the agency, that he or she knows there is some place where he or she can go, either by walking into a district office or using a 1–800 telephone number to explain their side of the dispute and have someone in the agency take the time to learn their side of the issue, so that they can have someone to represent them and their position before their own Government. I think that is important.

We have a type of office like that now called the Taxpayer's Advocate, but it really is run by IRS agents. They are only going to be there a short time. Then they will be promoted or demoted, depending on their performance, to some other part of the department at a later date. So those people are just moving through the system.

Our legislation says that these people shall not directly be IRS employees, but should be more an organization that looks after the interests of the taxpayer and would be subject to the Commissioner himself's jurisdiction. I think that should go a long way to helping the American taxpayer know that within this bureaucracy there is some department, some division, someone who is actually going to be on their side and help them represent their case to the Internal Revenue Service itself.

So I think that is where we are today, and the question before the Senate is, should the Senate confirm this nominee? I enthusiastically lend my support to the nomination. We had an excellent hearing with him. I think what he said was right on target. The fact that he is not a tax lawyer is probably part of his qualifications for this particular title. I support the nomination.

I yield the floor.

Mr. GRASSLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from Iowa.

Mr. GRASSLEY. I ask unanimous consent that my time be taken from the leader's time.

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

Mr. GRASSLEY. Mr. President, I voted for Mr. Rossotti to be reported out of the Senate Finance Committee. So, obviously, I support his nomination on the floor of the Senate today.

His résumé differs from many of his predecessors. That is, he did not come to this position through appointment of the President as a tax practitioner. He comes to us from having succeeded in the business world, but not as a tax lawyer.

In business, he provided a superior product and a superior service. The country desperately needs a superior product and superior service at the IRS and a manager who can deliver both. That is why the country needs someone like Charles Rossotti to be Commissioner of the IRS.

Senator KERREY and I found, through our work on the Commission to Restructure the IRS, that what the IRS really needed was not a tax lawyer to head it up. That had been tradition. What they need is an organizational leader. I think Charles Rossotti fills that responsibility. The duties of the IRS are very much like a big business organization.

Last year, the IRS had revenue of $1.4 trillion and a congressional appropriation of over $7 billion to collect that money. On the other hand, the IRS cannot satisfy the General Accounting Office that its books are in order. The IRS has a work force of 106,000 people. This compares to the 50 largest business organizations in America. The IRS serves 115 million individual taxpayers. Last year, it received 76 million inquiries. It handles 200 million different tax returns and over 1 billion information returns annually.

It has offices in every State in the Nation. The National Treasury Employees Union is one of the largest labor unions in the country. The IRS deals with over 12,000 financial institutions and 12 Federal Reserve banks in some 600 locations.

All of these things taken together require a manager with very special skills. Those skills do not necessarily involve expertise in the Tax Code. Consequently, that is my argument. The tradition of having a tax lawyer as IRS Commissioner is overblown. Somebody with organizational skills coming from a business organization with a proven track record in that environment is the best person to run this massive organization we call the IRS.

The IRS Commissioner's job has been thought of as the chief tax collector of our country. In a way, I hope that Mr. Rossotti does not become the Nation's chief tax collector. We all expect him to collect every dollar that is legally due.

But I would rather think of the Commissioner's job as that of the ''chief customer service representative'' at the IRS. We need to instill, in other words, through Mr. Rossotti and his background, the attitude of customer service at the IRS. In other words, another way to say that would be to put the word ''service'' back into the Internal Revenue Service. Mr. Rossotti seems to recognize improved customer service as his personal task. In the private sector he knew his organization would not be successful without putting customer service No. 1 on his priority.

In January this year I wrote to the President. I discussed the kind of person that we would need to be the next

IRS Commissioner. Mr. President, I ask unanimous consent to have that letter printed in the RECORD.

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

U.S. SENATE,
Washington, DC, January 13, 1997.

Re selecting a non-lawyer as the next IRS Commissioner.

The PRESIDENT,
The White House
Washington, DC.

DEAR MR. PRESIDENT: Presently you are confronted with the resignation of Internal Revenue Service Commissioner Margaret Milner Richardson. Though the Commissioner and I have disagreed on certain practices and policies of the IRS, we have had a good working relationship that has resulted in some successes.

As you begin to consider persons whom you will nominate as the next IRS Commissioner, I urge you to consider nominating a new kind of administrative leader for the IRS. Rather than focusing on lawyers with a workable knowledge of the tax law, it may be time to nominate someone who is both a non-Washington, D.C.-insider and a non-lawyer to be the next IRS Commissioner. A person educated in business and experienced in running a large private sector company would be better suited to administer the IRS than most lawyers.

The duties of IRS are very much like a business. The IRS would benefit from the leadership of a trained and experienced business person. Last year, the IRS had a revenue of 1.4 trillion dollars, and a Congressional appropriation of over 7 billion dollars, but it cannot balance its own books to satisfy our own Congressional accountants, the General Accounting Office.

The IRS has an employee workforce of 110,000 individuals. This makes it comparable to the group of the fifty largest companies in the country. The IRS has 115 million individual taxpayers that it must serve. As taxpayers, all of these customers, are also owners of the IRS. IRS received 76 million taxpayer inquiries last year. It handles 200 million different tax returns, and over 1 billion information returns annually. It has offices in every state in the nation. The employee union with which the Commissioner must deal, the National Treasury Employee's Union, is one of the largest labor unions in the country. The IRS deals with over 12,000 financial institutions and 12 Federal Reserve Banks in some 600 locations.

I think that these things suggest the need for an expertise that is not taught in law school and is not tested on any bar exam. The best of our prospective administrative leaders are found in this country's private sector companies. One would think that, if the President of the United States would ask, he would have his choice of the best of the best.

There will be people in both the public and private sector who will criticize the idea of a non-lawyer running the IRS. Many of these people will be professionals of what I call the federal tax industrial complex. About these criticisms, I will say two things. First, most of the critics will themselves be lawyers. Second, I will remind them that many non-lawyer CEOs of this country all have many lawyers who work for them, and they seem to get along just fine. I would even suggest that the stock-holders of big companies run by non-lawyers are much happier with the production and service of those companies, than the people who own the IRS, the federal taxpayers.

For these reasons, I sincerely hope that you can select a non-lawyer as your next nominee for the post of IRS Commissioner. If you are interested, I would like to help you with the selection process.

Sincerely,

CHARLES E. GRASSLEY,
U.S. Senator.

Mr. GRASSLEY. In subsequent discussions with Deputy Secretary Summers we agreed that now is the time to acquire a nontax practitioner to lead the IRS.

With Mr. Rossotti, we hope to capture the benefit of a superior organizational leader. The risk is that a non-lawyer could not handle the legal side of the Commissioner job. At the Finance Committee hearing on Mr. Rossotti's nomination, I asked Mr. Rossotti how he intends to perform legal analysis as a Commissioner of the tax law agency when he does not have that background. He responded that he would do it exactly the same way he would do it as a private-sector business leader. He would hire good advisers, consult the experts, and make clear decisions based upon all the information supplied to him.

The Nation has a great opportunity with a person like Charles Rossotti. When coupled with legislative reform at the IRS, a nontax practitioner as IRS Commissioner represents a sea change at the IRS. The IRS is moving away from being a law enforcement agency and toward becoming a customer service agency. Of course, it is about time. Most people pay their taxes voluntarily and pay them honestly.

Therefore, I encourage all my colleagues to support Mr. Rossotti's nomination and then we can take up the matters of legislative reform of the IRS with him as an ally.

I think I need to speak for a moment in support of the Internal Revenue Service Restructuring and Reform Act, the Kerrey-Grassley legislation. Our bill, S. 1096, is the product of 1-year's work in the National Commission to Restructure the Internal Revenue Service. Senator KERREY and I participated in the commission as four congressional Members of this 17-member commission. The other 13 members were non-Congress-oriented, and 10 of those were from the private sector. So I think we had a broad range of expertise on this commission to study how can we make the IRS more consumer friendly and more efficient in its operation.

The House might pass this same legislation as early as tomorrow. Our legislation is maybe the only thing more important to the IRS and the taxpayers than who the next Commissioner might be. If that Commissioner is dedicated, as I think Mr. Rossotti is, to change at the IRS, then he needs our legislation in order to succeed.

I introduced S. 1096 with Senator KERREY last July. However, the Senate seems to be on track to address this legislation next year rather than this year. There are arguments to wait—and I think our distinguished chairman, Senator ROTH, is very sincere in his expression of these reservations. But, speaking for myself, delaying IRS reform is a mistake. The Senate should pass our legislation yet this year. The House is prepared to pass the companion bill. We can make IRS reform the law of the land before the 1997 holidays. If we did, the Senate would create a new reason for Americans to be thankful this November.

There are two reasons for the Senate to join the House in supporting the IRS Restructuring and Reform Act. First, troubled taxpayers literally can't wait for the relief that we provide in our bill. Second, the Senate will hopefully confirm the next IRS Commissioner nomination. Mr. Rossotti needs the tools that are in our bill in order for him to fully succeed in his job. Let's not require him to spin his wheels for another half-year. When you are dealing with the Internal Revenue Service, every day counts. If you are a taxpaying family and you are being hunted by the IRS, you need relief right away. If the Senate does not pass relief until 5 or 6 months from now, individual taxpayers will continue to suffer. At best, they may lose their life's assets. At worse, they may lose that which holds the family together. If you are in trouble with the IRS, 6 months is an eternity.

The IRS Restructuring and Reform Act would provide immediate relief to taxpayers in trouble. We would extend to taxpayers a greater ability to recover costs and fees incurred to defend the family against the aggressive tax man. In the Senate hearings where we had these sort of horror stories about how the IRS can treat the taxpayer, we found that many taxpayers simply pay an unlawful tax assessment. Often it is cheaper than a legal defense against the IRS.

When there is a tax due, our legislation sets standards and sets allowances within which we would require the IRS to make offers in compromise of a disputed claim. In other words, taxpayers get to pay their bill and go on with their lives. When a disputed claim includes both an IRS debt to the taxpayers and a taxpayer debt, we once and for all eliminate the IRS interest rate preference over taxpayers.

Currently, when you owe the IRS money you pay a higher percentage than when the IRS doesn't make your refund and the Government owes you money. So if we wait another 6 months, we continue to give the Government the monetary advantage over the taxpayer. The Government earns a higher rate of interest from taxpayers than what the taxpayer get in return. It is a matter of equity that we would not charge the taxpayer more than we are willing to pay the taxpayer for money not refunded.

Indeed, fundamental fairness is what finding a new breed of IRS Commissioner is all about. We are about ready to confirm Mr. Rossotti to be this person. I think he will be a fundamentally

new sort of IRS Commissioner. He is experienced in leading large multistate organizations. He is experienced in organizing state-of-the-art information systems. That is his business. He is experienced in providing customer service or he would not be the head of a very successful private-sector organization.

However, when he takes office, he is going to need all of the tools that we can think to provide him in order to succeed. It seems to me that Congress needs to pass legislation to knock down the legal barriers to his success on behalf of the taxpayer. Charles Rossotti needs the tools of reform on his very first day, not 6 months from now, and the IRS Restructuring and Reform Act provides those tools.

For example, our legislation provides that the incoming IRS Commissioners would sit for a single 5-year term. The revolving door between the Commissioner's office and the tax industry will be closed. We will require Commissioners to stick around long enough to reap what they sow. More important, we will provide the Commissioner with an independent board of nine persons who will be his strategic leaders. The board will provide guidance on long-term goals and investments. The Commissioner will implement the corresponding day-to-day leadership at the IRS.

Our legislation provides that the new Commissioner need not operate as a team of one. Our legislation offers the opportunity for the new Commissioner to bring in his or her own team of senior managers, because currently at the IRS and over decades of time, high-level bureaucrats at the IRS know they can always outlive any new IRS Commissioner. Previous IRS Commissioners have gone into those positions with high-level management there in a place frustrating what the Commissioner wants to accomplish.

So it seems to me that the taxpayers deserve the best. Our legislation allows the next Commissioner to recruit the best and then to retain the best. We make it clear as the intent of the law. Mr. Rossotti hopes that even under existing law he can bring people in from other agencies of Government, through the Senior Executive Service, to accomplish a team that he wants. However, it is not clear if he can bring in people from outside of Government. He will need such new faces in order to get the job done. We ought to give him the best team that he sees necessary to accomplish his goal.

However, I would say, having the right personnel is not enough because much of the trouble at the IRS stems from the IRS information system debacle. Currently, the IRS gets poor information from its computers and then makes it worse. In this age of information and technology, most persons are still filing paper tax returns. Then employees of the IRS input that data by hand at the IRS processing centers. This is where mistakes happen most often. Each mistake translates into an expense of time, money and, most importantly, hardships for the taxpayers. In our legislation, the Senate offers some strategic direction.

We will direct the IRS and the next Commissioner to reach a target electronic tax filing rate of 80 percent by the year 2007. That 10 years starts right now, and it ought to start right now; it ought to not start 6 months from now when the Senate gets around to acting on this legislation. The Commissioner nominee recently told the Finance Committee that, once he can begin his job, it will take him 10 years to design and implement a state of the art information system at the IRS. We need to get that 10-year clock ticking right now, not 6 months from now. And the 10-year clock will not tick until the taxpayers get this legislation, the IRS Restructuring and Reform Act.

For example, our IRS Restructuring and Reform Act would provide and set standards for security and access to taxpayers' electronic accounts. If we are going to have electronic filing, we will need electronic payment. Otherwise, we would still have people out there licking stamps and going to the post office on April 15. Our legislation accomplishes these things and many more.

In short, waiting until next year to pass IRS reform is bad for taxpayers, and it's going to be lengthening the period of time that Mr. Rossotti will be the most effective Commissioner we have had for a long time.

I yield the floor.

Mr. MOYNIHAN addressed the Chair.

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

(The remarks of Mr. MOYNIHAN pertaining to the submission of Senate Resolution 142 are located in today's RECORD under ''Submission of concurrent and Senate resolutions.'')

Mr. CRAIG. Mr. President, today I rise in support of the nomination of Charles Rossotti to be IRS Commissioner. I don't know whether to offer this new Commissioner congratulations or condolences. He comes to the IRS at a time of great turmoil and, I must say, also at a time of great opportunity. The process of investigating and reforming the IRS has only just begun, and I commend Senator ROTH and the ranking member, the Senator from New York, Mr. MOYNIHAN, for holding the recent Finance Committee hearings, and especially commend the courage displayed by the witnesses at those hearings. I say ''courage'' because oftentimes in the past, as witnesses have come forward, they were to find themselves only later victims of a very aggressive rogue agency that would not adhere to any reasonable policy of treating the taxpayer as somebody who deserved appropriate treatment.

I suggest that those hearings and those witnesses are merely the tip of an iceberg; there is so much more to be uncovered and to be investigated. The recent hearings were barely over when my office started hearing from basically two groups of taxpayers: those who were cynical, saying, well, now that the hearings are over, I suspect nothing more will happen and it will be business as usual.

That was the first type. The second type were those who were relieved to discover what appeared to be a very serious Congress finally looking toward reform and an effort to prevent IRS abuse. So they were saying to me, as a Senator, that they were not alone and that they were now willing to come forward and to express to me, or to a larger body of interest, their experience with the IRS, the problems they had.

Similarly, the IRS restructuring bill that is now moving through the other body is a start. Let me suggest, and I think the ranking member who is here on the floor, the Senator from New York, would agree it is only a start. Taxpayers deserve as much due process protection in the matter of taxes as do all other citizens dealing with our Government in all other issues.

Blatant disregard for individual rights has all been in pursuit of one goal by the IRS, and that was, ''Get the money, get the money,'' and sometimes at nearly all costs to due process, and we heard some of those examples expressed by witnesses before the Finance Committee. Drug dealers, child molesters and organized crime in many instances have more legal rights than the average taxpayer whom the IRS suspects may owe a few dollars of back taxes.

With the IRS, the taxpayer is guilty until proven innocent, and therein lies the difference, because I will tell you that a drug dealer is, by law, innocent until proven guilty, as is the child molester. But we heard very clearly from those witnesses that they were guilty until proven innocent. Unlike the FBI or the local sheriff, if the IRS thinks someone has underpaid taxes, it can seize cars, freeze bank accounts, and all under its own authority without obtaining any kind of impartial or prior approval. If the taxpayer fills out his or her return relying on tax advice from the IRS and that advice turns out to be wrong, guess who is liable. Not the IRS, that's for sure, but the taxpayer himself or herself. If the IRS wrongfully assesses back taxes or penalties, the taxpayer usually has three basically no-win choices to make: You pay up and shut up, take the case to the tax court where the judge is usually a former IRS employee and taxpayers usually lose, or pay up and then go to Federal district court and sue to get your money back.

Remember, I say ''sue to get your money back.'' While the Finance Committee's investigations focused on middle- to lower middle-income individuals, I had the representative of a relatively large corporation in my State approach me and say: You know, Senator, I know we get no sympathy.

We are considered big and therefore we are considered wealthy as a company. But a good number of years ago the IRS withheld an additional $8 million that they thought was theirs and we thought was ours, and we went after it, and not long ago the courts ruled it was ours. The only problem is, the $8 million plus the interest plus all other assessments was now about $24 million.

Will they get it back? I doubt it. But it was the IRS that was wrong, and it was the large corporation that was right. Now, that large corporation could spend the money to fight the IRS and they probably could write off a lot of their expenses fighting the IRS. Could an individual, small taxpayer, do that? Absolutely not. So, even when the IRS loses, it really wins, because the IRS, with unlimited resources, has been known to appeal and appeal a weak case until the innocent taxpayer gives up or is just simply financially exhausted and goes away. That is a story that should not have to be told on the floor of the U.S. Senate, but it is in fact a story of fact that occurs many times across this country when it should not.

I think the IRS needs to realize that the taxpayer is the boss, because in our system of Government that is exactly the way it ought to be. Taxpayers are not a suspect criminal class in our society. Yet it appears from what we have heard, in example after example, and a good many more that could be expressed, that that is oftentimes the way they are viewed by the IRS. Taxpayers should be treated with respect and dignity and should be presumed innocent until proven guilty.

Why should this Senator have to say that on the floor, when it ought to be a matter of fact and law? Because it is not a fact today, and now we know it. There should be no quotas, pushing agents to prosecute dubious cases. Taxpayers should not be targeted on the basis of how little resistance they can offer. Can you imagine that as the policy of a Federal agency, ''Let's pick on those who can offer least resistance because we will get a greater yield on the money spent,'' when they could be innocent and can be at least embattled until they are willing to give up? There should be no vendettas, absolutely not, and yet there appear to have been some and probably are some. The privacy of taxpayers should be fully respected. And, yet, is it?

Both the IRS and the Congress have been a part of the problem. I can point the finger only at the IRS, but that would be somewhat unfair. We have created one of the most complicated tax systems in the history of this country. Sometimes the problem is the IRS, who act outside the law—or certainly to the very edges of the law. I am sure most IRS employees are decent, hard-working, and conscientious people. And I know many of these employees, as do others, and they would fit that which I have just described. But the exception has become the rule, tragically enough. The tail is wagging the dog, and the IRS is now widely perceived as a rogue agency, marching to its own beat with Congress afraid to touch it because Congress itself, individually, could be audited. And that has happened in the past.

So we draw back quietly, talk tough on the floors of our collective bodies, but very seldom follow through with actual and real hearings and reform that is a product of those hearings. I certainly hope that is simply now the exception, and the rule of the day, with the action that the other body is taking and the action that I hope we will take, will be comprehensive and broad-ranging reform of this agency.

Sometimes problems happen because previous Congresses, liberal Congresses, or simply those with a ravenous appetite that the taxpayer pay the money because we need the money—whether it is balancing the budget or spending beyond the will of the citizen—the money has to be there. So we have granted IRS what I call power beyond the law, in many instances, to collect what we ask them to collect. In any case, there is never an excuse for such behavior, and this Congress is going to change things, I hope. Certainly, if it is this Senator speaking by his intent, then it is my intent, and I believe the intent of a bipartisan Congress, for major reform. And that we must get at.

So I invite the Commissioner whose nomination will be voted on today to work with us in a constructive way to change the character, the image, the style, the culture of an agency that is now out of control. And witnesses in our country, those who make up our country, have so demonstrated.

Real IRS reform also depends on real Tax Code reform. I will not mention the Senator, but right after we offered some reasonable tax relief this year, he said: Well, there is relief in the Code, if you can find it. So now, to the lower middle-income people for whom we champion the tax relief, we say now go hire an accountant and spend the money to get the tax relief, and probably the tax relief will at least pay for the accountant. If that is true, that is tragic. And tragically enough, that is probably true.

Sometimes the problem is the Tax Code—too complicated even for the IRS to understand it. Listen to these figures. The IRS publishes 480 different tax forms and another 280 forms to explain the first 480. If laid end to end, the 8 billion pages of instructions sent out by the IRS every year would circle the Earth 28 times. That is why Senator SHELBY and I introduced—or reintroduced—the Freedom and Fairness Restoration Act, better known as the flat tax. Why? Simplification, equity, fairness, the ability with ease to fill out a form, to know you are in compliance when you do it, and to once again set in motion something that has been historically true up until about two decades ago of the taxpayer versus the Tax Code—that was an understanding in this country that laws ought to be self-enforcing and that citizens really did want to pay their taxes, their fair share of running a Government and keeping a free society and assuring that our democracy survived.

That has not been true of the last several decades. Taxpayers today are much more often heard to be telling their tax accountant: Find out everywhere you can where I do not have to pay taxes, because the code is too complicated and the taxes are too much. Grandfathers used to pay only about 20 percent in their taxes. That meant they got to keep 80 percent. Their grandchildren in today's work force now have to pay nearly 50 percent in their taxes, keeping only half.

And we wonder why families can't provide for themselves today, why both parents are working when one may not want to. Oftentimes it is a combination, but most often it is just simply that they have to pay so much, so much is taken from their paycheck that they cannot survive unless both are working and providing for their family.

Underlying our commitment to making substantial tax reform a reality, I have also cosponsored leading bills to sunset the current Internal Revenue Code by the year 2001. Mr. President, this Senate, the 105th Congress, led by conservative Republicans, have a unique opportunity, working with all of our colleagues, to assure that major reform of the IRS occurs and that we lead a march toward a significant reform of the code that brings us to a simple, fairer form that then allows the responsible downsizing of the IRS.

No people can remain free or their government effective if they do not display trust and confidence in each other. Yet, America's tax system increasingly eats like a cancer at the very bonds of support and the legitimacy of our society.

I urge all of my colleagues and invite the new IRS Commissioner to redouble their efforts to restore fairness to the tax system and trust to the people. Reform for the Tax Code, making it simpler, fairer and, I hope, flatter, is one approach toward doing that. Reform for the tax collector, increasing IRS accountability and requiring the IRS to treat the taxpayer with dignity, respect and the due process of the law would be a legacy that I wish could be done during my tenure in the U.S. Senate and I believe that would be a legacy that a majority of the Senators would like to leave. That is our goal. That is certainly my hope. Recognizing that, I 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. CRAIG. 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. CRAIG. Mr. President, I ask unanimous consent that the vote occur on the pending nomination at 5:45 this evening.

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

Mr. BAUCUS. Mr. President, I want to take this opportunity to express my support for the nomination of Charles Rossotti to be the new Commissioner of the Internal Revenue Service. Mr. Rossotti will face a daunting challenge as he takes over the reins of this besieged agency.

The IRS has suffered from years of neglect and lack of focus. As new Commissioner, Mr. Rossotti will need to repair the damage that has eaten away at the Service's foundation and try to restore some semblance of respect for the IRS among the average taxpayer.

At the same time, he will need to be preparing the IRS for the challenges of the next century.

The public expects some essential services from the Government, and most people are willing to pay their fair share of taxes in order to pay for these services.

Nobody likes paying taxes, but most of us do it regularly and honestly.

In return, we expect the Government to keep the process fair, make it as simple as possible, and keep our personal information private.

Running the IRS is a study in careful balances. And I believe that the IRS has somehow lost its ability to maintain one side of the equation over the years.

Many tax collectors, in their zeal to catch the few people who don't pay their taxes, seem to have lost sight of the most important truth about our tax system—that citizens have rights that must be protected.

Anything less undermines our ability to make a system of voluntary taxation work.

We certainly don't want to tie IRS's hands so much that tax cheats are encouraged, because the rest of us end up picking up the tab when someone cheats.

At the same time, we also can't have IRS harassing innocent citizens, assuming everyone is guilty the minute they walk in the door. Mr. Rossotti will be the one person we will expect to help IRS find its way back to the reasonable balance that our tax system requires.

I hope and expect that we in the Congress will do our best to help.

We will be looking at legislative solutions, to give the new Commissioner the tools to encourage the climate of change we need if we are to reverse the past years of decline.

We will be looking at stable funding, to make sure Mr. Rossotti has the money to pay good people and buy new computers.

I hope we would also be looking at tax simplification, to make it a little easier for both taxpayers and the IRS to figure out how much our fair share really amounts to.

Mr. Rossotti has the background and expertise to help him achieve the difficult tasks we expect of him in the days ahead. I wish him every success, and look forward to working with him to make sure the Internal Revenue Service reaches its full potential.

Mr. DODD. Mr. President, I rise today in support of Charles Rossotti's nomination to serve as Commissioner of the Internal Revenue Service. The IRS is an agency under widespread, deeply felt, and entirely justified criticism. In my view, the nomination before us today is perhaps one of the most critical the Senate will vote on this session. I commend President Clinton for endorsing an individual who has the expertise and vision to lead the effort to restructure and reform this troubled agency, as well as my colleagues on the Finance Committee for moving the nomination expeditiously.

It is no secret that the IRS has come under fire lately from taxpayers who, in their dealings with the agency, have experienced anger, frustration, and despair. The hearings conducted by the Finance Committee earlier this fall highlighted some of the problems at the IRS, including shoddy management, poor taxpayer service, and in some cases, reports of taxpayer abuse by IRS employees.

I've heard stories from my own constituents about calls that aren't answered, and about calls that are bounced from one person to the next, where they never get a real answer or any type of guidance or support. I've also heard stories about the IRS losing people's checks and then charging them interest and penalties on this money. The list goes on and on, Mr. President, and the more people you talk to, the more nightmares you hear.

Every citizen who pays taxes has a right to be treated fairly, and treated as innocent until proven guilty. Although we have taken several steps in this regard in the last few years, there is still more that can be done, and that is why I am a cosponsor of S. 1096, the IRS Restructuring and Reform Act.

This legislation aims to transform the troubled agency into a modern institution that provides efficient and fair service, yet still has the ability to effectively collect revenues. Specifically, the bill will enact 21 new taxpayer protections and will establish a hotline for taxpayers to register complaints of IRS misconduct. This legislation, which enjoys broad, bipartisan support and is endorsed by the administration, is, in my view, a tremendous step forward in our effort to protect the rights of our nation's taxpayers.

Yet, without an effective leader to implement these much-needed changes, our ideas become nothing but good intentions. I believe that Mr. Rossotti is up to the challenge to successfully steer the IRS through this difficult period. Mr. Rossotti brings with him the refreshing ideas and outlook of a successful businessman with more than 30 years of management and technology experience, including his current position as Chairman of American Management Systems.

During his confirmation hearings, Mr. Rossotti expressed a willingness and desire to implement fundamental changes that would focus on the rights of the taxpayer, modernize the agency and its technology, and strengthen communication between Congress, the IRS, and the public. In my view, Mr. Rossotti has the vision and the capability to lead this agency and is committed to holding the IRS to the highest standards of efficiency, competence, and accountability. I urge my colleagues to support this nomination.

Mr. CRAIG. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MURKOWSKI. 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. MURKOWSKI. Mr. President, I rise to speak in favor of the nominee to be Commissioner of the Internal Revenue Service, Mr. Charles Rossotti. Mr. Rossotti is unique among nominees for this position since he is the first nontax-lawyer nominated for the post. In fact, he is a businessman who is chairman of American Management Systems, a company he cofounded in 1970, which now employs some 7,000 people.

Mr. President, if this man is confirmed, and I expect that he will be, he faces a daunting challenge in turning around an agency which has very serious credibility problems with this Senator and, I think, a majority of the American public as well.

As this country learned some 6 weeks ago in the hearings at the Senate Finance Committee, the IRS is an agency with structural and personnel problems that have led to an agency culture that is abusive, unresponsive, and to some extent arrogant. Far too often, the Internal Revenue Service appears to be out of control, with no accountability to the public or to the policymakers here in Washington. For anyone who has tried to phone the IRS lately, why, I think you get the flavor for my generalizations.

The bipartisan Kerrey-Portman Commission that examined the Internal Revenue Service recommended a series of changes at the IRS, including the creation of an independent board to oversee IRS operations. Recently, the House passed a measure incorporating nearly all of the Commission's recommendations. However, I believe that the lessons learned from the Finance Committee September hearings suggest that far more needs to be done if the public is going to regain a measure of confidence in the Internal Revenue Service.

I applaud the Finance Committee chairman, Chairman ROTH, for his commitment to hold a series of hearings

that will build on the achievements of the House and bring a tough reform bill to the floor of the Senate next year.

To give you an idea of the structural problems that exist at the Internal Revenue Service, consider the following description of the Service that was done by Paul Light, author of ''The Tides of Reform: Making Government Work, 1945–1995.''

Just imagine a bureaucracy that goes something like this: an agent reports to a district group manager, who reports to a district group manager, who reports to a branch chief, who reports to an assistant chief of the division, who reports to the assistant district director, who reports to the assistant regional commissioner, who reports to the deputy assistant commissioner, who reports to the assistant commissioner, who reports to the chief operating officer, who reports to the deputy commissioner, and so on.

What we have here, Mr. President, is a layered bureaucracy which implies accountability on paper but which, in reality, is designed by its very nature to be unaccountable.

Consider, Mr. President, the testimony the committee heard from Lynda Willis of the General Accounting Office [GAO].

IRS systems, both manual and automated, have not been designed to capture and report comprehensive information on the use and possible misuse of collection authorities.

IRS cannot readily produce data on the overall use or misuse of its collection enforcement authorities or on the characteristics of affected taxpayers.

In effect, GAO said they couldn't audit IRS because the systems IRS has put in place are designed to ensure that there is no way for IRS personnel to be held accountable for their erroneous actions. There is no way to determine how many times IRS has made a mistake in sending out a collection notice. No way to determine how many complaints have been received. And this is the way the managers at IRS set up the system—set it up so that no one can trace improper behavior.

Mr. President, the committee also heard testimony to the effect that the Problem Resolution Office [PRO], the office designed to resolve taxpayer disputes with IRS is, and I quote one of our witnesses, ''utterly useless'' in protecting the American taxpayer. The reason the PRO cannot function as designed is because employees at PRO are evaluated for promotions by the same Collection Division management they are supposed to police while assigned to the PRO.

Mr. President, there is no reason that that kind of conflict of interest should exist. I plan on working with the Finance Committee chairman to develop legislation that will fundamentally change the PRO structure to ensure that taxpayers get a fair shake when there's a conflict with the IRS.

Mr. President, the Finance Committee hearings had a profound effect on the American public and on the President of the United States. Shortly after those hearings, and seeing the polls, the President did a 180-degree U-turn on the recommendations of the IRS Commission and decided to back the House reform legislation creating an independent IRS management board.

That's not the end of this matter. Instead we need a top-to-bottom review of the IRS. In the past, we adopted two taxpayer bill of rights bills which many of us thought would improve taxpayer-IRS interactions. The hearings in the Finance Committee suggest that these bills did little to alleviate tensions between the IRS and the American taxpayer.

That is why the Finance Committee needs to hold further hearings on IRS reform. It has taken decades for the IRS to develop internal procedures that appear to make it unaccountable. We've learned of these problems 6 weeks ago. I am willing to admit that we don't know all the answers, but I know that now is not the time to merely take the House bill, pass it, and tell the public we fixed the problems at IRS. We haven't.

Mr. President, Charles Rossotti is to be admired for his willingness to leave the private sector and take on this challenge at a time when IRS is in serious trouble. I look forward to receiving his recommendations for change at the Service after he has been there a few months. And I am sure his hands-on experience will assist the Finance Committee in drafting a comprehensive IRS reform bill.

Mr. MOYNIHAN. Mr. President, I ask for the yeas and nays on the nomination of Mr. Rossotti.

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, Will the Senate advise and consent to the nomination of Charles Rossotti, of the District of Columbia, to be Commissioner of the Internal Revenue Service?

On this question, the yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. NICKLES. I announce that the Senator from New York [Mr. D'AMATO], the Senator from North Carolina [Mr. FAIRCLOTH], and the Senator from North Carolina [Mr. HELMS] are necessarily absent.

Mr. BREAUX. I announce that the Senator from Delaware [Mr. BIDEN], the Senator from Kentucky [Mr. FORD], the Senator from Idaho [Mr. HARKIN], the Senator from Nebraska [Mr. KERREY], and the Senator from Maryland [Ms. MIKULSKI] are necessarily absent.

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

The result was announced—yeas 92, nays 0, as follows:

[Rollcall Vote No. 290 Ex.]

YEAS—92

Abraham	Feingold	Mack
Akaka	Feinstein	McCain
Allard	Frist	McConnell
Ashcroft	Glenn	Moseley-Braun
Baucus	Gorton	Moynihan
Bennett	Graham	Murkowski
Bingaman	Gramm	Murray
Bond	Grams	Nickles
Boxer	Grassley	Reed
Breaux	Gregg	Reid
Brownback	Hagel	Robb
Bryan	Hatch	Roberts
Bumpers	Hollings	Rockefeller
Burns	Hutchinson	Roth
Byrd	Hutchison	Santorum
Campbell	Inhofe	Sarbanes
Chafee	Inouye	Sessions
Cleland	Jeffords	Shelby
Coats	Johnson	Smith (NH)
Cochran	Kempthorne	Smith (OR)
Collins	Kennedy	Snowe
Conrad	Kerry	Specter
Coverdell	Kohl	Stevens
Craig	Kyl	Thomas
Daschle	Landrieu	Thompson
DeWine	Lautenberg	Thurmond
Dodd	Leahy	Torricelli
Domenici	Levin	Warner
Dorgan	Lieberman	Wellstone
Durbin	Lott	Wyden
Enzi	Lugar	

NOT VOTING—8

Biden	Ford	Kerrey
D'Amato	Harkin	Mikulski
Faircloth	Helms	

The nomination was confirmed.

Mr. MOYNIHAN. 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.

LEGISLATIVE SESSION

The PRESIDING OFFICER. Under the previous order, the Senate will now return to legislative session.

MORNING BUSINESS

Mr. LOTT. Mr. President, I ask unanimous consent that there now be a period for morning business until 7 p.m., with Senators permitted to speak for up to 5 minutes each.

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

TRIBUTE TO SECRETARY OF THE AIR FORCE SHEILA WIDNALL

Mr. KENNEDY. Mr. President, it is an honor to take this opportunity to pay tribute to Sheila Widnall, the Secretary of the Air Force, who is leaving office at the end of this month to return to the Massachusetts Institute of Technology as a professor of aeronautics and astronautics. In 1993, Secretary Widnall became the first woman to serve as a service Secretary when she assumed her present position as the Secretary of the Air Force, and she has done an outstanding job.

During her distinguished tenure, Secretary Widnall has led the Air Force through a critical period of post-cold-war consolidation and adjustment. Congress and the country are proud of her achievements. She directed a modernization program to shape the future

of the Air Force and incorporate space technology into military operations. She led the Department's remarkable success in overhauling its business practices, including major initiatives in acquisition reform, outsourcing, and privatization to increase efficiency and make maximum use of scarce funds. She has also taken the lead in strengthening the Nation's role in space, by working effectively with the National Aeronautics and Space Administration, the National Reconnaissance Office, and the private space sector.

Above all, Secretary Widnall has done her best to care for Air Force members and their families. Her emphasis on equal opportunity and her skillful and tireless pursuit of quality of life issues kept morale high during a period of significant and far-reaching change.

Secretary Widnall brought an outstanding background to her current position. Her accomplishments include many years as a professor of aeronautics and astronautics and also as associate provost at MIT. She has earned international recognition for her work in fluid dynamics, and has had extensive service on numerous boards, panels, and committees in government, industry, and the academic world.

In her years as Secretary, Sheila Widnall has set a high standard of leadership and service to the Nation. I know I am joined by my colleagues in Congress and a grateful Nation in thanking her for her dedication and distinguished service to our country, and I wish her well in the years to come.

TRIBUTE TO WILLIAM DAVIDSON

Mr. LEVIN. Mr. President, I rise today to pay tribute to a truly outstanding business leader and philanthropist from my home State of Michigan, William Davidson. Bill Davidson has been chosen as the honorary chair of the Council of Michigan Foundations 25th annual conference, which takes place November 5–7, 1997.

Bill Davidson is one of Michigan's most renowned businesspeople. He is the chairman of the board and president of Guardian Industries, an international manufacturer of flat glass products for the construction and automotive industries. He is also the majority owner of the Detroit Pistons Basketball Club, the Palace Sports and Entertainment Arena, Pine Knob Music Theater, the Detroit Vipers hockey team, and the Detroit Neon soccer team.

Bill has received numerous citations and awards for his philanthropic activities, his contributions to the glass industry, and professional sports. Some of these awards include the Phoenix Award, an honorary doctoral degree from the Jewish Theological Seminary in New York, the Order of Merit in Labor of the Highest Class from the Republic of Venezuela, the Fred M. Butzel Award for Distinguished Community Service, and membership in the Michigan Jewish Sports Hall of Fame.

One of Bill Davidson's most remarkable traits is his commitment to improving the lives of people throughout the world. Giving is an important part of his life, and he is known locally and nationally for his philanthropic vision and generosity. He does not take success for granted and is most thankful for what he has achieved. As a result, he chooses to support institutions and programs which help develop the minds and bodies of tomorrow's leaders.

It is this commitment to philanthropy that was the guiding force for his creation of the Pistons-Palace Foundation, the philanthropic arm of the Detroit Pistons and the Palace of Auburn Hills. Bill Davidson and the foundation have contributed millions of dollars to support meaningful youth and recreation programs throughout metropolitan Detroit. The Pistons-Palace Foundation is quickly gaining recognition in the National Basketball Association and receiving national attention for its work in the city of Detroit, specifically through the PARK program, which works to revitalize neighborhoods by refurbishing and renovating parks and installing outdoor basketball courts and other recreation equipment at sites.

Developing tomorrow's leaders through higher education is another of Bill Davidson's highest priorities. He contributed $35 million to establish the William Davidson Institute at the University of Michigan School of Business Administration. The institute strives to help countries as they make the transition to free market economies and to assist companies which seek to operate successfully in those countries. To that end, the Davidson Institute offers seminars for business and government leaders from countries with economies in transition and develops faculty fellows who teach or work in those countries upon completion of the program. Bill also established the world's first educational institution entirely dedicated to the international management of technology-based companies at the Technion-Israel Institute of Technology. Bill Davidson's commitment to keeping Jewish education strong led him to help to create graduate school of Jewish education at the Jewish Theological Seminary of America in New York City, which trains educators for North America.

It is not possible to do Bill Davidson's lifetime of good works justice in a few words, but there is no doubt among anyone who knows of him that he is a truly remarkable person. His dedication to improving people's lives and the unpretentious way he goes about that quest has earned him respect and gratitude from countless people around the world. Millions more who will never know of Bill Davidson have benefited from his efforts and accomplishments.

Mr. President, all of us in this body can learn from the examples set by Bill Davidson. I know my colleagues will join me in offering him congratulations and best wishes on this important occasion.

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Mr. Williams, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session the Presiding Officer laid before the Senate messages from the President of the United States submitting sundry nominations which were referred to the Committee on Commerce, Science, and Transportation.

(The nominations received today are printed at the end of the Senate proceedings.)

REPORT OF THE CANCELLATION OF DISCRETIONARY BUDGET AUTHORITY (97–72)—MESSAGE FROM THE PRESIDENT—PM 77

The PRESIDING OFFICER laid before the Senate the following message from the President of the United States, received on November 1, 1997, together with an accompanying report, referred jointly, pursuant to Public Law 93–344, to the Committee on Appropriations and to the Committee on the Budget.

To the Congress of the United States:

In accordance with the Line Item Veto Act, I hereby cancel the dollar amounts of discretionary budget authority, as specified in the attached reports, contained in the ''Department of Transportation and Related Agencies Appropriations Act, 1998'' (Public Law 105–66; H.R. 2169). I have determined that the cancellation of these amounts will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *November 1, 1997.*

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of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 1998'' (Public Law 105–65; H.R. 2158). I have determined that the cancellation of these amounts will reduce the Federal budget deficit, will not impair any essential Government functions, and will not harm the national interest.

WILLIAM J. CLINTON.

THE WHITE HOUSE, *November 1, 1997.*

MEASAGES FROM THE HOUSE

At 12 noon, a message from the House of Representatives, delivered by Ms. Goetz, one of its reading clerks, announced that the House had passed the following bill, with amendments, in which it requests the concurrence of the Senate:

S. 923. An act to deny veterans' benefits to persons convicted of Federal capital offenses.

The message also announced that the House had passed the following bill, in which it requests the concurrence of the Senate:

H.R. 2367. An act to amend title 38, United States Code, to provide a cost-of-living adjustment in the rates of disability for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for survivors of such veterans.

MEASURES PLACED ON THE CALENDAR

The following measure was read the first and second times by unanimous consent and placed on the calendar:

H.R. 2367. An act to amend title 38, United States Code, to provide a cost-of-living adjustment in the rates of disability for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for survivors of such veterans.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MURKOWSKI, from the Committee on Energy and Natural Resources, with an amendment in the nature of a substitute:

S. 538. A bill to authorize the Secretary of the Interior to convey certain facilities of the Minidoka project to the Burley Irrigation District, and for other purposes (Rept. No. 105–131).

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. GORTON (for himself, Mr. MCCAIN, Mr. HOLLINGS, and Mr. FORD):

S. 1358. A bill to authorize the Federal Aviation Administration's research, engineering, and development programs for fiscal year 1998, and for other purposes; to the Committee on Commerce, Science, and Transportation.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

The following concurrent resolutions and Senate resolutions were read, and referred (or acted upon), as indicated:

By Mr. MOYNIHAN:

S. Res. 142. A resolution to express the sense of the Senate regarding the treatment of any future unified budget surpluses; to the Committee on Finance.

ADDITIONAL COSPONSORS

S. 364

At the request of Mr. LIEBERMAN, the names of the Senator from Nebraska [Mr. HAGEL] and the Senator from Vermont [Mr. JEFFORDS] were added as cosponsors of S. 364, a bill to provide legal standards and procedures for suppliers of raw materials and component parts for medical devices.

S. 943

At the request of Mr. SPECTER, the name of the Senator from Illinois [Ms. MOSELEY-BRAUN] was added as a cosponsor of S. 943, a bill to amend title 49, United States Code, to clarify the application of the act popularly known as the ''Death on the High Seas Act'' to aviation accidents.

S. 950

At the request of Mr. MCCONNELL, the name of the Senator from New Hampshire [Mr. SMITH] was added as a cosponsor of 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.

S. 952

At the request of Mr. MCCONNELL, the name of the Senator from New Hampshire [Mr. SMITH] was added as a cosponsor of 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.

S. 977

At the request of Mr. TORRICELLI, the names of the Senator from Massachusetts [Mr. KENNEDY], and the Senator from California [Mrs. BOXER] were added as cosponsors of S. 977, a bill to amend the Forest and Rangeland Renewable Resources Planning Act of 1974 and related laws to strengthen the protection of native biodiversity and ban clearcutting on Federal lands, and to designate certain Federal lands as Ancient Forests, Roadless Areas, Watershed Protection Areas, Special Areas, and Federal Boundary Areas where logging and other intrusive activities are prohibited.

S. 1220

At the request of Mr. DODD, the names of the Senator from Kentucky [Mr. FORD], the Senator from Michigan [Mr. LEVIN], the Senator from Vermont [Mr. JEFFORDS], the Senator from California [Mrs. BOXER], and the Senator from Oregon [Mr. WYDEN] were added as cosponsors of S. 1220, a bill to provide a process for declassifying on an expedited basis certain documents relating to human rights abuses in Guatemala and Honduras.

S. 1286

At the request of Mr. JEFFORDS, the names of the Senator from Oregon [Mr. SMITH], the Senator from Illinois [Mr. DURBIN], the Senator from Mississippi [Mr. COCHRAN], and the Senator from Nebraska [Mr. KERREY] were added as cosponsors of S. 1286, a bill to amend the Internal Revenue Code of 1986 to exclude from gross income certain amounts received as scholarships by an individual under the National Health Corps Scholarship Program.

S. 1309

At the request of Mr. KERRY, the name of the Senator from New York [Mr. MOYNIHAN] was added as a cosponsor of S. 1309, a bill to provide for the health, education, and welfare of children under 6 years of age.

S. 1311

At the request of Mr. LOTT, the name of the Senator from Alaska [Mr. MURKOWSKI] was added as a cosponsor of S. 1311, a bill to impose certain sanctions on foreign persons who transfer items contributing to Iran's efforts to acquire, develop, or produce ballistic missiles.

SENATE CONCURRENT RESOLUTION 52

At the request of Mr. HOLLINGS, the names of the Senator from New York [Mr. D'AMATO], the Senator from Montana [Mr. BAUCUS], the Senator from Connecticut [Mr. DODD], the Senator from Iowa [Mr. HARKIN], and the Senator from Alabama [Mr. SESSIONS] were added as cosponsors of Senate Concurrent Resolution 52, a concurrent resolution relating to maintaining the current standard behind the ''Made in USA'' label, in order to protect consumers and jobs in the United States.

SENATE RESOLUTION 142—REGARDING THE TREATMENT OF ANY FUTURE UNIFIED BUDGET SURPLUSES

Mr. MOYNIHAN submitted the following resolution; which was referred to the Committee on Finance:

S. RES. 142

Whereas the current economic expansion is now in its seventh year and shows no signs of ending;

Whereas the unemployment rate is below 5 percent for the first time in 24 years;

Whereas the current official inflation rate, which may be overstated, is about 2 percent;

Whereas the deficit has been reduced from $290,000,000,000 in fiscal year 1992 to $23,000,000,000 in fiscal year 1997, or just three-tenths of 1 percent of the Gross Domestic Product (GDP);

Whereas the Congressional Budget Office projects that, under present law, the unified budget will have a surplus of $86,000,000,000 in 2007;

Whereas the Congressional Budget Office also projects that, under present law, the debt held by the public will fall from about 50 percent of GDP this year to about 30 percent by 2007;

Whereas this extraordinary combination of good budget and economic news is largely

the result of budget policies included in the Omnibus Budget and Reconciliation Act of 1993;

Whereas the budget is not yet in surplus;

Whereas the Congressional Budget Office also projects that the deficit is likely to reappear after 2007, and that the debt held by the public as a percentage of GDP is also likely to increase as the baby boom generation begins to retire;

Whereas, without the on-budget surpluses of the social security trust funds, the Congressional Budget Office still projects annual deficits of about $100,000,000,000 even after the budget is ''balanced'' in 2002; and

Whereas projected unified budget surpluses in the short-run would rapidly disappear if the current expansion ends, and the economy would enter a recession: Now, therefore, be it

Resolved, That is the sense of the Senate that—

(1) any unified budget surpluses that might arise in the current expansion should be used to reduce the Federal debt held by the public; and

(2) to achieve this goal during this economic expansion that there be no net tax cut or new spending that is not offset by reductions in spending on other programs or tax increases.

Mr. MOYNIHAN. Mr. President, there is now clear evidence that at least for the short run, both the economy and the budget have attained to a singular degree of stability.

Consider the following facts:

The current economic expansion is now in its seventh year and shows no sign of ending; the unemployment rate is below 5 percent for the first time in 24 years; the current official inflation rate, which may be—and almost certainly is—overstated, is about 2 percent; the deficit has been reduced from $290 billion in fiscal year 1992 to $23 billion in fiscal year 1997, or just three-tenths of 1 percent of our gross domestic product; the Congressional Budget Office projects that, under present law, the unified budget will have a surplus of $86 billion in the year 2007. I repeat that unfamiliar phrase—a surplus of $86 billion. The Congressional Budget Office also projects that, under present law, the debt held by the public will fall from about 50 percent of gross domestic product this year to about 30 percent by 2007.

May I suggest to my colleagues that, for the first time in 20 years or more, such good economic news is upon us and was previously thought unattainable.

Last week, at a Finance Committee hearing on his confirmation to be Treasury Assistant Secretary of Economic Policy, David Wilcox quoted a favorite economics professor of his at the Massachusetts Institute of Technology—and I have the honor to say, parenthetically, a long and good friend of mine—the distinguished Nobel laureate Robert Solow. As Wilcox recalls, Professor Solow said something as follows.

. . . the most important thing economists have to communicate to the rest of the world is how effectively markets work. The most important thing that economists have to tell each other is the important ways in which markets sometimes don't work exactly right.

One need not engage in a long discourse on the fundamental differences between Keynesian and classical macroeconomic theories, to realize that during the last recession and current expansion, the deficit has changed as economists would expect, or in any event would hope.

Between fiscal 1989 and fiscal 1991, as the economy entered a recession, gross domestic product in nominal—which is to say money terms—grew at an average rate of 4.7 percent. Revenues to the Federal Government, however, only grew at an average rate of 3.2 percent, while outlays grew by 7.6 percent. Now this imbalance between the growth in revenues and outlays—which helped moderate the recession, as we learned through painful experience in the middle of the century—would ordinarily be welcomed were it not for the fact that, in 1989, the Federal Government's deficit was already 3.8 percent of GDP. As it were, the deficit reached 5.5 percent of GDP in 1991 and 1992.

For the next 2 years, the economy slowly recovered from the recession. And then, in 1993, something extraordinary happened; we passed what I have since acknowledged to be the largest tax increase in history. We also limited the growth in spending.

The results—quite contrary to those predicted by many who opposed the measure—are truly remarkable. Between 1993 and 1997, GDP increased at an average annual rate of 5.3 percent. Mr. President, that doubles in something like 13 or 14 years. To double your GDP every 14 years, that would quadruple in a generation, which is almost unimaginable. Real gross domestic product—that is adjusting for inflation—increased at an average annual rate of about 3.5 percent, compared to almost no real growth for the period from 1989 to 1991. With rapid, noninflationary growth, revenues increased at an average annual rate of 8.2 percent, while outlays grew at a modest 3.3 percent annual rate.

For the fiscal year just ended, the comparison is even more striking. The economy grew by 5.9 percent, while revenues grew by 8.7 percent and outlays by a mere 2.7 percent. We have had no such experience in postwar periods. I don't know if we have ever had such an experience.

Mr. President, may I suggest that while the revenues and outlays grew as one would expect during the various phases of a business cycle, it was only after a very great deal of effort, and not an inconsiderable amount of pain that we have brought the Federal budget into near balance—a deficit of $22.6 billion, a rather insubstantial three-tenths of 1 percent of GDP.

But, sir, in the closing days of this first session of the 105th Congress, we can risk it all. Perhaps we should follow the admonition that Hippocrates bequeathed to the medical profession, which somehow translated it from Greek into Latin, in the passage of the Hippocratic oath: ''primum non nocere''—''first do no harm.''

Tax legislation for this session of the 105th Congress is and should be concluded.

Mr. President, my remarks till now have focused on the short run and pleasant and unparalleled economic and budget circumstances in which we now find ourselves. But before we devote too much energy to tax cuts in the next session of the 105th Congress, we should be mindful of the following less-than-exuberant facts.

First, the budget is not yet in surplus.

Second, the Congressional Budget Office also projects that the deficit is likely to reappear after the year 2007 and that the debt held by the public as a percentage of gross domestic product is likely to increase as the baby boom generation begins to retire.

Third, without the on-budget surpluses of the Social Security trust funds, the Congressional Budget Office still projects annual deficits of about $100 billion even after the budget is balanced in the year 2002.

I make the point, Mr. President, as Senator Dole remarked yesterday on ''Meet The Press,'' in 1983 we made major changes in the Social Security System which have made it solvent and in surplus every year since then and for many years still to come. But that surplus is not saved in any conventional sense of the word; it is expended on other purposes that have nothing to do with social insurance, a matter which I know troubled Senator Dole when he was still our most revered colleague and majority leader.

And, lastly, projected unified budget surpluses in the short run would rapidly disappear if the current expansion ends and the economy were to enter a recession.

In that setting, Mr. President, I offer a resolution which I hope to call up at some point in the days remaining in the first session of the 105th Congress to express the sense of the Senate regarding the treatment of any future unified budget surpluses.

Mr. CRAIG addressed the Chair.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CRAIG. Mr. President, I would like to associate myself with the remarks of the Senator from New York, who, I think, has spoken very clearly to what happens in large part when the Congress of the United States restrains spending. While I recognize that there were certainly added revenues by a substantially large tax increase, if the Congress following that had followed the practices of past Congresss, and that is of course, a promise to reduce spending for every so many dollars of increase—and, I think I had heard that promise over my years in the House and in the Senate—I doubt that we would be experiencing the kind of economic vitality that we are currently and that the Senator spoke to. This Congress adhered to very real spending restraints, and as a result of that the markets recognized that we were not

going to spend beyond our limits and, in fact, we would actually see a reduction in deficit of the kind the Senator spoke to. There is no question that with that kind of restraint here, the markets have responded and our citizens and our work force are now experiencing the kind of economic growth of which we are all extremely proud.

AMENDMENTS SUBMITTED

THE RECIPROCAL TRADE AGREEMENT ACT OF 1997

GRASSLEY AMENDMENT NO. 1545

(Ordered to lie on the table.)

Mr. GRASSLEY submitted an amendment intended to be proposed by him to the bill (S. 1269) to establish objectives for negotiating and procedures for implementing certain trade agreements; as follows:

Add the following subsection (d) to section 3:

(1) Notwithstanding any other provision of law, the U.S. Government shall not enter into any treaty or other international agreement that, in whole or in part, would have the purpose or effect of transferring any jurisdiction or authority to decide cases under U.S. law away from the federal judiciary.

(2) Notwithstanding any other provision of law, the trade agreement negotiating authority of this section 3 of this Act shall not apply to the negotiation of any trade agreement that would have the purpose or effect of transferring any jurisdiction or authority to decide cases under U.S. law away from the federal judiciary, and the trade agreement approval procedures shall not apply to implementing bills submitted with respect to any such trade agreement.

THE EDUCATION SAVINGS ACT FOR PUBLIC AND PRIVATE SCHOOLS

MCCONNELL (AND OTHERS) AMENDMENT NO. 1546

(Ordered to lie on the table.)

Mr. MCCONNELL (for himself, Mr. GRAHAM, Mr. GRASSLEY, and Ms. LANDRIEU) submitted an amendment intended to be proposed by them to the bill (H.R. 2646) to amend the Internal Revenue Code of 1986 to allow tax-free expenditures from education individual retirement accounts for elementary and secondary school expenses, to increase the maximum annual amount of contributions to such accounts, and for other purposes; as follows:

At the appropriate place in the bill, insert the following new sections:

SEC. ___. EXCLUSION FROM GROSS INCOME OF EDUCATION DISTRIBUTIONS FROM QUALIFIED STATE TUITION PROGRAMS.

(a) ALLOWANCE OF EXCLUSION.—

(1) IN GENERAL.—Subparagraph (B) of section 529(c)(3) of the Internal Revenue Code of 1986 (relating to distributions) is amended to read as follows:

''(B) QUALIFIED HIGHER EDUCATION DISTRIBUTIONS.—In the case of a qualified higher education distribution under subsection (f)—

''(i) subparagraph (A) shall not apply, and

''(ii) no amount shall be includible in gross income with respect to such distribution.''

(2) QUALIFIED HIGHER EDUCATION DISTRIBUTION DEFINED.—Section 529 of such Code (relating to qualified State tuition programs) is amended by adding at the end the following new subsection:

''(f) QUALIFIED HIGHER EDUCATION DISTRIBUTION.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified higher education distribution' means any distribution (or portion thereof) which constitutes a payment directly to an eligible educational institution for qualified higher education expenses of the designated beneficiary for enrollment or attendance at such institution.

''(2) ROOM AND BOARD FOR STUDENTS LIVING OFF CAMPUS.—

''(A) IN GENERAL.—The term 'qualified higher education distribution' includes distributions not described in paragraph (1) to the extent that the amount of such distributions for the taxable year does not exceed the amount treated as qualified higher education expenses of the designated beneficiary under subsection (e)(3)(B)(i)(II).

''(B) RESTRICTIONS.—Subparagraph (A) shall only apply with respect to distributions for any academic period if—

''(i) distributions described in paragraph (1) are made for such period for expenses other than room and board, and

''(ii) the designated beneficiary certifies to the qualified State tuition program that the beneficiary resides in a dwelling unit not operated or maintained by an eligible educational institution.

''(3) EXCLUSION ELECTIVE; LIMITATION TO ONE PROGRAM.—

''(A) ELECTION.—This subsection shall apply for a taxable year only if the designated beneficiary elects its application.

''(B) LIMITATION TO ONE PROGRAM.—This subsection shall apply only to distributions from the qualified State tuition program designated by the beneficiary in the first election taking effect under subparagraph (A). Such designation, once made, shall be irrevocable.

''(4) AGGREGATION.—All distributions from the qualified State tuition program designated under paragraph (3)(B) shall be treated as 1 distribution for purposes of this subsection.''

(3) ROOM AND BOARD.—Section 529(e)(3)(B) of such Code is amended to read as follows:

''(B) ROOM AND BOARD INCLUDED FOR STUDENTS WHO ARE AT LEAST HALF-TIME.—

''(i) IN GENERAL.—In the case of a designated beneficiary who is an eligible student (as defined in such section 25A(b)(3)) for any academic period, the term 'qualified higher education expenses' shall include—

''(I) amounts paid directly to an eligible educational institution for room and board furnished to the beneficiary during such academic period, or

''(II) if the beneficiary is not residing in a dwelling unit operated or maintained by the eligible educational institution, reasonable costs incurred by the beneficiary for room and board during such academic period.

''(ii) LIMITATIONS ON OFF-CAMPUS ROOM AND BOARD.—

''(I) DOLLAR LIMIT.—The aggregate costs which may be taken into account under clause (i)(II) for any taxable year shall not exceed $4,500.

''(II) NO MORE THAN 4 ACADEMIC YEARS TAKEN INTO ACCOUNT.—Costs may be taken into account under clause (i)(II) only for that number of academic periods as is equivalent to 4 academic years. Such number shall be reduced by the number of academic periods for which amounts were previously taken into account under clause (i)(I).''

(b) LIMIT ON AGGREGATE CONTRIBUTIONS.—

(1) IN GENERAL.—Section 529(b)(7) of the Internal Revenue Code of 1986 is amended to read as follows:

''(7) AGGREGATE LIMIT ON CONTRIBUTIONS.—A program shall not be treated as a qualified State tuition program if it allows aggregate contributions (including rollover contributions) on behalf of a designated beneficiary to exceed $35,200.''

(2) TAX ON EXCESS CONTRIBUTIONS.—

(A) IN GENERAL.—Section 4973 of such Code is amended by adding at the end the following new subsection:

''(g) EXCESS CONTRIBUTIONS TO QUALIFIED STATE TUITION PROGRAMS.—

''(1) IN GENERAL.—In the case of a designated beneficiary under 1 or more qualified State tuition programs (as defined in section 529(b)), the amount by which the contributions on behalf of such beneficiary for such taxable year, when added to the aggregate contributions on behalf of such beneficiary for all preceding taxable years, exceeds the dollar limit in effect under section 529(b)(7) for calendar year in which the taxable year begins.

''(2) SPECIAL RULES.—For purposes of paragraph (1), the following contributions shall not be taken into account:

''(A) Any contribution which is distributed out of the qualified State tuition program in a distribution to which section 529(g)(2) applies.

''(B) Any rollover contribution.''

(B) CONFORMING AMENDMENTS.—Section 4973(a) is amended—

(i) by striking ''or'' at the end of paragraph (3), by inserting ''or'' at the end of paragraph (5), and by inserting after paragraph (4) the following new paragraph:

''(5) a qualified State tuition program (as defined in section 529),'',

(ii) by striking ''accounts or annuities'' and inserting ''accounts, annuities, or programs'', and

(iii) by striking ''account or annuity'' and inserting ''account, annuity, or program''.

(c) COMPLIANCE PROVISIONS.—

(1) ADDITIONAL TAX ON AMOUNTS NOT USED FOR HIGHER EDUCATION EXPENSES.—

(A) IN GENERAL.—Section 529 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(g) ADDITIONAL TAX FOR DISTRIBUTIONS NOT USED FOR EDUCATIONAL EXPENSES.—

''(1) IN GENERAL.—The tax imposed by section 530(d)(4) shall apply to payments and distributions from qualified State tuition programs in the same manner as such tax applies to education individual retirement accounts.

''(2) EXCESS CONTRIBUTIONS RETURNED BEFORE DUE DATE OF RETURN.—Subparagraph (A) shall not apply to the distribution to a contributor of any contribution paid during a taxable year to a qualified tuition program to the extent that such contribution exceeds the limitation in section 4973(g) if such distribution (and the net income with respect to such excess contribution) meet requirements comparable to the requirements of section 530(d)(4)(C).''

(B) CONFORMING AMENDMENT.—Section 529(b)(3) of such Code is repealed.

(2) WITHHOLDING OF TAX ON CERTAIN DISTRIBUTIONS.—Section 529(c) is amended by adding at the end the following new paragraph:

''(6) WITHHOLDING OF TAX ON CERTAIN DISTRIBUTIONS.—

''(A) IN GENERAL.—A qualified State tuition program shall withhold from any distribution an amount equal to 15 percent of the portion of such distribution properly allocable to income on the contract (as determined under section 72).

''(B) EXCEPTIONS.—Subparagraph (A) shall not apply to a distribution which—

''(i) is a qualified higher education distribution under subsection (f), or

''(ii) is exempt from the payment of the additional tax imposed by subsection (g).''

(3) DISTRIBUTIONS REQUIRED IN CERTAIN CASES.—Subsection (b) of section 529 of such Code is amended by adding at the end the following new paragraph:

''(8) REQUIRED DISTRIBUTIONS.—

''(A) IN GENERAL.—A program shall be treated as a qualified State tuition program only if any balance to the credit of a designated beneficiary (if any) on the account termination date is required to be distributed within 30 days after such date to such beneficiary (or in the case of death, the estate of the beneficiary).

''(B) ACCOUNT TERMINATION DATE.—For purposes of subparagraph (A), the term 'account termination date' means whichever of the following dates is the earliest:

''(i) The date on which the designated beneficiary attains age 30.

''(ii) The date on which the designated beneficiary dies.''

(d) COST-OF-LIVING ADJUSTMENTS.—Section 529(e) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

''(6) COST-OF-LIVING ADJUSTMENTS.—In the case of calendar years beginning after December 31, 1998, the $32,500 amount under subsection (b)(7) and the $4,500 amount under subsection (e)(3)(B)(ii)(I) 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, determined by substituting '1997' for '1992' in subparagraph (B) thereof.

If any dollar amount is not a multiple of $100 after being increased under this paragraph, such amount shall be rounded to the next lowest multiple of $100.''

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to distributions in taxable years beginning after December 31, 1997.

(2) CONTRACT REQUIREMENTS.—The amendments made by subsections (b)(1) and (c)(3) shall apply to contracts issued after December 31, 1997.

SEC. ___. EXTENSION AND MODIFICATION OF SUBSIDIES FOR ALCOHOL FUELS.

(a) EXTENSION.—

(1) The following provisions of the Internal Revenue Code of 1986 are each amended by striking ''2000'' each place it appears and inserting ''2007'':

(A) Section 4041(b)(2)(C) (relating to termination).

(B) Section 4041(k)(3) (relating to termination).

(C) Section 4081(c)(8) (relating to termination).

(D) Section 4091(c)(5) (relating to termination).

(2) Section 4041(m)(1)(A) of such Code (relating to certain alcohol fuels), as amended by section 907(b) of the Taxpayer Relief Act of 1997, is amended by striking ''1999'' both places it appears and inserting ''2005''.

(3) Section 6427(f)(4) of such Code (relating to termination) is amended by striking ''1999'' and inserting ''2007''.

(4) Section 40(e)(1) of such Code (relating to termination) is amended—

(A) by striking ''December 31, 2000'' and inserting ''December 31, 2007'', and

(B) by striking subparagraph (B) and inserting the following:

''(B) of any fuel for any period before January 1, 2008, during which the rate of tax under section 4081(a)(2)(A) is 4.3 cents per gallon.''.

(5) Headings 9901.00.50 and 9901.00.52 of the Harmonized Tariff Schedule of the United States (19 U.S.C. 3007) are amended in the effective period column by striking ''10/1/2000'' each place it appears and inserting ''10/1/2007''.

(b) MODIFICATION.—

(1) IN GENERAL.—Subsection (h) of section 40 of the Internal Revenue Code of 1986 (relating to alcohol used as fuel) is amended to read as follows:

''(h) REDUCED CREDIT FOR ETHANOL BLENDERS.—

''(1) IN GENERAL.—In the case of any alcohol mixture credit or alcohol credit with respect to any sale or use of alcohol which is ethanol during calendar years 2001 through 2007—

''(A) subsections (b)(1)(A) and (b)(2)(A) shall be applied by substituting 'the blender amount' for '60 cents',

''(B) subsection (b)(3) shall be applied by substituting 'the low-proof blender amount' for '45 cents' and 'the blender amount' for '60 cents', and

''(C) subparagraphs (A) and (B) of subsection (d)(3) shall be applied by substituting 'the blender amount' for '60 cents' and 'the low-proof blender amount' for '45 cents'.

''(2) AMOUNTS.—For purposes of paragraph (1), the blender amount and the low-proof blender amount shall be determined in accordance with the following table:

In the case of any sale or use during calendar year:	The blender amount is:	The low-proof blender amount is:
2001 or 2002	53 cents	39.26 cents
2003 or 2004	52 cents	38.52 cents
2005, 2006, or 2007	51 cents	37.78 cents.''.

(2) CONFORMING AMENDMENTS.—

(A) Section 4041(b)(2) of such Code is amended—

(i) in subparagraph (A)(i), by striking ''5.4 cents'' and inserting ''the applicable blender rate'', and

(ii) by redesignating subparagraph (C), as amended by subsection (a)(2)(A), as subparagraph (D) and by inserting after subparagraph (B) the following:

''(C) APPLICABLE BLENDER RATE.—For purposes of subparagraph (A)(i), the applicable blender rate is—

''(i) except as provided in clause (ii), 5.4 cents, and

''(ii) for sales or uses during calendar years 2001 through 2007, 1/10 of the blender amount applicable under section 40(h)(2) for the calendar year in which the sale or use occurs.''.

(B) Subparagraph (A) of section 4081(c)(4) of such Code is amended to read as follows:

''(A) GENERAL RULES.—

''(i) MIXTURES CONTAINING ETHANOL.—Except as provided in clause (ii), in the case of a qualified alcohol mixture which contains gasoline, the alcohol mixture rate is the excess of the rate which would (but for this paragraph) be determined under subsection (a) over—

''(I) in the case of 10 percent gasohol, the applicable blender rate (as defined in section 4041(b)(2)(A)) per gallon,

''(II) in the case of 7.7 percent gasohol, the number of cents per gallon equal to 77 percent of such applicable blender rate, and

''(III) in the case of 5.7 percent gasohol, the number of cents per gallon equal to 57 percent of such applicable blender rate.

''(ii) MIXTURES NOT CONTAINING ETHANOL.—In the case of a qualified alcohol mixture which contains gasoline and none of the alcohol in which consists of ethanol, the alcohol mixture rate is the excess of the rate which would (but for this paragraph) be determined under subsection (a) over—

''(I) in the case of 10 percent gasohol, 6 cents per gallon,

''(II) in the case of 7.7 percent gasohol, 4.62 cents per gallon, and

''(III) in the case of 5.7 percent gasohol, 3.42 cents per gallon.''.

(C) Section 4081(c)(5) of such Code is amended by striking ''5.4 cents'' and inserting ''the applicable blender rate (as defined in section 4041(b)(2)(C))''.

(D) Section 4091(c)(1) of such Code is amended by striking ''13.4 cents'' each place it appears and inserting ''the applicable blender amount'' and by adding at the end the following new sentence: ''For purposes of this paragraph, the term 'applicable blender amount' means 13.3 cents in the case of any sale or use during 2001 or 2002, 13.2 cents in the case of any sale or use during 2003 or 2004, 13.1 cents in the case of any sale or use during 2005, 2006, or 2007, and 13.4 cents in the case of any sale or use during 2008 or thereafter.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on January 1, 2001.

GRASSLEY (AND MOSELEY-BRAUN) AMENDMENT NO. 1547

(Ordered to lie on the table.)

Mr. GRASSLEY (for himself and Mrs. MOSELEY-BRAUN) submitted an amendment intended to be proposed by them to the bill, H.R. 2646, supra; as follows:

At the appropriate place in the bill, insert the following new section:

SEC. ___. EXTENSION AND MODIFICATION OF SUBSIDIES FOR ALCOHOL FUELS.

(a) EXTENSION.—

(1) The following provisions of the Internal Revenue Code of 1986 are each amended by striking ''2000'' each place it appears and inserting ''2007'':

(A) Section 4041(b)(2)(C) (relating to termination).

(B) Section 4041(k)(3) (relating to termination).

(C) Section 4081(c)(8) (relating to termination).

(D) Section 4091(c)(5) (relating to termination).

(2) Section 4041(m)(1)(A) of such Code (relating to certain alcohol fuels), as amended by section 907(b) of the Taxpayer Relief Act of 1997, is amended by striking ''1999'' both places it appears and inserting ''2005''.

(3) Section 6427(f)(4) of such Code (relating to termination) is amended by striking ''1999'' and inserting ''2007''.

(4) Section 40(e)(1) of such Code (relating to termination) is amended—

(A) by striking ''December 31, 2000'' and inserting ''December 31, 2007'', and

(B) by striking subparagraph (B) and inserting the following:

''(B) of any fuel for any period before January 1, 2008, during which the rate of tax under section 4081(a)(2)(A) is 4.3 cents per gallon.''.

(5) Headings 9901.00.50 and 9901.00.52 of the Harmonized Tariff Schedule of the United States (19 U.S.C. 3007) are amended in the effective period column by striking ''10/1/2000'' each place it appears and inserting ''10/1/2007''.

(b) MODIFICATION.—

(1) IN GENERAL.—Subsection (h) of section 40 of the Internal Revenue Code of 1986 (relating to alcohol used as fuel) is amended to read as follows:

''(h) REDUCED CREDIT FOR ETHANOL BLENDERS.—

''(1) IN GENERAL.—In the case of any alcohol mixture credit or alcohol credit with respect to any sale or use of alcohol which is ethanol during calendar years 2001 through 2007—

''(A) subsections (b)(1)(A) and (b)(2)(A) shall be applied by substituting 'the blender amount' for '60 cents',

''(B) subsection (b)(3) shall be applied by substituting 'the low-proof blender amount' for '45 cents' and 'the blender amount' for '60 cents', and

''(C) subparagraphs (A) and (B) of subsection (d)(3) shall be applied by substituting 'the blender amount' for '60 cents' and 'the low-proof blender amount' for '45 cents'.

''(2) AMOUNTS.—For purposes of paragraph (1), the blender amount and the low-proof blender amount shall be determined in accordance with the following table:

In the case of any sale or use during calendar year:	The blender amount is:	The low-proof blender amount is:
2001 or 2002	53 cents	39.26 cents
2003 or 2004	52 cents	38.52 cents
2005, 2006, or 2007	51 cents	37.78 cents.''.

(2) CONFORMING AMENDMENTS.—

(A) Section 4041(b)(2) of such Code is amended—

(i) in subparagraph (A)(i), by striking ''5.4 cents'' and inserting ''the applicable blender rate'', and

(ii) by redesignating subparagraph (C), as amended by subsection (a)(2)(A), as subparagraph (D) and by inserting after subparagraph (B) the following:

''(C) APPLICABLE BLENDER RATE.—For purposes of subparagraph (A)(i), the applicable blender rate is—

''(i) except as provided in clause (ii), 5.4 cents, and

''(ii) for sales or uses during calendar years 2001 through 2007, 1/10 of the blender amount applicable under section 40(h)(2) for the calendar year in which the sale or use occurs.''.

(B) Subparagraph (A) of section 4081(c)(4) of such Code is amended to read as follows:

''(A) GENERAL RULES.—

''(i) MIXTURES CONTAINING ETHANOL.—Except as provided in clause (ii), in the case of a qualified alcohol mixture which contains gasoline, the alcohol mixture rate is the excess of the rate which would (but for this paragraph) be determined under subsection (a) over—

''(I) in the case of 10 percent gasohol, the applicable blender rate (as defined in section 4041(b)(2)(A)) per gallon,

''(II) in the case of 7.7 percent gasohol, the number of cents per gallon equal to 77 percent of such applicable blender rate, and

''(III) in the case of 5.7 percent gasohol, the number of cents per gallon equal to 57 percent of such applicable blender rate.

''(ii) MIXTURES NOT CONTAINING ETHANOL.—In the case of a qualified alcohol mixture which contains gasoline and none of the alcohol in which consists of ethanol, the alcohol mixture rate is the excess of the rate which would (but for this paragraph) be determined under subsection (a) over—

''(I) in the case of 10 percent gasohol, 6 cents per gallon,

''(II) in the case of 7.7 percent gasohol, 4.62 cents per gallon, and

''(III) in the case of 5.7 percent gasohol, 3.42 cents per gallon.''.

(C) Section 4081(c)(5) of such Code is amended by striking ''5.4 cents'' and inserting ''the applicable blender rate (as defined in section 4041(b)(2)(C))''.

(D) Section 4091(c)(1) of such Code is amended by striking ''13.4 cents'' each place it appears and inserting ''the applicable blender amount'' and by adding at the end the following new sentence: ''For purposes of this paragraph, the term 'applicable blender amount' means 13.3 cents in the case of any sale or use during 2001 or 2002, 13.2 cents in the case of any sale or use during 2003 or 2004, 13.1 cents in the case of any sale or use during 2005, 2006, or 2007, and 13.4 cents in the case of any sale or use during 2008 or thereafter.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on January 1, 2001.

FEINSTEIN AMENDMENTS NOS. 1548–1549

(Ordered to lie on the table.)

Mrs. FEINSTEIN submitted two amendments intended to be proposed by her to the bill, H.R. 2646, supra; as follows:

AMENDMENT NO. 1548

At the end add the following:

SEC. ___. ESTABLISHMENT OF CANCER RESEARCH TRUST FUND.

(a) IN GENERAL.—Part A of title IV of the Public Health Service Act (42 U.S.C. 281 et seq.) is amended by adding at the end the following new section:

''SEC. 404F. ESTABLISHMENT OF CANCER RESEARCH TRUST FUND.

''(a) ESTABLISHMENT.—There is established in the Treasury of the United States a trust fund, to be known as the 'Cancer Research Trust Fund' (hereafter in this section referred to as the 'Fund'), consisting of such amounts as are credited or paid to the Fund as provided for in section 6098 of the Internal Revenue Code of 1986 and any interest earned on investment of amounts in the Fund.

''(b) INVESTMENT OF TRUST FUND.—

''(1) IN GENERAL.—It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in the Secretary's judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose, such obligations may be acquired—

''(A) on original issue at the issue price, or

''(B) by purchase of outstanding obligations at the market price.

The purposes for which obligations of the United States may be issued under chapter 31 of title 31, of the United States Code, are hereby extended to authorize the issuance at par of special obligations exclusively to the Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as to the end of the calendar month next preceding the date of such issue, borne by all marketable interest-bearing obligations of the United States then forming a part of the Public Debt; except that where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 percent next lower than such average rate. Such special obligations shall be issued only if the Secretary of the Treasury determines that the purchase of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest.

''(2) SALE OF OBLIGATION.—Any obligation acquired by the Fund (except special obligations issued exclusively to the Fund) may be sold by the Secretary of the Treasury at the market price, and such special obligations may be redeemed at par plus accrued interest.

''(3) CREDITS TO TRUST FUND.—The interest on, and the proceeds from the sale or redemption of, any obligations held in the Fund shall be credited to and form a part of the Fund.

''(c) OBLIGATIONS FROM FUND.—

''(1) IN GENERAL.—The Secretary of Health and Human Services shall annually make available such sums as are available in the Fund (including any amounts not obligated in previous fiscal years) to the National Institutes of Health for the conduct of biomedical, intramural and extramural research.

''(2) DIRECTOR OF NIH.—The Director of the National Institutes of Health may distribute amounts made available under paragraph (1) among the various research institutes and centers of the National Institutes of Health to enable such institutes and centers to conduct research that the Director determines is appropriate. The Director shall make awards from amounts available under paragraph (1) for research on cancer.

''(d) SUPPLEMENT NOT SUPPLANT.—Amounts provided to an institute or center under subsection (c) shall be used to supplement and not supplant other research conducted with Federal funds.

''(e) LIMITATION.—No expenditure shall be made under subsection (c)(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) DESIGNATION OF OVERPAYMENTS AND CONTRIBUTIONS TO TRUST FUND.—

(1) IN GENERAL.—Subchapter A of chapter 61 of the Internal Revenue Code of 1986 (relating to information and returns) is amended by adding at the end the following new part:

''PART IX—DESIGNATION OF OVERPAYMENTS AND CONTRIBUTIONS TO CANCER RESEARCH TRUST FUND

''Sec. 6098. Designation to Cancer Research Trust Fund.

''SEC. 6098. DESIGNATION TO CANCER RESEARCH TRUST FUND.

''(a) IN GENERAL.—Every individual (other than a nonresident alien) may—

''(1) designate that a portion (not less than $1) of any overpayment of the tax imposed by chapter 1 for the taxable year, and

''(2) provide that a cash contribution (not less than $1),

be paid over to the Cancer Research Trust Fund in accordance with the provisions of section 404F of the Public Health Service Act. In the case of a joint return of a husband and wife, each spouse may designate one-half of any such overpayment of tax (not less than $2).

''(b) MANNER AND TIME OF DESIGNATION.—Any designation or payment under subsection (a) may be made with respect to any taxable year only at the time of filing the original return of the tax imposed by chapter 1 for such taxable year. Such designation shall be made on the page bearing the taxpayer's signature, and in close proximity to such signature, and shall be labeled 'Cancer Research Fund'.

''(c) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this section, any overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last day prescribed for filing the return of tax imposed by chapter 1 (determined with regard to extensions) or, if later, the date the return is filed.''

(2) CLERICAL AMENDMENT.—The table of parts for subchapter A of chapter 61 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

''Part IX. Designation of overpayments and contributions to Cancer Research Trust Fund.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1996.

AMENDMENT NO. 1549

At the end add the following:

SEC. ___. ESTABLISHMENT OF CANCER RESEARCH TRUST FUND.

(a) IN GENERAL.—Part A of title IV of the Public Health Service Act (42 U.S.C. 281 et seq.) is amended by adding at the end the following new section:

"SEC. 404F. ESTABLISHMENT OF CANCER RESEARCH TRUST FUND.

''(a) ESTABLISHMENT.—There is established in the Treasury of the United States a trust fund, to be known as the 'Cancer Research Trust Fund' (hereafter in this section referred to as the 'Fund'), consisting of such amounts as are credited or paid to the Fund as provided for in section 6098 of the Internal Revenue Code of 1986 and any interest earned on investment of amounts in the Fund.

''(b) INVESTMENT OF TRUST FUND.—

''(1) IN GENERAL.—It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in the Secretary's judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose, such obligations may be acquired—

''(A) on original issue at the issue price, or

''(B) by purchase of outstanding obligations at the market price.

The purposes for which obligations of the United States may be issued under chapter 31 of title 31, of the United States Code, are hereby extended to authorize the issuance at par of special obligations exclusively to the Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as to the end of the calendar month next preceding the date of such issue, borne by all marketable interest-bearing obligations of the United States then forming a part of the Public Debt; except that where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 percent next lower than such average rate. Such special obligations shall be issued only if the Secretary of the Treasury determines that the purchase of other interest-bearing obligations of the United States, or of obligations guaranteed as to both principal and interest by the United States on original issue or at the market price, is not in the public interest.

''(2) SALE OF OBLIGATION.—Any obligation acquired by the Fund (except special obligations issued exclusively to the Fund) may be sold by the Secretary of the Treasury at the market price, and such special obligations may be redeemed at par plus accrued interest.

''(3) CREDITS TO TRUST FUND.—The interest on, and the proceeds from the sale or redemption of, any obligations held in the Fund shall be credited to and form a part of the Fund.

''(c) OBLIGATIONS FROM FUND.—

''(1) IN GENERAL.—The Secretary of Health and Human Services shall annually make available such sums as are available in the Fund (including any amounts not obligated in previous fiscal years) to the National Institutes of Health for the conduct of biomedical, intramural and extramural research.

''(2) DIRECTOR OF NIH.—The Director of the National Institutes of Health may distribute amounts made available under paragraph (1) among the various research institutes and centers of the National Institutes of Health to enable such institutes and centers to conduct research that the Director determines is appropriate. The Director shall make awards from amounts available under paragraph (1) for research on cancer.

''(d) SUPPLEMENT NOT SUPPLANT.—Amounts provided to an institute or center under subsection (c) shall be used to supplement and not supplant other research conducted with Federal funds.

''(e) LIMITATION.—No expenditure shall be made under subsection (c)(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) DESIGNATION OF OVERPAYMENTS AND CONTRIBUTIONS TO TRUST FUND.—

(1) IN GENERAL.—Subchapter A of chapter 61 of the Internal Revenue Code of 1986 (relating to information and returns) is amended by adding at the end the following new part:

"PART IX—DESIGNATION OF OVERPAYMENTS AND CONTRIBUTIONS TO CANCER RESEARCH TRUST FUND

''Sec. 6098. Designation to Cancer Research Trust Fund.

"SEC. 6098. DESIGNATION TO CANCER RESEARCH TRUST FUND.

''(a) IN GENERAL.—Every individual (other than a nonresident alien) may—

''(1) designate that a portion (not less than $1) of any overpayment of the tax imposed by chapter 1 for the taxable year, and

''(2) provide that a cash contribution (not less than $1),

be paid over to the Cancer Research Trust Fund in accordance with the provisions of section 404F of the Public Health Service Act. In the case of a joint return of a husband and wife, each spouse may designate one-half of any such overpayment of tax (not less than $2).

''(b) MANNER AND TIME OF DESIGNATION.—Any designation or payment under subsection (a) may be made with respect to any taxable year only at the time of filing the original return of the tax imposed by chapter 1 for such taxable year. Such designation shall be made on the page bearing the taxpayer's signature, and in close proximity to such signature, and shall be labeled 'Cancer Research Fund'.

''(c) OVERPAYMENTS TREATED AS REFUNDED.—For purposes of this section, any overpayment of tax designated under subsection (a) shall be treated as being refunded to the taxpayer as of the last day prescribed for filing the return of tax imposed by chapter 1 (determined with regard to extensions) or, if later, the date the return is filed.''.

(2) CLERICAL AMENDMENT.—The table of parts for subchapter A of chapter 61 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

''Part IX. Designation of overpayments and contributions to Cancer Research Trust Fund.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1996.

(c) RECIPROCAL OFFSET PROGRAM.—

(1) ESTABLISHMENT.—The Secretary of the Treasury shall enter into an agreement with any State under which—

(A) the State agrees, upon notice by the Secretary of the Treasury of any person having a liability in respect of an internal revenue tax, to reduce any overpayment of State tax to be refunded to such person to the extent of the amount of such liability and pay the amount by which the overpayment is so reduced to the United States Treasury and to notify such person of such payment, and

(B) the Secretary of the Treasury agrees to comply with the requirements of section 6402(e) of the Internal Revenue Code of 1986.

(2) DISCLOSURE OF RETURN INFORMATION TO STATES.—Section 6103(d) of the Internal Revenue Code of 1986 (relating to disclosure to State tax officials and State and local law enforcement agencies) is amended by adding at the end the following new paragraph:

''(6) DISCLOSURE FOR RECIPROCAL OFFSET PROGRAM AGREEMENTS.—The Secretary shall disclose return information for purposes of an agreement under the reciprocal offset program established under section ___(c)(1) of the Education Savings Act for Public and Private Schools.''.

(3) OFFSET OF PAST-DUE, LEGALLY ENFORCEABLE STATE TAX OBLIGATIONS AGAINST OVERPAYMENTS.—

(A) IN GENERAL.—Section 6402 of the Internal Revenue Code of 1986 (relating to authority to make credits or refunds) is amended by redesignating subsections (e) through (i) as subsections (f) through (j), respectively, and by inserting after subsection (d) the following new subsection:

''(e) COLLECTION OF PAST-DUE, LEGALLY ENFORCEABLE STATE TAX OBLIGATIONS.—

''(1) IN GENERAL.—Upon receiving notice from any State that has entered into an agreement with the Secretary under section ___(c)(1) of the Education Savings Act for Public and Private Schools that a named person owes a past-due, legally enforceable State tax obligation to such State, the Secretary shall, under such conditions as may be prescribed by the Secretary—

''(A) reduce the amount of any overpayment payable to such person by the amount of such State tax obligation;

''(B) pay the amount by which such overpayment is reduced under subparagraph (A) to such State and notify such State of such person's name, taxpayer identification number, address, and the amount collected; and

''(C) notify the person making such overpayment that the overpayment has been reduced by an amount necessary to satisfy a past-due, legally enforceable State tax obligation.

If an offset is made pursuant to a joint return, the notice under subparagraph (B) shall include the names, taxpayer identification numbers, and addresses of each person filing such return.

''(2) PRIORITIES FOR OFFSET.—Any overpayment by a person shall be reduced pursuant to this subsection—

''(A) after such overpayment is reduced pursuant to—

''(i) subsection (a) with respect to any liability for any internal revenue tax on the part of the person who made the overpayment,

''(ii) subsection (c) with respect to past-due support, and

''(iii) subsection (d) with respect to any past-due, legally enforceable debt owed to a Federal agency, and

''(B) before such overpayment is credited to the future liability for any Federal internal revenue tax of such person pursuant to subsection (b).

If the Secretary receives notice from 1 or more State agencies of more than 1 debt subject to paragraph (1) that is owed by such person to such an agency, any overpayment by such person shall be applied against such debts in the order in which such debts accrued.

''(3) NOTICE; CONSIDERATION OF EVIDENCE.—No State may take action under this subsection until such State—

''(A) notifies the person owing the past-due State tax liability that the State proposes to take action pursuant to this section,

''(B) gives such person at least 60 days to present evidence that all or part of such liability is not past-due or not legally enforceable,

''(C) considers any evidence presented by such person and determines that an amount of such debt is past-due and legally enforceable, and

''(D) satisfies such other conditions as the Secretary may prescribe to ensure that the determination made under subparagraph (C) is valid and that the State has made reasonable efforts to obtain payment of such State tax obligation.

''(4) PAST-DUE, LEGALLY ENFORCEABLE STATE TAX OBLIGATION.—For purposes of this subsection, the term 'past-due, legally enforceable State tax obligation' means a debt—

''(A)(i) which resulted from—

''(I) a judgment rendered by a court of competent jurisdiction which has determined an amount of State tax to be due, or

''(II) a determination after an administrative hearing which has determined an amount of State tax to be due, and

''(ii) which is no longer subject to judicial review, or

''(B) which resulted from a State tax which has been assessed but not collected, the time for redetermination of which has expired, and which has not been delinquent for more than 10 years.

For purposes of this paragraph, the term 'State tax' includes any local tax administered by the chief tax administration agency of the State.

''(5) REGULATIONS.—The Secretary shall issue regulations prescribing the time and manner in which States must submit notices of past-due, legally enforceable State tax obligations and the necessary information that must be contained in or accompany such notices. The regulations shall specify the types of State taxes and the minimum amount of debt to which the reduction procedure established by paragraph (1) may be applied. The regulations may require States to pay a fee to reimburse the Secretary for the cost of applying such procedure. Any fee paid to the Secretary pursuant to the preceding sentence shall be used to reimburse appropriations which bore all or part of the cost of applying such procedure.

''(6) ERRONEOUS PAYMENT TO STATE.—Any State receiving notice from the Secretary that an erroneous payment has been made to such State under paragraph (1) shall pay promptly to the Secretary, in accordance with such regulations as the Secretary may prescribe, an amount equal to the amount of such erroneous payment (without regard to whether any other amounts payable to such State under such paragraph have been paid to such State).''.

(B) DISCLOSURE OF CERTAIN INFORMATION TO STATES REQUESTING REFUND OFFSETS FOR PAST-DUE, LEGALLY ENFORCEABLE STATE TAX OBLIGATIONS.—

(i) Paragraph (10) of section 6103(l) of such Code is amended by striking ''(c) or (d)'' each place it appears and inserting ''(c), (d), or (e)''.

(ii) The paragraph heading for such paragraph (10) is amended by striking ''SECTION 6402(c) OR 6402(d)'' and inserting ''SUBSECTION (c), (d), OR (e) OF SECTION 6402''.

(C) CONFORMING AMENDMENTS.—

(i) Subsection (a) of section 6402 of such Code is amended by striking ''(c) and (d)'' and inserting ''(c), (d), and (e)''.

(ii) Paragraph (2) of section 6402(d) of such Code is amended by striking ''and before such overpayment'' and inserting ''and before such overpayment is reduced pursuant to subsection (e) and before such overpayment''.

(iii) Subsection (f) of section 6402 of such Code, as redesignated by subparagraph (A), is amended—

(I) by striking ''(c) or (d)'' and inserting ''(c), (d), or (e)'', and

(II) by striking ''Federal agency'' and inserting ''Federal agency or State''.

(iv) Subsection (h) of section 6402 of such Code, as redesignated by subparagraph (A), is amended by striking ''subsection (c)'' and inserting ''subsection (c) or (e)''.

(D) AMENDMENTS APPLIED AFTER TECHNICAL CORRECTIONS TO PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996.—

(i) Section 110(l) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is amended by striking paragraphs (4), (5), and (7) (and the amendments made by such paragraphs), and the Internal Revenue Code of 1986 shall be applied as if such paragraphs (and amendments) had never been enacted.

(ii) For purposes of applying the amendments made by this paragraph other than this subparagraph the provisions of this subparagraph shall be treated as having been enacted immediately before the other provisions of this paragraph.

(E) EFFECTIVE DATE.—The amendments made by this subsection (other than paragraph (3)(D)) shall apply to refunds payable after December 31, 1998.

GRAHAM AMENDMENT NO. 1550

(Ordered to lie on the table.)

Mr. GRAHAM submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

On page 3, between lines 9 and 10, insert:

''(C) DEPENDENT CARE EMPLOYMENT-RELATED EXPENSES.—Such term shall include employment-related expenses (as defined in section 21(b)(2)) for the care of a designated beneficiary who is a qualifying individual under section 21(b)(1)(A) with respect to the individual incurring such expenses. No credit shall be allowed under section 21 with respect to employment-related expenses paid out of the account to the extent such payment is not included in gross income by reason of subsection (d)(2).''

KOHL AMENDMENT NO. 1551

(Ordered to lie on the table.)

Mr. KOHL submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

At the appropriate place in the bill, insert the following:

SEC. ___. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE; FOREIGN TAX CREDIT CARRYOVERS.

(a) ALLOWANCE OF CREDIT.—

(1) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45D. EMPLOYER-PROVIDED CHILD CARE CREDIT.

''(a) IN GENERAL.—For purposes of section 38, the employer-provided child care credit determined under this section for the taxable year is an amount equal to 50 percent of the qualified child care expenditures of the taxpayer for such taxable year.

''(b) DOLLAR LIMITATION.—The credit allowable under subsection (a) for any taxable year shall not exceed $150,000.

''(c) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED CHILD CARE EXPENDITURE.—The term 'qualified child care expenditure' means any amount paid or incurred—

''(A) to acquire, construct, rehabilitate, or expand property—

''(i) which is to be used as part of a qualified child care facility of the taxpayer,

''(ii) with respect to which a deduction for depreciation (or amortization in lieu of depreciation) is allowable, and

''(iii) which does not constitute part of the principal residence (within the meaning of section 1034) of the taxpayer or any employee of the taxpayer,

''(B) for the operating costs of a qualified child care facility of the taxpayer, including costs related to the training of employees, to scholarship programs, and to the providing of increased compensation to employees with higher levels of child care training,

''(C) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer, or

''(D) under a contract to provide child care resource and referral services to employees of the taxpayer.

''(2) QUALIFIED CHILD CARE FACILITY.—

''(A) IN GENERAL.—The term 'qualified child care facility' means a facility—

''(i) the principal use of which is to provide child care assistance, and

''(ii) which meets the requirements of all applicable laws and regulations of the State or local government in which it is located, including, but not limited to, the licensing of the facility as a child care facility.

Clause (i) shall not apply to a facility which is the principal residence (within the meaning of section 1034) of the operator of the facility.

''(B) SPECIAL RULES WITH RESPECT TO A TAXPAYER.—A facility shall not be treated as a qualified child care facility with respect to a taxpayer unless—

''(i) enrollment in the facility is open to employees of the taxpayer during the taxable year,

''(ii) the facility is not the principal trade or business of the taxpayer unless at least 30 percent of the enrollees of such facility are dependents of employees of the taxpayer, and

''(iii) the use of such facility (or the eligibility to use such facility) does not discriminate in favor of employees of the taxpayer who are highly compensated employees (within the meaning of section 414(q)).

''(d) RECAPTURE OF ACQUISITION AND CONSTRUCTION CREDIT.—

''(1) IN GENERAL.—If, as of the close of any taxable year, there is a recapture event with respect to any qualified child care facility of the taxpayer, then the tax of the taxpayer under this chapter for such taxable year shall be increased by an amount equal to the product of—

''(A) the applicable recapture percentage, and

''(B) the aggregate decrease in the credits allowed under section 38 for all prior taxable years which would have resulted if the qualified child care expenditures of the taxpayer described in subsection (c)(1)(A) with respect to such facility had been zero.

''(2) APPLICABLE RECAPTURE PERCENTAGE.—

''(A) IN GENERAL.—For purposes of this subsection, the applicable recapture percentage shall be determined from the following table:

''If the recapture event occurs in:	The applicable recapture percentage is:
Years 1–3	100
Year 4	85
Year 5	70
Year 6	55
Year 7	40
Year 8	25
Years 9 and 10	10
Years 11 and thereafter	0.

''(B) YEARS.—For purposes of subparagraph (A), year 1 shall begin on the first day of the

taxable year in which the qualified child care facility is placed in service by the taxpayer.

''(3) RECAPTURE EVENT DEFINED.—For purposes of this subsection, the term 'recapture event' means—

''(A) CESSATION OF OPERATION.—The cessation of the operation of the facility as a qualified child care facility.

''(B) CHANGE IN OWNERSHIP.—

''(i) IN GENERAL.—Except as provided in clause (ii), the disposition of a taxpayer's interest in a qualified child care facility with respect to which the credit described in subsection (a) was allowable.

''(ii) AGREEMENT TO ASSUME RECAPTURE LIABILITY.—Clause (i) shall not apply if the person acquiring such interest in the facility agrees in writing to assume the recapture liability of the person disposing of such interest in effect immediately before such disposition. In the event of such an assumption, the person acquiring the interest in the facility shall be treated as the taxpayer for purposes of assessing any recapture liability (computed as if there had been no change in ownership).

''(4) SPECIAL RULES.—

''(A) TAX BENEFIT RULE.—The tax for the taxable year shall be increased under paragraph (1) only with respect to credits allowed by reason of this section which were used to reduce tax liability. In the case of credits not so used to reduce tax liability, the carryforwards and carrybacks under section 39 shall be appropriately adjusted.

''(B) NO CREDITS AGAINST TAX.—Any increase in tax under this subsection shall not be treated as a tax imposed by this chapter for purposes of determining the amount of any credit under subpart A, B, or D of this part.

''(C) NO RECAPTURE BY REASON OF CASUALTY LOSS.—The increase in tax under this subsection shall not apply to a cessation of operation of the facility as a qualified child care facility by reason of a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period established by the Secretary.

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

''(2) PASS-THRU IN THE CASE OF ESTATES AND TRUSTS.—Under regulations prescribed by the Secretary, rules similar to the rules of subsection (d) of section 52 shall apply.

''(3) ALLOCATION IN THE CASE OF PARTNERSHIPS.—In the case of partnerships, the credit shall be allocated among partners under regulations prescribed by the Secretary.

''(f) NO DOUBLE BENEFIT.—

''(1) REDUCTION IN BASIS.—For purposes of this subtitle—

''(A) IN GENERAL.—If a credit is determined under this section with respect to any property by reason of expenditures described in subsection (c)(1)(A), the basis of such property shall be reduced by the amount of the credit so determined.

''(B) CERTAIN DISPOSITIONS.—If during any taxable year there is a recapture amount determined with respect to any property the basis of which was reduced under subparagraph (A), the basis of such property (immediately before the event resulting in such recapture) shall be increased by an amount equal to such recapture amount. For purposes of the preceding sentence, the term 'recapture amount' means any increase in tax (or adjustment in carrybacks or carryovers) determined under subsection (d).

''(2) OTHER DEDUCTIONS AND CREDITS.—No deduction or credit shall be allowed under any other provision of this chapter with respect to the amount of the credit determined under this section.

''(g) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 1999.''

(2) CONFORMING AMENDMENTS.—

(A) Section 38(b) of the Internal Revenue Code of 1986 is amended—

(i) by striking out ''plus'' at the end of paragraph (11),

(ii) by striking out the period at the end of paragraph (12), and inserting a comma and ''plus'', and

(iii) by adding at the end the following new paragraph:

''(13) the employer-provided child care credit determined under section 45D.''

(B) 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. 45D. Employer-provided child care credit.''

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1996.

(b) MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.—

(1) IN GENERAL.—Subsection (c) of section 904 of the Internal Revenue Code of 1986 (relating to limitation on credit) is amended—

(A) by striking ''in the second preceding taxable year,'', and

(B) by striking ''or fifth'' and inserting ''fifth, sixth, or seventh''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to credits arising in taxable years beginning after December 31, 1997.

WELLSTONE AMENDMENTS NOS. 1552–1553

(Ordered to lie on the table.)

Mr. WELLSTONE submitted two amendments intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

AMENDMENT NO. 1552

At the appropriate place, insert the following:

SEC. ___. ALLOCATION OF ALCOHOL FUELS CREDIT TO PATRONS OF A COOPERATIVE.

(a) ALLOCATION.—

(1) IN GENERAL.—Subsection (d) of section 40 of the Internal Revenue Code of 1986 (relating to alcohol used as fuel) is amended by adding at the end the following new paragraph:

''(6) ALLOCATION OF SMALL ETHANOL PRODUCER CREDIT TO PATRONS OF COOPERATIVE.—

''(A) IN GENERAL.—In the case of a cooperative organization described in section 1381(a), any portion of the credit determined under subsection (a)(3) for the taxable year may, at the election of the organization made on a timely filed return (including extensions) for such year, be apportioned pro rata among patrons on the basis of the quantity or value of business done with or for such patrons for the taxable year. Such an election, once made, shall be irrevocable for such taxable year.

''(B) TREATMENT OF ORGANIZATIONS AND PATRONS.—The amount of the credit apportioned to patrons pursuant to subparagraph (A)—

''(i) shall not be included in the amount determined under subsection (a) for the taxable year of the organization, and

''(ii) shall be included in the amount determined under subsection (a) for the taxable year of each patron in which the patronage dividend for the taxable year referred to in subparagraph (A) is includible in gross income.

''(C) SPECIAL RULE FOR DECREASING CREDIT FOR TAXABLE YEAR.—If the amount of the credit of a cooperative organization determined under subsection (a)(3) for a taxable year is less than the amount of such credit shown on the cooperative organization's return for such year, an amount equal to the excess of such reduction over the amount not apportioned to the patrons under subparagraph (A) for the taxable year shall be treated as an increase in tax imposed by this chapter on the organization. Any such increase shall not be treated as tax imposed by this chapter for purposes of determining the amount of any credit under this subpart or subpart A, B, E, or G of this part.''

(2) TECHNICAL AMENDMENT.—Section 1388 of the Internal Revenue Code of 1986 (relating to definitions and special rules for cooperative organizations) is amended by adding at the end the following new subsection:

''(k) CROSS REFERENCE.—

''For provisions relating to the apportionment of the alcohol fuels credit between cooperative organizations and their patrons, see section 40(d)(6).''

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 1997.

(b) OFFSET OF PAST-DUE, LEGALLY ENFORCEABLE STATE TAX OBLIGATIONS AGAINST OVERPAYMENTS.—

(1) IN GENERAL.—Section 6402 of the Internal Revenue Code of 1986 is amended by redesignating subsections (e) through (i) as subsections (f) through (j), respectively, and by inserting after subsection (d) the following new subsection:

''(e) COLLECTION OF PAST-DUE, LEGALLY ENFORCEABLE STATE TAX OBLIGATIONS.—

''(1) IN GENERAL.—Upon receiving notice from any State that a named person owes a past-due, legally enforceable State tax obligation to such State, the Secretary shall, under such conditions as may be prescribed by the Secretary—

''(A) reduce the amount of any overpayment payable to such person by the amount of such State tax obligation;

''(B) pay the amount by which such overpayment is reduced under subparagraph (A) to such State and notify such State of such person's name, taxpayer identification number, address, and the amount collected; and

''(C) notify the person making such overpayment that the overpayment has been reduced by an amount necessary to satisfy a past-due, legally enforceable State tax obligation.

If an offset is made pursuant to a joint return, the notice under subparagraph (B) shall include the names, taxpayer identification numbers, and addresses of each person filing such return.

''(2) OFFSET PERMITTED ONLY AGAINST RESIDENTS OF STATE SEEKING OFFSET.—Paragraph (1) shall apply to an overpayment by any person for a taxable year only if the address shown on the return for such taxable year is an address within the State seeking the offset.

''(3) PRIORITIES FOR OFFSET.—Any overpayment by a person shall be reduced pursuant to this subsection—

''(A) after such overpayment is reduced pursuant to—

''(i) subsection (a) with respect to any liability for any internal revenue tax on the part of the person who made the overpayment,

''(ii) subsection (c) with respect to past-due support, and

''(iii) subsection (d) with respect to any past-due, legally enforceable debt owed to a Federal agency, and

''(B) before such overpayment is credited to the future liability for any Federal internal revenue tax of such person pursuant to subsection (b).

If the Secretary receives notice from 1 or more agencies of the State of more than 1 debt subject to paragraph (1) that is owed by such person to such an agency, any overpayment by such person shall be applied against such debts in the order in which such debts accrued.

''(4) NOTICE; CONSIDERATION OF EVIDENCE.—No State may take action under this subsection until such State—

''(A) notifies the person owing the past-due State tax liability that the State proposes to take action pursuant to this section,

''(B) gives such person at least 60 days to present evidence that all or part of such liability is not past-due or not legally enforceable,

''(C) considers any evidence presented by such person and determines that an amount of such debt is past-due and legally enforceable, and

''(D) satisfies such other conditions as the Secretary may prescribe to ensure that the determination made under subparagraph (C) is valid and that the State has made reasonable efforts to obtain payment of such State tax obligation.

''(5) PAST-DUE, LEGALLY ENFORCEABLE STATE TAX OBLIGATION.—For purposes of this subsection, the term 'past-due, legally enforceable State tax obligation' means a debt—

''(A)(i) which resulted from—

''(I) a judgment rendered by a court of competent jurisdiction which has determined an amount of State tax to be due, or

''(II) a determination after an administrative hearing which has determined an amount of State tax to be due, and

''(ii) which is no longer subject to judicial review, or

''(B) which resulted from a State tax which has been assessed but not collected, the time for redetermination of which has expired, and which has not been delinquent for more than 10 years.

For purposes of this paragraph, the term 'State tax' includes any local tax administered by the chief tax administration agency of the State.

''(6) REGULATIONS.—The Secretary shall issue regulations prescribing the time and manner in which States must submit notices of past-due, legally enforceable State tax obligations and the necessary information that must be contained in or accompany such notices. The regulations shall specify the types of State taxes and the minimum amount of debt to which the reduction procedure established by paragraph (1) may be applied. The regulations may require States to pay a fee to reimburse the Secretary for the cost of applying such procedure. Any fee paid to the Secretary pursuant to the preceding sentence shall be used to reimburse appropriations which bore all or part of the cost of applying such procedure.

''(7) ERRONEOUS PAYMENT TO STATE.—Any State receiving notice from the Secretary that an erroneous payment has been made to such State under paragraph (1) shall pay promptly to the Secretary, in accordance with such regulations as the Secretary may prescribe, an amount equal to the amount of such erroneous payment (without regard to whether any other amounts payable to such State under such paragraph have been paid to such State).''.

(2) DISCLOSURE OF CERTAIN INFORMATION TO STATES REQUESTING REFUND OFFSETS FOR PAST-DUE, LEGALLY ENFORCEABLE STATE TAX OBLIGATIONS.—

(A) Paragraph (10) of section 6103(l) of the Internal Revenue Code of 1986 is amended by striking ''(c) or (d)'' each place it appears and inserting ''(c), (d), or (e)''.

(B) The paragraph heading for such paragraph (10) is amended by striking ''SECTION 6402(c) OR 6402(d)'' and inserting ''SUBSECTION (c), (d), OR (e) OF SECTION 6402''.

(3) CONFORMING AMENDMENTS.—

(A) Subsection (a) of section 6402 of the Internal Revenue Code of 1986 is amended by striking ''(c) and (d)'' and inserting ''(c), (d), and (e)''.

(B) Paragraph (2) of section 6402(d) of the Internal Revenue Code of 1986 is amended by striking ''and before such overpayment'' and inserting ''and before such overpayment is reduced pursuant to subsection (e) and before such overpayment''.

(C) Subsection (f) of section 6402 of the Internal Revenue Code of 1986, as redesignated by paragraph (1), is amended—

(i) by striking ''(c) or (d)'' and inserting ''(c), (d), or (e)'', and

(ii) by striking ''Federal agency'' and inserting ''Federal agency or State''.

(D) Subsection (h) of section 6402 of the Internal Revenue Code of 1986, as redesignated by paragraph (1), is amended by striking ''subsection (c)'' and inserting ''subsection (c) or (e)''.

(4) AMENDMENTS APPLIED AFTER TECHNICAL CORRECTIONS TO PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996.—

(A) Section 110(l) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is amended by striking paragraphs (4), (5), and (7) (and the amendments made by such paragraphs), and the Internal Revenue Code of 1986 shall be applied as if such paragraphs (and amendments) had never been enacted.

(B) For purposes of applying the amendments made by this subsection other than this paragraph, the provisions of this paragraph shall be treated as having been enacted immediately before the other provisions of this subsection.

(5) EFFECTIVE DATE.—The amendments made by this subsection (other than paragraph (4)) shall apply to refunds payable under section 6402 of the Internal Revenue Code of 1986 after December 31, 1998.

AMENDMENT NO. 1553

At the appropriate place, insert the following:

''It is the sense of the Senate that the Federal budget deficit should be reduced, and a surplus should be achieved, in a way that is fair and responsible, in part by enacting provisions to close longstanding loopholes in our tax code and eliminating unwarranted special interest subsidies.''

MOSELEY-BRAUN AMENDMENTS NOS. 1554–1556

(Ordered to lie on the table.)

Ms. MOSELEY-BRAUN submitted three amendments intended to be proposed by her to the bill, H.R. 2646, supra; as follows:

AMENDMENT NO. 1554

At the end add the following:

SEC. ___. EXTENSION AND MODIFICATION OF SUBSIDIES FOR ALCOHOL FUELS.

(a) EXTENSION.—

(1) The following provisions of the Internal Revenue Code of 1986 are each amended by striking ''2000'' each place it appears and inserting ''2007'':

(A) Section 4041(b)(2)(C) (relating to termination).

(B) Section 4041(k)(3) (relating to termination).

(C) Section 4081(c)(8) (relating to termination).

(D) Section 4091(c)(5) (relating to termination).

(2) Section 4041(m)(1)(A) of such Code (relating to certain alcohol fuels), as amended by section 907(b) of the Taxpayer Relief Act of 1997, is amended by striking ''1999'' both places it appears and inserting ''2005''.

(3) Section 6427(f)(4) of such Code (relating to termination) is amended by striking ''1999'' and inserting ''2007''.

(4) Section 40(e)(1) of such Code (relating to termination) is amended—

(A) by striking ''December 31, 2000'' and inserting ''December 31, 2007'', and

(B) by striking subparagraph (B) and inserting the following:

''(B) of any fuel for any period before January 1, 2008, during which the rate of tax under section 4081(a)(2)(A) is 4.3 cents per gallon.''.

(5) Headings 9901.00.50 and 9901.00.52 of the Harmonized Tariff Schedule of the United States (19 U.S.C. 3007) are amended in the effective period column by striking ''10/1/2000'' each place it appears and inserting ''10/1/2007''.

(b) MODIFICATION.—

(1) IN GENERAL.—Subsection (h) of section 40 of the Internal Revenue Code of 1986 (relating to alcohol used as fuel) is amended to read as follows:

''(h) REDUCED CREDIT FOR ETHANOL BLENDERS.—

''(1) IN GENERAL.—In the case of any alcohol mixture credit or alcohol credit with respect to any sale or use of alcohol which is ethanol during calendar years 2001 through 2007—

''(A) subsections (b)(1)(A) and (b)(2)(A) shall be applied by substituting 'the blender amount' for '60 cents',

''(B) subsection (b)(3) shall be applied by substituting 'the low-proof blender amount' for '45 cents' and 'the blender amount' for '60 cents', and

''(C) subparagraphs (A) and (B) of subsection (d)(3) shall be applied by substituting 'the blender amount' for '60 cents' and 'the low-proof blender amount' for '45 cents'.

''(2) AMOUNTS.—For purposes of paragraph (1), the blender amount and the low-proof blender amount shall be determined in accordance with the following table:

In the case of any sale or use during calendar year:	The blender amount is:	The low-proof blender amount is:
2001 or 2002	53 cents	39.26 cents
2003 or 2004	52 cents	38.52 cents
2005, 2006, or 2007	51 cents	37.78 cents.''.

(2) CONFORMING AMENDMENTS.—

(A) Section 4041(b)(2) of such Code is amended—

(i) in subparagraph (A)(i), by striking ''5.4 cents'' and inserting ''the applicable blender rate'', and

(ii) by redesignating subparagraph (C), as amended by subsection (a)(2)(A), as subparagraph (D) and by inserting after subparagraph (B) the following:

''(C) APPLICABLE BLENDER RATE.—For purposes of subparagraph (A)(i), the applicable blender rate is—

''(i) except as provided in clause (ii), 5.4 cents, and

''(ii) for sales or uses during calendar years 2001 through 2007, 1/10 of the blender amount applicable under section 40(h)(2) for the calendar year in which the sale or use occurs.''.

(B) Subparagraph (A) of section 4081(c)(4) of such Code is amended to read as follows:

''(A) GENERAL RULES.—

''(i) MIXTURES CONTAINING ETHANOL.—Except as provided in clause (ii), in the case of a qualified alcohol mixture which contains

gasoline, the alcohol mixture rate is the excess of the rate which would (but for this paragraph) be determined under subsection (a) over—

''(I) in the case of 10 percent gasohol, the applicable blender rate (as defined in section 4041(b)(2)(A)) per gallon,

''(II) in the case of 7.7 percent gasohol, the number of cents per gallon equal to 77 percent of such applicable blender rate, and

''(III) in the case of 5.7 percent gasohol, the number of cents per gallon equal to 57 percent of such applicable blender rate.

''(ii) MIXTURES NOT CONTAINING ETHANOL.—In the case of a qualified alcohol mixture which contains gasoline and none of the alcohol in which consists of ethanol, the alcohol mixture rate is the excess of the rate which would (but for this paragraph) be determined under subsection (a) over—

''(I) in the case of 10 percent gasohol, 6 cents per gallon,

''(II) in the case of 7.7 percent gasohol, 4.62 cents per gallon, and

''(III) in the case of 5.7 percent gasohol, 3.42 cents per gallon.''.

(C) Section 4081(c)(5) of such Code is amended by striking ''5.4 cents'' and inserting ''the applicable blender rate (as defined in section 4041(b)(2)(C))''.

(D) Section 4091(c)(1) of such Code is amended by striking ''13.4 cents'' each place it appears and inserting ''the applicable blender amount'' and by adding at the end the following new sentence: ''For purposes of this paragraph, the term 'applicable blender amount' means 13.3 cents in the case of any sale or use during 2001 or 2002, 13.2 cents in the case of any sale or use during 2003 or 2004, 13.1 cents in the case of any sale or use during 2005, 2006, or 2007, and 13.4 cents in the case of any sale or use during 2008 or thereafter.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on January 1, 2001.

AMENDMENT NO. 1555

At the end add the following:

SEC. . INCREASE IN MAXIMUM EXCLUSION FOR EMPLOYER-PROVIDED TRANSIT PASSES.

(a) IN GENERAL.—Subparagraph (A) of section 132(f)(2) of the Internal Revenue Code of 1986 (relating to limitation on exclusion) is amended by striking ''$60'' and inserting ''$170''.

(b) CONFORMING AMENDMENT.—Section 132(f)(2)(B) of such Code is amended by striking ''$155'' and inserting ''$170''.

(c) CONFORMING INFLATION ADJUSTMENT.—Paragraph (6) of section 132(f) of such Code (relating to qualified transportation fringe) is amended to read as follows:

''(6) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 1997, the dollar amounts contained in subparagraphs (A) and (B) of paragraph (2) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 1996' for 'calendar year 1992'.

If any increase determined under the preceding sentence is not a multiple of $5, such increase shall be rounded to the next lowest multiple of $5.''.

(d) MODIFICATION TO FOREIGN TAX CREDIT CARRYBACK AND CARRYOVER PERIODS.—Subsection (c) of section 904 of such Code (relating to limitation on credit) is amended—

(1) by striking ''in the second preceding taxable year,'', and

(2) by striking ''of fifth'' and inserting ''fifth, sixth, or seventh''.

(3) EFFECTIVE DATES.—

(1) Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1997.

(2) The amendment made by subsection (d) shall apply to credits arising in taxable years beginning after December 31, 1997.

AMENDMENT NO. 1556

Beginning on page 2, line 3, strike all through page 6, line 9, and insert:

SECTION 1. REMOVAL OF DOLLAR AND 60-MONTH LIMITATIONS ON DEDUCTION FOR STUDENT LOANS.

(a) IN GENERAL.—Section 221 of the Internal Revenue Code of 1986 (relating to interest on education loans) is amended by striking subsections (b)(1) and (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (b) of section 221 of such Code, as amended by subsection (a), is amended to read as follows:

''(b) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(1) IN GENERAL.—The amount which would (but for this subsection) be allowable as a deduction under this section 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 would be so taken into ratio to the amount which would be so taken into account as—

''(A) the excess of—

''(i) the taxpayer's modified adjusted gross income for such taxable year, over

''(ii) $40,000 ($60,000 in the case of a joint return), bears to

''(B) $15,000.

''(3) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means adjusted gross income determined—

''(A) without regard to this section and sections 135, 137, 911, 931, and 933, and

''(B) after application of sections 86, 219, and 469.

For purposes of sections 86, 135, 137, 219, and 469, adjusted gross income shall be determined without regard to the deduction allowed under this section.''.

(2) Section 6050S(e) of such Code is amended by striking ''section 221(e)(1)'' and inserting ''section 221(d)(1)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 202 of the Taxpayer Relief Act of 1997.

KERREY AMENDMENT NO. 1557

(Ordered to lie on the table.)

Mr. KERREY submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

At the end add the following:

SEC. . CHILD CREDIT LIMITED TO EDUCATION SAVINGS FOR CHILDREN UNDER AGE 6.

(a) IN GENERAL.—Section 24 of the Internal Revenue Code of 1986 (relating to child tax credit) is amended by adding at the end the following:

''(g) CREDIT LIMITED TO EDUCATION SAVINGS FOR CERTAIN CHILDREN.—

''(1) IN GENERAL.—In the case of a qualifying child who has not attained the age of 6 as of the close of the calendar year in which the taxable year of the taxpayer begins, the amount of the credit allowed under this section for such taxable year with respect to such child (after the application of any preceding subsection) shall not exceed the excess of—

''(A) the aggregate amount contributed by the taxpayer for such taxable year for the benefit of such child to qualified tuition programs (as defined in section 529) and education individual retirement accounts (as defined in section 530), over

''(B) the aggregate amount distributed during such taxable year from such programs and accounts (the beneficiary of which is such child) which is subject to tax under section 529(c) or 530(d).

''(2) RECAPTURE OF CREDIT.—

''(A) IN GENERAL.—If—

''(i) during any taxable year any amount is withdrawn from a qualified tuition program or an education individual retirement account maintained for the benefit of a beneficiary and such amount is subject to tax under section 529(c) or 530(d), and

''(ii) the amount of the credit allowed under this section for the prior taxable year was contingent on a contribution being made to such a program or account for the benefit of such beneficiary,

the taxpayer's tax imposed by this chapter for the taxable year shall be increased by the lesser of the amount described in clause (i) or the credit described in clause (ii).

''(B) NO CREDITS AGAINST TAX, ETC.—Any increase in tax under this paragraph shall not be treated as a tax imposed by this chapter for purposes of determining—

''(i) the amount of any credit under this subpart or subpart B or D of this part, and

''(ii) the amount of the minimum tax imposed by section 55.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the amendments made by section 101 of the Taxpayer Relief Act of 1997.

MOYNIHAN AMENDMENT NO. 1558

(Ordered to lie on the table.)

Mr. MOYNIHAN submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

At the end add the following:

SEC. . SENSE OF THE SENATE REGARDING TREATMENT OF FUTURE UNIFIED BUDGET SURPLUSES.

(a) FINDINGS.—The Senate finds that—

(1) the current economic expansion is now in its seventh year and shows no signs of ending;

(2) the unemployment rate is below 5 percent for the first time in 24 years;

(3) the current official inflation rate, which may be overstated, is about 2 percent;

(4) the deficit has been reduced from $290,000,000,000 in fiscal year 1992 to $23,000,000,000 in fiscal year 1997, or just three-tenths of 1 percent of the Gross Domestic Product (GDP);

(5) the Congressional Budget Office projects that, under present law, the unified budget will have a surplus of $86,000,000,000 in 2007;

(6) the Congressional Budget Office also projects that, under present law, the debt held by the public will fall from about 50 percent of GDP this year to about 30 percent by 2007;

(7) this extraordinary combination of good budget and economic news is largely the result of budget policies included in the Omnibus Budget and Reconciliation Act of 1993;

(8) the budget is not yet in surplus;

(9) the Congressional Budget Office also projects that the deficit is likely to reappear after 2007, and that the debt held by the public as a percentage of GDP is also likely to increase as the baby boom generation begins to retire;

(10) without the on-budget surpluses of the social security trust funds, the Congressional Budget Office still projects annual

deficits of about $100,000,000,000 even after the budget is ''balanced'' in 2002; and

(11) projected unified budget surpluses in the short-run would rapidly disappear if the current expansion ends, and the economy would enter a recession.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that—

(1) any unified budget surpluses that might arise in the current expansion should be used to reduce the Federal debt held by the public; and

(2) to achieve this goal during this economic expansion that there be no net tax cut or new spending that is not offset by reductions in spending on other programs or tax increases.

DODD AMENDMENT NO. 1559

(Ordered to lie on the table.)

Mr. DODD submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

Beginning on page 2, line 3, strike all through page 6, line 9, and insert:

SECTION 1. DEPENDENT CARE CREDIT MADE REFUNDABLE FOR LOW-INCOME TAXPAYERS.

(a) IN GENERAL.—Section 21 of the Internal Revenue Code of 1986 (relating to credit for household and dependent care services) is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following:

''(f) CREDIT MADE REFUNDABLE FOR LOW INCOME TAXPAYERS.—

''(1) IN GENERAL.—For purposes of this subtitle, in the case of an applicable taxpayer individual, the credit allowable under subsection (a) for any taxable year shall be treated as a credit allowable under subpart C of this part.

''(2) APPLICABLE TAXPAYER.—For purposes of this subsection, the term 'applicable taxpayer' means a taxpayer with respect to whom the credit under section 32 is allowable for the taxable year.

''(3) COORDINATION WITH ADVANCE PAYMENTS AND MINIMUM TAX.—Rules similar to the rules of subsections (g) and (h) of section 32 shall apply with respect to the portion of any credit to which this subsection applies.''.

(b) Advance Payment of Credit.—

(1) IN GENERAL.—Chapter 25 of the Internal Revenue Code of 1986 (relating to general provisions relating to employment taxes) is amended by inserting after section 3507 the following:

''SEC. 3507A. ADVANCE PAYMENT OF DEPENDENT CARE CREDIT.

''(a) GENERAL RULE.—Except as otherwise provided in this section, every employer making payment of wages with respect to whom a dependent care eligibility certificate is in effect shall, at the time of paying such wages, make an additional payment equal to such employee's dependent care advance amount.

''(b) DEPENDENT CARE ELIGIBILITY CERTIFICATE.—For purposes of this title, a dependent care eligibility certificate is a statement furnished by an employee to the employer which—

''(1) certifies that the employee will be eligible to receive the credit provided by section 21 for the taxable year,

''(2) certifies that the employee reasonably expects to be an applicable taxpayer for the taxable year,

''(3) certifies that the employee does not have a dependent care eligibility certificate in effect for the calendar year with respect to the payment of wages by another employer,

''(4) states whether or not the employee's spouse has a dependent care eligibility certificate in effect,

''(5) states the number of qualifying individuals in the household maintained by the employee, and

''(6) estimates the amount of employment-related expenses for the calendar year.

''(c) DEPENDENT CARE ADVANCE AMOUNT.—

''(1) IN GENERAL.—For purposes of this title, the term 'dependent care advance amount' means, with respect to any payroll period, the amount determined—

''(A) on the basis of the employee's wages from the employer for such period,

''(B) on the basis of the employee's estimated employment-related expenses included in the dependent care eligibility certificate, and

''(C) in accordance with tables provided by the Secretary.

''(2) ADVANCE AMOUNT TABLES.—The tables referred to in paragraph (1)(C) shall be similar in form to the tables prescribed under section 3402 and, to the maximum extent feasible, shall be coordinated with such tables and the tables prescribed under section 3507(c).

''(d) OTHER RULES.—For purposes of this section, rules similar to the rules of subsections (d) and (e) of section 3507 shall apply.

''(e) DEFINITIONS.—For purposes of this section, terms used in this section which are defined in section 21 shall have the respective meanings given such terms by section 21.''.

(c) CONFORMING AMENDMENT.—The table of sections for chapter 25 of the Internal Revenue Code of 1986 is amended by adding after the item relating to section 3507 the following:

''Sec. 3507A. Advance payment of dependent care credit.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

KENNEDY AMENDMENTS NOS. 1560–1569

(Ordered to lie on the table.)

Mr. KENNEDY submitted 10 amendments intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

AMENDMENT NO. 1560

Strike section 2 and insert:

SEC. 2. EXCLUSION FOR EDUCATIONAL ASSISTANCE TO GRADUATE STUDENTS.

(A) IN GENERAL.—The last sentence of section 127(c)(1) of the Internal Revenue Code of 1986 (defining educational assistance) 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''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply with respect to expenses relating to courses beginning after June 30, 1996.

AMENDMENT NO. 1561

Strike section 2 and insert:

SEC. 2. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) TEMPORARY INCREASE IN MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) of the Internal Revenue Code of 1986 is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(2) CONTRIBUTION LIMIT.—Section 530(b) of such Code is amended by adding at the end the following new paragraph:

''(4) CONTRIBUTION LIMIT.—The term 'contribution limit' means $2,500 ($500 in the case of any taxable year ending after December 31, 2002).''.

(3) CONFORMING AMENDMENTS.—

(A) Section 530(d)(4)(C) of such Code is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(B) Section 4973(e)(1)(A) of such Code is amended by striking ''$500'' and inserting ''the contribution limit (as defined in section 530(b)(4)) for such taxable year''.

(b) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Paragraph (1) of section 530(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following flush sentence:

''The age limitations in the proceeding sentence shall not apply to any designated beneficiary with special needs (as determined under regulations prescribed by the Secretary).''.

(c) CORPORATIONS PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Paragraph (1) of section 530(c) of the Internal Revenue Code of 1986 is amended by striking ''The maximum amount which a contributor'' and inserting ''In the case of a contributor who is an individual, the maximum amount the contributor''.

(d) EFFECTIVE DATE; REFERENCES.—

(1) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 213 of the Taxpayer Relief Act of 1997.

(2) REFERENCES.—Any reference in this section to any section of the Internal Revenue Code of 1986 shall be a reference to such section as added by the Taxpayer Relief Act of 1997.

AMENDMENT NO. 1562

Strike section 2 and insert:

SEC. 2. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) TEMPORARY INCREASE IN MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) of the Internal Revenue Code of 1986 is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(2) CONTRIBUTION LIMIT.—Section 530(b) of such Code is amended by adding at the end the following new paragraph:

''(4) CONTRIBUTION LIMIT.—The term 'contribution limit' means $2,000 ($500 in the case of any taxable year ending after December 31, 2002).''.

(3) CONFORMING AMENDMENTS.—

(A) Section 530(d)(4)(C) of such Code is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(B) Section 4973(e)(1)(A) of such Code is amended by striking ''$500'' and inserting ''the contribution limit (as defined in section 530(b)(4)) for such taxable year''.

(b) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Paragraph (1) of section 530(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following flush sentence:

''The age limitations in the preceding sentence shall not apply to any designated beneficiary with special needs (as determined under regulations prescribed by the Secretary).''.

(c) CORPORATIONS PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Paragraph (1) of section 530(c) of the Internal Revenue Code of 1986 is amended by striking ''The maximum amount which a contributor'' and inserting ''In the case of a contributor who is an individual, the maximum amount the contributor''.

(d) EFFECTIVE DATE; REFERENCES.—

(1) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 213 of the Taxpayer Relief Act of 1997.

(2) REFERENCES.—Any reference in this section to any section of the Internal Revenue

Code of 1986 shall be a reference to such section as added by the Taxpayer Relief Act of 1997.

AMENDMENT NO. 1563

Strike section 2 and insert:

SEC. 2. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) TEMPORARY INCREASE IN MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) of the Internal Revenue Code of 1986 is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(2) CONTRIBUTION LIMIT.—Section 530(b) of such Code is amended by adding at the end the following new paragraph:

''(4) CONTRIBUTION LIMIT.—The term 'contribution limit' means $1,500 ($500 in the case of any taxable year ending after December 31, 2002).''.

(3) CONFORMING AMENDMENTS.—

(A) Section 530(d)(4)(C) of such Code is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(B) Section 4973(e)(1)(A) of such Code is amended by striking ''$500'' and inserting ''the contribution limit (as defined in section 530(b)(4)) for such taxable year''.

(b) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Paragraph (1) of section 530(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following flush sentence:

''The age limitations in the preceding sentence shall not apply to any designated beneficiary with special needs (as determined under regulations prescribed by the Secretary).''.

(c) CORPORATIONS PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Paragraph (1) of section 530(c) of the International Revenue Code of 1986 is amended by striking ''The maximum amount which a contributor'' and inserting ''In the case of a contributor who is an individual, the maximum amount the contributor''.

(d) EFFECTIVE DATE, REFERENCES.—

(1) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 213 of the Taxpayer Relief Act of 1997.

(2) REFERENCES.—Any reference in this section to any section of the Internal Revenue Code of 1986 shall be a reference to such section as added by the Taxpayer Relief Act of 1997.

AMENDMENT NO. 1564

Strike section 2 and insert:

SEC. 2. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) TEMPORARY INCREASE IN MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) of the Internal Revenue Code of 1986 is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(2) CONTRIBUTION LIMIT.—Section 530(b) of such Code is amended by adding at the end the following new paragraph:

''(4) CONTRIBUTION LIMIT.—The term 'contribution limit' means $1,000 ($500 in the case of any taxable year ending after December 31, 2002).''.

(3) CONFORMING AMENDMENTS.—

(A) Section 530(d)(4)(C) of such Code is amended by striking ''$500'' and inserting ''the contribution limit for such taxable year''.

(B) Section 4973(e)(1)(A) of such Code is amended by striking ''$500'' and inserting ''the contribution limit (as defined in section 530(b)(4)) for such taxable year''.

(b) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Paragraph (1) of section 530(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following flush sentence:

''The age limitations in the preceding sentence shall not apply to any designated beneficiary with special needs (as determined under regulations prescribed by the Secretary).''.

(c) CORPORATIONS PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Paragraph (1) of section 530(c) of the Internal Revenue Code of 1986 is amended by striking ''The maximum amount which a contributor'' and inserting ''In the case of a contributor who is an individual, the maximum amount the contributor''.

(d) EFFECTIVE DATE; REFERENCES.—

(1) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by section 213 of the Taxpayer Relief Act of 1997.

(2) REFERENCES.—Any reference in this section to any section of the Internal Revenue Code of 1986 shall be a reference to such section as added by the Taxpayer Relief Act of 1997.

AMENDMENT NO. 1565

On page 6, line 5, strike ''1997'' and insert ''1997, except that such amendments shall only take effect to the extent that—

(A) contributions to education individual retirement accounts for qualified elementary and secondary education expenses are—

(i) limited to accounts that, at the time the account is created or organized, are designated solely for the payment of such expenses, and

(ii) not allowed for contributors who have modified adjusted gross income in excess of $65,000 and are ratably reduced to zero for contributors who have modified adjusted gross income between $50,000 and $65,000,

(B) contributions to education individual retirement accounts in excess of $500 for any taxable years may be made only to accounts described in subparagraph (A)(i),

(C) no contributions may be made to accounts described in subparagraph (A)(i) for taxable years ending after December 31, 2002,

(D) the modified adjusted gross income limitation shall apply to all contributors but contributions made by a person other than the taxpayer with respect to whom a deduction is allowable under section 151(c)(1) for a designated beneficiary shall be treated as having been made by such taxpayer, and

(E) expenses for computer and other equipment, transportation, and supplementary items are allowed tax-free only if required or provided by the school.''

AMENDMENT NO. 1566

On page 6, line 5, strike ''1997'' and insert ''1997, except that such amendments shall only take effect to the extent that—

(A) contributions to education individual retirement accounts for qualified elementary and secondary education expenses are—

(i) limited to accounts that, at the time the account is created or organized, are designated solely for the payment of such expenses, and

(ii) not allowed for contributors who have modified adjusted gross income in excess of $60,000 and are ratably reduced to zero for contributors who have modified adjusted gross income between $50,000 and $60,000,

(B) contributions to education individual retirement accounts in excess of $500 for any taxable years may be made only to accounts described in subparagraph (A)(i),

(C) no contributions may be made to accounts described in subparagraph (A)(i) for taxable years ending after December 31, 2002,

(D) the modified adjusted gross income limitation shall apply to all contributors but contributions made by a person other than the taxpayer with respect to whom a deduction is allowable under section 151(c)(1) for a designated beneficiary shall be treated as having been made by such taxpayer, and

(E) expenses for computer and other equipment, transportation, and supplementary items are allowed tax-free only if required or provided by the school.''

AMENDMENT NO. 1567

On page 6, line 5, strike ''1997'' and insert ''1997, except that such amendments shall only take effect to the extent that—

(A) contributions to education individual retirement accounts for qualified elementary and secondary education expenses are—

(i) limited to accounts that, at the time the account is created or organized, are designated solely for the payment of such expenses, and

(ii) not allowed for contributors who have modified adjusted gross income in excess of $50,000 and are ratably reduced to zero for contributors who have modified adjusted gross income between $40,000 and $50,000,

(B) contributions to education individual retirement accounts in excess of $500 for any taxable years may be made only to accounts described in subparagraph (A)(i),

(C) no contributions may be made to accounts described in subparagraph (A)(i) for taxable years ending after December 31, 2002,

(D) the modified adjusted gross income limitation shall apply to all contributors but contributions made by a person other than the taxpayer with respect to whom a deduction is allowable under section 151(c)(1) for a designated beneficiary shall be treated as having been made by such taxpayer, and

(E) expenses for computer and other equipment, transportation, and supplementary items are allowed tax-free only if required or provided by the school.''

AMENDMENT NO. 1568

On page 3, beginning with line 14, strike all through page 4, line 10, and insert:

''(4) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified elementary and secondary education expenses' means tuition, fees, tutoring, special needs services, books, supplies, computer equipment (including related software and services) and other equipment, transportation, and supplementary expenses required for the enrollment or attendance of the designated beneficiary of the trust at a public school.

''(B) SPECIAL RULE FOR HOME-SCHOOLING.—Such term shall include expenses described in subparagraph (A) required for education provided for homeschooling if the requirements of any applicable State or local law are met with respect to such education.

''(C) SCHOOL.—The term 'school' means any public or home school which provides elementary education or secondary education (through grade 12), as determined under State law.''.

AMENDMENT NO. 1569

On page 3, beginning with line 14, strike all through page 4, line 10, and insert:

''(4) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified elementary and secondary education expenses' means tuition fees, tutoring, special needs services, books, supplies, computer equipment (including related software and services) and other equipment, transportation, and supplementary expenses required for the enrollment or attendance of the designated beneficiary of the trust at a public school.

''(B) SCHOOL.—The term 'school' means any public school which provides elementary education or secondary education (through grade 12), as determined under State law.''.

GRAMM AMENDMENT NO. 1570

(Ordered to lie on the table.)

Mr. GRAMM submitted an amendment intended to be proposed by him to the bill, H.R. 2646, supra; as follows:

(a) IN GENERAL.—Subpart A of Part IV of subchapter A of Chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after section 24 the following new section:

"SEC 24A EXPEDITED FAMILY TAX RELIEF.

''(a) NOTICE OF CREDIT.—The Secretary of the Treasury shall transmit to all individual taxpayers by a separate mailing made on or before June 1, 1998, a notice which states only the following: The Taxpayer Relief Act of 1997 was recently passed by the Congress. The Act's child tax credit allows taxpayers to reduce their taxes by $400 per child in 1998 and $500 thereafter. the credit is effective January 1, 1998.

You will receive this tax credit in 1999 as part of your 1998 tax refund OR you may elect to receive the credit this year through lower income tax withholding from your paycheck for the period October 1, 1998 to December 25, 1998.

To take advantage of the credit to which you are entitled for the current tax year, you should notify your employer of your election to receive the tax credit in 1998 by September 1, 1998. Your employer will reduce the amount of federal income tax withheld during the period from October 1 through December 31, 1995. That notification should also:

(1). Confirm that your projected income for 1998 is

in the case of a joint return, less than $110,000

in the case of married couple filing separately, less than $55,000

in the case of an individual who is not married, less than $75,000; and

(2). identify the number of eligible children age 16 or less that qualify as your dependent under section 151.'''

''(b). The Secretary of the Treasury shall transmit to all employers by a separate mailing made on or before June 1, 1998 the following table to assist in determining the changes to federal income tax withholding required by subsection (a)

The amount of income tax withheld per paycheck issued during the period October 1, 1998 to Dec. 25, 1998 is reduced by:

No. of eligible children	Monthly paycheck	Biweekly paycheck	Weekly paycheck
1	$133	$66.50	$33.25
2	266	133.00	66.50
3	399	200.00	100.00
4	532	266.50	133.25

For more than 4 children, increase the dollar amount in row 4 by the dollar amount in row 1 for each child.''

AUTHORITY FOR COMMITTEES TO MEET

SUBCOMMITTEE ON ADMINISTRATIVE OVERSIGHT AND THE COURTS

Mr. ROTH. Mr. President, I ask unanimous consent that the Subcommittee on Administrative Oversight and the Courts, of the Senate Judiciary Committee, be authorized to meet during the session of the Senate on Monday, November 3, 1997, at 2 p.m. to hold a hearing in room 226, Senate Dirksen Building, on: ''Oversight of the Administrative Procedures and Examination of Antislamming Laws.''

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

SUBCOMMITTEE ON INTERNATIONAL SECURITY, PROLIFERATION, AND FEDERAL SERVICES

Mr. ROTH. Mr. President, I ask unanimous consent on behalf of the Subcommittee on International Security, Proliferation, and Federal Services of the Governmental Affairs Committee to meet on Monday, November 3, at 2:30 p.m. for a hearing on Oversight of the U.S. Postal Service.

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

ADDITIONAL STATEMENTS

TRIBUTE TO HAMPTON FALLS, NH, ON ITS 275TH ANNIVERSARY

● Mr. SMITH of New Hampshire. Mr. President I rise today to honor the town of Hampton Falls, NH, for celebrating its 275th anniversary on November 22, 1997. The town is planning an evening of celebration, commemoration, and entertainment on this most important date. There will be a dinner party, a musical presentation by the Winnacunnet High School Chamber Singers, and a historical slide show dedicated to 275 years of history and heritage. This special night is certain to include full participation from the town's proud people.

Originally, Hampton Falls was part of the town of Hampton. However, due to its seacoast location, high tides often prevented those living in the area from attending the church. In 1709 the General Assembly of Portsmouth acted on this problem and gave the residents permission to maintain a separate church. Nine years later Hampton Falls became a separate parish. That same year the first town meeting was held in which selectmen and a town clerk were elected.

Hampton Falls, however, still remained a part of Hampton. The townspeople successfully petitioned for independence from their parent church after the death of the minister from that town. On November 22, 1722, the town was incorporated as an independent jurisdiction.

Hampton Falls can be categorized as the quintessential New England town through its history and scenery. During the eighteenth century the local economy was dominated by mills; sawmills, gristmills, and cotton mills dotted the landscape and provided for a major source of employment. Also, the town served as an important post town where horse changes were frequently made. At times, up to 125 horses could be found stabled within this small vicinity. One of the most significant stables in the area was the Wells Inn, which could accommodate 40 horses. Today, the stage house is known as the Wellswood Inn, and provides fine food and atmosphere to patrons. On December 13, 1774 Paul Revere passed through Hampton Falls on his legendary ride from Boston to Portsmouth proclaiming the arrival of the British. Few towns can claim a more American existence. Hampton Falls, with its simple white churches and colonial buildings, provides for a prime example of American history and culture.

Today, Hampton Falls is a thriving southern New Hampshire community of approximately 1,700 people. The town is unmistakably New England. Winding country roads bring one past many sprawling farms and picture-perfect farmhouses. Presently, the town's central industry is agriculture. A major area business is Applecrest Farms, one of the last working orchards on the seacoast. Applecrest celebrates the harvest season with pick-your-own apples, a country farmers market, and entertainment. Harvest season is a festive time in Hampton Falls, and it seems fitting that the town's anniversary would be during this period.

I congratulate the residents of this beautiful town on 275 years of distinguished history, and wish to extend my very best wishes of continued prosperity. Happy birthday, Hampton Falls.●

CAMPAIGN FINANCE IS STILL A PRIORITY

● Mr. CLELAND. Mr. President, I recently had the privilege of attending a reunion of Carter administration officials in Atlanta. In an interview he gave to the Atlanta Journal-Constitution, President Carter, whose personal integrity has never been questioned, summed up the current state of affairs very candidly, and all too well. The President's comments, which appeared in the October 19, 1997 edition of the Journal-Constitution, were as follows:

The intense competition now almost forces Democrats and Republicans to cut corners on basic principles of politics in order to raise enormous amounts of soft money. I think it's an embarrassment to our nation. It's a travesty of proper political life. And I think it debilitates democracy itself in our country. As (Vice President Mondale) and I have agreed, it's a form of legal bribery. People can raise hundreds of thousands of dollars and contribute that money to candidates in both parties. They don't do this from a sense of altruism or benevolence or generosity. They do it in expectation of access to leaders, to present their point of view personally to someone in the Senate or someone in the White House when the people who might suffer from that sort of decision don't have an equal opportunity to present their point of view. So it distorts the whole political system and I hope it will be changed.

At that same Atlanta gathering, former Vice President Mondale paraphrased Abraham Lincoln to the effect that, ''With public trust, everything is possible. Without public trust, nothing is possible.'' He added, compellingly: ''Public trust cannot be bought. It must be earned.''

Indeed, this is an indictment of our political system from individuals who have reached the pinnacle of success in that system. I believe the single most important step we can take in this Congress in rebuilding public confidence and faith in our democracy is

to enact, on a bipartisan basis, meaningful campaign finance reform to clean up a system which has gotten completely out of control and which undermines both the operation and reputation of our entire national government. I think President Carter and Vice President Mondale would certainly agree, and I commend their observations to my colleagues.●

TRIBUTE TO RICHARD LETTS

● Mr. ABRAHAM. Mr. President, I rise today to honor one of Lansing, MI's most outstanding citizens who recently passed away, Richard Letts. Because of his tremendous commitment and involvement in many organizations throughout the community, Mr. Letts became affectionately known as Mr. Lansing.

Mr. Letts' life, even while fighting a battle against cancer, was a tribute to the human spirit. Whether as a champion athlete, a 27-year career as Lansing's human relations director or a community leader in volunteer organizations such as Boy Scouts, United Way, Old Newsboys, United Negro College Fund, Boys and Girls Club, Urban League, and Lions Club just to name a few, Richard Letts was a dominating figure in Lansing's landscape. Yet even as he struggled with his health, the people of Lansing gave tributes, proclamations, speeches, and parades to a man who so often became the comforter, as people came to comfort him.

Olivia Letts, Richard's wife of 46 years, has said, ''People don't change who they are when they become ill.'' Indeed, Mr. Letts refused to quit. His message in his life, and our future: Race should not matter, color should not matter, all people matter. Richard Letts mattered to Lansing and all of Michigan. The loss of his presence will be mourned, but the mark his life left on Lansing is permanent.●

POSITION ON CLOTURE VOTES ON H.R. 2646 AND DEFENSE AUTHORIZATION CONFERENCE REPORT

● Mr. BAUCUS. Mr. President, I was not present for the cloture votes on October 31, 1997. I would like to record my position, had I been present for the votes.

Had I been present for the cloture vote on H.R. 2646, the Education Savings Act for Public and Private Schools, I would have opposed cloture. In addition to the many serious public policy implications raised by this legislation, as a member of the Senate Finance Committee I have serious concerns about the virtually unprecedented manner in which it was brought to the floor. After H.R. 2646 was approved by the House it was sent directly to the desk, where it was pulled from and sent to the floor—completely bypassing the Finance Committee where virtually all tax legislation is reviewed.

The lack of review is particularly distressing given the budget implications of H.R. 2646—it would increase spending by $4 billion over 10 years. It is both shortsighted and unwise to make major modifications in the Tax Code without review by the committee of jurisdiction and without first asking a simple question: Are these IRA's our highest priority for educational funding? To my way of thinking, that question has not been addressed.

When this bill was immediately considered under a cloture strategy, all ability to make any changes in this policy were blocked. That is simply unacceptable. This legislation should be considered under a less restricted approach. In keeping with the customary Senate approach we should conduct a thorough debate with ample opportunity for amendments. Anything less should be rejected.

I should also note my absence for the cloture vote on the Defense authorization conference report. Cloture was invoked in an overwhelming vote. Had I been present, I too would have cast my vote in favor of cloture.

Mr. President, there are many demands made on the time of a Senator. Few are as important or as rewarding as being a part of the life of our school children. And on last Friday, when presented with a choice between keeping important commitments to Montana students or procedural votes in the Senate, I faced a difficult decision. And while I take my responsibilities here in Washington very seriously, I decided that I needed to be with these Montana students on this occasion. And in this particular instance my votes would not have affected the ultimate outcome of either vote.●

TRIBUTE TO DANIEL URBAN KILEY

● Mr. JEFFORDS. Mr. President, I rise today to pay tribute to Daniel Urban Kiley of Charlotte, VT, recipient of a 1997 National Medal of Arts. The National Medal of Arts is our Nation's highest honor in the arts, recognizing individuals and organizations who have made outstanding contributions to the excellence, growth, support and availability of the arts in the United States. Mr. Kiley is the first landscape architect to be honored with this prestigious award.

Mr. Kiley, 84, has been called ''the most celebrated landscape architect of this century''. His many works include the setting for Dulles International Airport, the grounds for the Gateway Arch in St. Louis, the interior and exterior landscapes for the East Wing of the National Gallery of Art, and the Navy Pier in Chicago. Yet, despite his work all over the world, Mr. Kiley has stayed in close touch with the people and landscapes of Vermont. His work can be seen at Twin Farms Inn in Barnard, VT, the Lake Champlain Basin Region, and even at my own farm in Shrewsbury.

Daniel Kiley's works have been likened to ''a walk through nature,'' reflecting his central tenet that designs should grow out of a landscape, not be forced upon it. His designs have been sought out by the leading modern architects and his unique vision celebrated and taught throughout the world.

In addition to his long career as a landscape architect, Mr. Kiley served as an Army Captain in World War II. He was selected by President Truman and General Eisenhower to find a site to try the Nazi War criminals, and his selection of Nuremberg as the site as well as his courtroom design earned him the Decorated Legion of Merit.

Once again, I rise to honor Mr. Kiley's many contributions and accomplishments, far too numerous to list today. As a Vermonter, and as one of the millions of Americans who have enjoyed Daniel Kiley's designs, I extend my most heartfelt congratulations on his receiving the National Medal of Arts, and I wish him many more years of continued success.●

CONGRATULATIONS TO MEAGAN CORLIN AND ALIA SZOPA

● Mr. SMITH of New Hampshire. Mr. President, I rise today to congratulate two outstanding youths, Meagan Corlin and Alia Szopa, who are the 1997 honorees from New Hampshire for the Prudential Spirit of Community Awards. These awards, sponsored by the Prudential Insurance Co. of America in partnership with the National Association of Secondary School Principals, honor outstanding, self-initiated community service by young people in middle and high school grades.

The Prudential Spirit of Community Awards, the country's largest youth recognition program based solely on community service, were created in 1995 following a nationwide survey of high school students. The survey indicated that while 95 percent of teenagers believe community volunteer work is important, a large proportion don't know how to get involved and lack role models that could inspire them to seek out volunteer opportunities. As a former high school teacher, I am well aware of the importance of empowering students with volunteer opportunities.

Meagan and Alia have both created innovative community service programs to serve various needs in their respective communities.

Meagan Corlin, from Strafford School in Center Strafford, NH, created a reading program called Story-time on the Road to share her love of books with others. She uses her title as Miss New Hampshire Pre-Teen to promote her program to day care centers, libraries, elderly housing facilities, and homeless shelters. Each week, she and several of her schoolmates travel to these various locations in order to read stories to children or to the elderly.

Alia Szopa, from Central High School in Manchester, NH, created a dance program called Legato for pre-teen

girls with developmental disabilities. Her program works in conjunction with the Moore Center, an agency serving the disabled, to provide training for dance instructors who will teach the children at the center. One hour each week, from November to June, Szopa and five other instructors teach basic dance to five students.

School honorees are judged by State selection committees, which name the top middle-level and high school volunteer in each State. These State-level honorees receive a silver medallion, $1,000 and a trip to Washington, DC with a parent or guardian, for several days of national recognition events in May. Also, in May, America's top 10 youth volunteers for 1998 are chosen from the State-level honorees by a blue-ribbon national selection panel. These 10 national honorees will be announced at a special ceremony at the National Press Club in Washington, where they each will receive an additional $5,000, a gold medallion and a crystal trophy for his or her school.

Meagan and Alia have made significant contributions to their communities and to the State of New Hampshire. Not only have they served their community selflessly, but they have also served as inspirational role models to other students. Volunteerism strengthens community life as well as enhances the lives of people. I applaud Meagan and Alia's dedication and innovation in creating programs to serve the needs of citizens in their community. Without these young leaders, our country would be lost. It takes a special person to make a difference in someone's life. Meagan and Alia are indeed special and treasures to their school, the State of New Hampshire and to our country.●

THE VETERANS' CEMETERY PROTECTION ACT OF 1997

Mr. THURMOND. Mr. President, next week, November 11, our Nation will observe Veterans Day. Commemorative services will be held throughout the Nation on that day. I expect services will be held at Arlington Cemetery and other national cemeteries, where thousands of war dead are buried.

As I mentioned in a statement last May, prior to Memorial Day, Mr. President, not all activities at our national cemeteries have honored our Nation's veterans. There have been, unfortunately, instances of vandalism and theft at our national cemeteries. While many of these incidents are minor, many attacks on national cemeteries are serious. The Department of Justice reports that between January 1, 1995, and May 31, 1997, there were 21 reports of vandalism or crime at national cemeteries, where the estimated damage was over $1,000. The total loss to our national cemeteries from these incidents is more than $98,000. In addition, more than 56 incidents were reported, with damage less than $1,000, during that same time period. These incidents caused another $15,000 in losses to the Government.

The harm resulting from attacks on our national cemeteries, however, is more than economic loss. Such criminal activity is an assault on the honor of our veterans, particularly those who made the supreme sacrifice in defense of our Nation. It is an attack on the heritage and values for which our veterans fought. Such conduct is unconscionable and deserves a strong response.

The time has come to demand a stop to this type of insulting behavior and punish it when it occurs. That is why I introduced S. 813, the Veterans' Cemetery Protection Act of 1997. This bill imposes criminal penalties for vandalism and theft at national cemeteries operated by the VA, the Department of Defense, and the Department of Interior.

Specifically, this bill authorizes the U.S. Sentencing Commission to review and amend the Federal sentencing guidelines to provide an appropriate sentencing enhancement for any offense against the property of a national cemetery.

I am delighted that Senators MCCAIN, INHOFE, INOUYE, D'AMATO, and SESSIONS have joined as cosponsors. I thank all Senators for their support on final passage. I particularly appreciate the support from the Senate Committee on Veterans' Affairs, the Senate Judiciary Committee, the Department of Justice, and the U.S. Sentencing Commission. I look forward to passage of this measure by the other body, so this bill can be on the President's desk by Veterans Day.

Mr. GRASSLEY. Mr. President, I ask unanimous consent I be permitted to speak for 12 minutes.

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

THE PERFORMANCE OF TREASURY IG VALERIE LAU

Mr. GRASSLEY. Mr. President, I rise today to inform my colleagues about an instance of failed leadership in protecting the taxpayers' money, and in executing the law enforcement functions of our Government. It's a story full of irony, of abuse of power, of a breakdown in the people's trust.

Last Friday, and again today, hearings were held by the Governmental Affairs Permanent Subcommittee on Investigations. The chairman of that subcommittee is Senator SUSAN COLLINS of Maine. The subject was the performance and conduct of the Treasury Department's inspector general, Valerie Lau, and her staff.

During Friday's hearing, we learned that Ms. Lau personally let two illegal contracts, including one to a long time associate, Mr. Frank Sato. IG Lau violated procurement laws and regulations in the sole-source procurement of the two consulting contracts. The judgment that these two contracts were illegal was not made by members of the subcommittee. It was made by the independent, nonpartisan General Accounting Office.

The GAO also found that IG Lau violated the standards of ethical conduct. This is because she failed to disclose her personal and professional relationship with Mr. Sato.

Today, at the subcommittee's second hearing, we heard more. We learned that IG Lau and her staff provided false and/or inaccurate testimony to Congress and congressional investigators. We learned of the destruction of a document. The document was destroyed, in my view, as part of a cover-up. It was to hide the fact that a potentially criminal investigation had been launched—without merit—of two agents of the U.S. Secret Service. It was in retaliation for their testimony before Congress in the FBI Filegate matter. Again, that is my own judgment.

The IG and her staff, as well as other Treasury officials, had told my staff as well as officials of the Secret Service that a potentially criminal case had been opened. Then, the IG and her staff denied having told us that, and maintained that such a case was never opened. The record now shows that those statements were false: There was, in fact, such an investigation of the two agents.

Also today, we learned that the IG presides over an agency that has become totally demoralized. It's clearly because of failed leadership at the top. Wrongful and questionable activity can be assigned to virtually the entire upper level of the IG's office. The troops below are suffering from bad morale. The office of the Treasury IG has been severely crippled.

The irony in all this is that an inspector general's job is to detect these very violations in others. An IG is not supposed to commit them.

One of the illegal contracts that the IG let, grew from $85,000 to $345,000. That's called contract nourishment. There's not much to show for it. Except 1,000 rulers, Mr. President. The rulers are 6 inches in length. They're made of flexible plastic. They have the inspector general's mission, vision, and values statement printed on them to remind employees of who they are and what they do.

Mr. President, I take the amount of rulers purchased—1,000—and divide that into the cost of the contract—$345,000—and I come up with a value per ruler of $345.

That's right, Mr. President. The $345 ruler.

Mr. President, this is not the first time in my experience that the Government bought ordinary products at extraordinary prices. I recall coming to this floor in 1983. I had with me a small steel washer that was a spare part for an Air Force airplane. The price of that washer was $364. It was worth only about a quarter.

The Pentagon, at the time, defended the cost of the washer. First of all, it

wasn't just a washer, you see. Why, it was a ''sheer pin spacer.'' And the $364-price tag wasn't really outrageous. After all, it was precision-molded from space-age alloys; extremely light weight, less than half an ounce; no moving parts; easy-to-handle circular shape; plus, there was inflation; transportation costs; special packaging; obsolescence; breakage; deterioration; pilferage; and so forth. All of these are costly. So, $364 was an absolute bargain, according to the Pentagon, for a steel washer. Excuse me—a sheer pin spacer.

Given my experience with military spare parts, I thought to myself: Now, what could possibly be the justification for the Treasury IG first, buying all these rulers, and second, buying them at $345 per copy?

Well, let's look at the first question: Why does the IG need all these rulers? There are only 300 employees in the office. Yet, she bought 1,000. That's three rulers for each employee. Perhaps the extra 700 are spare parts.

Also, Congress recently passed the Government Performance and Results Act. That act gives Congress the ability to measure the performance of Government agencies. It does so by requiring agencies to come up with performance goals, and then provide us with data so we can measure their performance against their goals.

The contract in question provided no real benefit to the taxpayers. It was intended to boost morale. But testimony from witnesses at today's hearing said morale was worse after the study than before it. That means, the only real, tangible benefit to the taxpayers out of this contract were the 1,000 rulers.

So I must assume, Mr. President, that the IG needed these rulers to help measure performance. Is it possible the IG took the measurement function a little too literally?

If so, that gives new meaning to the term ''performance measurement.''

Now that might justify why we purchased the ruler. But it doesn't justify the price tag.

Perhaps I could take a stab at that. I note that the ruler is lightweight—less than half an ounce. It looks like it could be made of precision-molded space-age teflon. No moving parts. Flat, streamlined sides for trouble-free underlining. Able to withstand thousands of whacks on the knuckles. Customized to fit in most standard pockets. It's a real triumph of 21st century technological configuration. Then, of course, there's the packaging costs, the cost of inspection, planning, transportation, and so forth. Just like the DOD steel washer. A real bargain, Mr. President.

With that kind of price tag, this IG is perhaps better off working at the Pentagon as a contracting officer, rather than an IG guarding the public's Treasury. At least at the Pentagon, a $345 ruler would not be an anomaly.

But seriously, Mr. President, clearly the aforementioned is a major embarrassment for the inspector general, who needs to always be beyond reproach, for the Secretary of the Treasury, and for the President, who nominated this IG. And also the Congress, which confirmed the IG.

But nothing is more unconscionable than what this IG's office did in perpetrating a potentially criminal investigation of two dedicated agents of the U.S. Secret Service, in retaliation for their testimony before two committees of the U.S. Congress. And after opening such a case, it was denied and covered up. As part of the cover-up, an official document was destroyed.

I have seen similar abuses of power in the past, since I arrived in Congress. That's not what's new. Bureaucracies do that all the time. That's why we have IG's. IG's are supposed to catch those who abuse their power.

What's new in all this is that the abuse of authority is by someone in whom the citizens have vested the powers to combat such actions. I have never seen such an abuse of power by a Federal law enforcement official.

The responsibility of employing such powers is of enormous proportions. The full powers of the IG's office were directed against the most precious right that exists in this country—the civil liberties of two American citizens. It cost these two agents over $26,000 so far. Worse, there has been a cloud over them and their families for more than a year.

What happens the next time these agents are in a court of law, or being interviewed for a future job opportunity? Suppose they are asked, ''Have you ever been the target of a criminal investigation?'' How are they supposed to answer that question? Technically, they were targeted improperly. But if it's a yes-or-no question, they would have to answer yes. It's just not fair.

The process of correcting the wrong that was done began today. The IG, after a year of denials, contradictions, and wordsmithing, finally apologized at this morning's hearing. It was a year overdue. Nonetheless, it was the appropriate thing to do.

I mentioned earlier that this ruler, purchased as part of one of the illegal contracts, displays the IG's value statement. Ironically, the actions of upper management in the IG's office systematically violated almost every one of them.

The value statement reads as follows:

> The core values which govern all of our employee and organizational actions are trust, mutual respect, integrity and competence. These values are demonstrated through qualities such as fairness, honesty, cooperation, open communication, shared goals, and a commitment to excellence.

Mr. President, in my view, the taxpayers would have got more value out of this contract had the Treasury IG's office practiced the values listed on this ruler. It did not. And that reflects a major leadership void in that office.

I mentioned earlier that the IG engaged in the fine art of wordsmithing. Instead of answering questions, she did a soft-shoe routine. For example, when GAO found that she let two illegal contracts, her response was to call them ''technical violations.'' That response hardly instills confidence that this IG should remain in that job. Quite the contrary, it speaks volumes about the need for a new IG.

Mr. President, the Secretary of any Department is required, under the Inspector General Act of 1978, to generally supervise the IG. I hope that Treasury Secretary Rubin makes himself familiar with the facts and findings of the investigation by the Permanent Subcommittee on Investigations. Were he to do that, I am confident that he would reach the same conclusion I have—that the IG's own actions have undermined her moral authority to lead that office. Her ability to continue to run that office effectively, and in the taxpayers' interest, has been compromised.

I do not come to this judgment frivolously. I have been intimately involved in the investigation and circumstances of this case for over a year. I worked with Chairwoman COLLINS for several months, who did an outstanding job on this investigation, Mr. President. She and her staff are to be greatly commended for digging out all the facts on this case, and laying them in front of the American people.

So I feel an obligation to call on the Treasury IG to step aside so that a new IG and IG management team can be brought in to reestablish the trust and confidence of the people, and to restore the morale of the many hardworking and dedicated employees of that office. There is a tremendous responsibility that comes with being Treasury IG. And we in Congress need to make sure every effort is made to maintain the public's confidence in their law enforcement agencies. That's why I think this decision to step aside must be made.

I thank the Chair. I yield the floor. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

APPOINTMENT BY THE MAJORITY LEADER

The PRESIDING OFFICER. The Chair, on behalf of the majority leader, and in consultation with the Democratic leader, pursuant to Public Law 105–33, announces the appointment of the following Members to the National Bipartisan Commission on the Future of Medicare: The Senator from Nebraska [Mr. KERREY] and the Senator from West Virginia [Mr. ROCKEFELLER].

EXECUTIVE SESSION

EXECUTIVE CALENDAR

Mr. GRASSLEY. Mr. President, in executive session, I ask unanimous consent that the Senate proceed to the following nomination on the Executive Calendar: No. 274.

I also ask unanimous consent that the nomination be confirmed, the motion to reconsider be laid upon the table, any statements relating to the nomination appear in the RECORD at this point, the President be immediately notified of the Senate's action, and that the Senate return to legislative session.

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

The nomination considered and confirmed is as follows:

DEPARTMENT OF STATE

Curtis Warren Kamman, of the District of Columbia, a Career Member of the Senior Foreign Service, Class of Career Minister, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Colombia.

LEGISLATIVE SESSION

The PRESIDING OFFICER. Under the previous order, the Senate will return to legislative session.

ORDERS FOR TUESDAY, NOVEMBER 4, 1997

Mr. GRASSLEY. Also for our distinguished leader, I ask unanimous consent that when the Senate completes its business today, it stand in adjournment until the hour of 10 a.m. on Tuesday, November 4. I further ask that on Tuesday, immediately following the prayer, the routine requests through the morning hour be granted, and that there then be a period of morning business until 11 a.m., with Senators permitted to speak for up to 5 minutes each, with the following exceptions: Senator HATCH for 20 minutes; Senator COVERDELL for 15 minutes; Senator ROBERTS for 20 minutes, and Senator DODD for 5 minutes.

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

Mr. GRASSLEY. Under the provisions of rule XXII, the cloture vote with respect to the Coverdell A-plus education accounts bill will occur at 11 a.m. on Tuesday. Following the cloture vote, if not invoked, the Senate will then either seek consent to set the next cloture vote at 2:30 p.m. on Tuesday or, if consent cannot be granted, the Senate would recess until 2:30 p.m. In either case, the cloture vote on the motion to proceed to fast track will occur at 2:30 p.m. on Tuesday.

I further ask unanimous consent that if the Senate is not previously in recess, the Senate stand in recess from the hour of 12:30 p.m. to 2:30 p.m. for the weekly policy luncheons of each party to meet.

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

PROGRAM

Mr. GRASSLEY. In conjunction with a previous unanimous-consent agreement, on Tuesday, the Senate will be in a period of morning business from 10 a.m. to 11 a.m. At 11 a.m., the Senate will proceed to the cloture vote on H.R. 2646, the A-plus savings account bill. If cloture is not invoked, the Senate will proceed to the cloture vote on the motion to proceed to S. 1269, the fast-track legislation, at 2:30 p.m. If cloture is invoked on the motion to proceed to the fast-track legislation, the Senate will be in debate on the motion to proceed to S. 1269.

In addition, the Senate may also consider and complete action on the D.C. appropriations bill, the Food and Drug Administration reform conference report, the intelligence authorization conference report, and any additional legislative or executive items that can be cleared for action. Therefore, Members can anticipate additional rollcall votes following the 11 a.m. cloture vote.

Also, as under the consent, the Senate will recess from 12:30 p.m. to 2:30 p.m. for the weekly policy luncheons to meet.

As a reminder to all Members then, the first rollcall vote tomorrow will occur at 11 a.m.

ADJOURNMENT UNTIL 10 A.M. TOMORROW

Mr. GRASSLEY. If there is no further business to come before the Senate, I now ask unanimous consent that the Senate stand in adjournment under the previous order.

There being no objection, the Senate, at 7 p.m., adjourned until Tuesday, November 4, 1997, at 10 a.m.

NOMINATIONS

Executive nominations received by the Senate November 3, 1997:

DEPARTMENT OF TRANSPORTATION

JOHN CHARLES HORSLEY, OF WASHINGTON, TO BE ASSOCIATE DEPUTY SECRETARY OF TRANSPORTATION, VICE MICHAEL HUERTA.

CONFIRMATIONS

Executive nominations confirmed by the Senate November 3, 1997:

DEPARTMENT OF STATE

CURTIS WARREN KAMMAN, OF THE DISTRICT OF COLUMBIA, A CAREER MEMBER OF THE SENIOR FOREIGN SERVICE, CLASS OF CAREER MINISTER, TO BE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNITED STATES OF AMERICA TO THE REPUBLIC OF COLOMBIA.

DEPARTMENT OF THE TREASURY

CHARLES ROSSOTTI, OF THE DISTRICT OF COLUMBIA, TO BE COMMISSIONER OF INTERNAL REVENUE.

THE ABOVE NOMINATIONS WERE APPROVED SUBJECT TO THE NOMINEES' COMMITMENT TO RESPOND TO REQUESTS TO APPEAR AND TESTIFY BEFORE ANY DULY CONSTITUTED COMMITTEE OF THE SENATE.

EXTENSIONS OF REMARKS

SENATE COMMITTEE MEETINGS

Title IV of Senate Resolution 4, agreed to by the Senate on February 4, 1977, calls for establishment of a system for a computerized schedule of all meetings and hearings of Senate committees, subcommittees, joint committees, and committees of conference. This title requires all such committees to notify the Office of the Senate Daily Digest—designated by the Rules Committee—of the time, place, and purpose of the meetings, when scheduled, and any cancellations or changes in the meetings as they occur.

As an additional procedure along with the computerization of this information, the Office of the Senate Daily Digest will prepare this information for printing in the Extensions of Remarks section of the CONGRESSIONAL RECORD on Monday and Wednesday of each week.

Meetings scheduled for Tuesday, November 4, 1997, may be found in the Daily Digest of today's RECORD.

MEETINGS SCHEDULED

NOVEMBER 5

9:30 a.m.

Banking, Housing, and Urban Affairs

Financial Institutions and Regulatory Relief Subcommittee

To hold hearings to examine the presence of foreign governments and companies, particularly in China, in U.S. securities and banking sectors, and on S. 1315, to establish an Office of National Security within the Securities and Exchange Commission, provide for the monitoring of the extent of foreign involvement in United States securities markets, financial institutions, and pension funds.

SD–538

Commerce, Science, and Transportation

To hold hearings to examine the environmental consequences of global warming scenarios.

SR–253

Rules and Administration

Business meeting, to consider pending administrative matters.

SR–301

10:00 a.m.

Environment and Public Works

Transportation and Infrastructure Subcommittee

To hold hearings to examine the General Services Administration proposal to construct or otherwise acquire a facility to house the headquarters of the Department of Transportation.

SD–406

Finance

To hold hearings on proposed legislation to restructure the Internal Revenue Service (IRS), and to examine the recommendations of the IRS Restructuring Commission.

SD–215

Foreign Relations

To hold hearings to examine how the American public views NATO enlargement.

SD–419

Governmental Affairs

Business meeting, to consider pending calendar business.

SD–342

Judiciary

Immigration Subcommittee

To hold hearings on proposed legislation on the impact of section 110 of the 1996 Immigration Act on land borders of the United States.

SD–562

Judiciary

Youth Violence Subcommittee

To hold hearings to examine Federal efforts to prevent juvenile crime.

SD–226

2:00 p.m.

Finance

Health Care Subcommittee

To hold hearings on S. 249, to require that health plans provide coverage for a minimum hospital stay for mastectomies and lymph node dissection for the treatment of breast cancer, coverage for reconstructive surgery following mastectomies, and coverage for secondary consultations.

SD–215

Judiciary

To hold hearings on the nomination of Seth Waxman, of the District of Columbia, to be Solicitor General of the United States, Department of Justice.

SD–226

Judiciary

Technology, Terrorism, and Government Information Subcommittee

Closed briefing on the ''eligible receiver'' exercise.

SH–217

3:00 p.m.

Judiciary

Technology, Terrorism, and Government Information Subcommittee

To hold hearings to examine the report of the President's Commission on Critical Infrastructure Protection.

SD–226

NOVEMBER 6

9:30 a.m.

Budget

To hold hearings to examine Federal prekindergarten through grade twelve education programs.

SD–608

Environment and Public Works

Business meeting, to mark up H.R. 1787, to assist in the conservation of Asian elephants by supporting and providing financial resources for the conservation programs of nations within the range of Asian elephants an projects of person with demonstrated expertise in the conservation of Asian elephants, and to consider other pending calendar business.

SD–406

Select on Intelligence

To hold hearings to examine proliferation issues.

SD–106

10:00 a.m.

Foreign Relations

To hold hearings to examine commercial activities of China's People's Liberation Army (PLA).

SD–419

Judiciary

Business meeting, to consider the nomination of Bill Lann Lee, of California, to be Assistant Attorney General for the Civil Rights Division, Department of Justice.

SD–226

12:00 p.m.

Governmental Affairs

Oversight of Government Management, Restructuring and the District of Columbia Subcommittee

To hold hearings to examine the social impact of music violence.

SD–342

2:00 p.m.

Judiciary

To hold hearings on the nominations of Robert S. Warshaw, of New York, to be Associate Director, and Thomas J. Umberg, of California, to be Deputy Director for Supply Reduction, both of the Office of National Drug Control Policy.

SD–226

2:30 p.m.

Select on Intelligence

To hold closed hearings on intelligence matters.

SH–219

NOVEMBER 7

9:30 a.m.

Joint Economic

To hold hearings to examine the employment-unemployment situation for October.

1334 Longworth Building

CANCELLATIONS

NOVEMBER 4

2:00 p.m.

Budget

To hold hearings to examine options for funding social security benefits in the 21st century.

SD–608

NOVEMBER 5

9:30 a.m.

Indian Affairs

To hold oversight hearings on proposals to extend compacting to agencies of the Department of Health and Human Services.

SR–485

Monday, November 3, 1997

Daily Digest

HIGHLIGHTS

See Résumé of Congressional Activity.

Senate confirmed Charles Rossotti to be IRS Commissioner.

Senate

Chamber Action

Routine Proceedings, pages S11577–S11615

Measures Introduced: One bill and one resolution were introduced, as follows: S. 1358 and S. Res. 142. **Page S11599**

Measures Reported: Reports were made as follows:

S. 538, to authorize the Secretary of the Interior to convey certain facilities of the Minidoka project to the Burley Irrigation District, with an amendment in the nature of a substitute. (S. Rept. No. 105–131) **Page S11599**

Appointments:

National Bipartisan Commission on the Future of Medicare: The Chair, on behalf of the Majority Leader, and in consultation with the Democratic Leader, pursuant to Public Law 105–33, announced the appointed of the following members of the National Bipartisan Commission on the Future of Medicare: Senators Kerrey and Rockefeller. **Page S11614**

Messages From the President: Senate received the following messages from the President of the United States:

Transmitting the report of the cancellation of discretionary budget authority (97–72) received on November 1, 1997; which was referred jointly, pursuant to P.L. 93–344, to the Committee on Appropriations and to the Committee on the Budget. (PM–77). **Page S11598**

Transmitting the report of the cancellation of discretionary budget authority (97–65) received on November 1, 1997; which was referred jointly, pursuant to P.L. 93–344, to the Committee on Appropriations and to the Committee on the Budget. (PM–78). **Pages S11598–99**

Nominations Confirmed: Senate confirmed the following nominations: By unanimous vote of 92 yeas (Vote No. 290 EX), Charles Rossotti, of the District of Columbia, to be Commissioner of Internal Revenue. **Pages S11584–87, S11591–97, S11615**

Curtis Warren Kamman, of the District of Columbia, to be Ambassador to the Republic of Colombia. **Page S11615**

Nominations Received: Senate received the following nominations:

John Charles Horsley, of Washington, to be Associate Deputy Secretary of Transportation. **Page S11615**

Messages From the President: **Pages S11598–99**

Messages From the House: **Page S11599**

Measures Placed on Calendar: **Page S11599**

Statement on a Submitted Resolution: **Pages S11599–S11601**

Additional Cosponsors: **Page S11599**

Amendments Submitted: **Pages S11601–11**

Authority for Committees: **Page S11611**

Additional Statements: **Pages S11611–13**

Record Votes: One record vote was taken today. (Total–290) **Page S11597**

Adjournment: Senate convened at 12 Noon, and adjourned at 7 p.m., until 10 a.m., on Tuesday, November 4, 1997. (For Senate's program, see the remarks of the Acting Majority Leader in today's Record on page S11615.)

Committee Meetings

(Committees not listed did not meet)

POSTMASTER GENERAL REPORT

Committee on Governmental Affairs: Subcommittee on International Security, Proliferation, and Federal Services concluded hearings to examine the current state of the United States Postal Service, focusing on proposed increases in postage rates, after receiving testimony from Marvin Runyon, Postmaster General

and Chief Executive Officer, United States Postal Service.

TREASURY DEPARTMENT: INSPECTOR GENERAL'S OFFICE

Committee on Governmental Affairs: Permanent Subcommittee on Investigations concluded hearings to review activities of the Department of the Treasury's Office of the Inspector General, focusing on the Office of Inspector General's involvement in the initiation and management of an investigation involving certain Secret Service officials regarding their 1996 testimony before the House Committee on Government Reform and Oversight on the process by which the White House access list is maintained and updated, after receiving testimony from Richard J. Gallo, Senior Special Agent, Office of Inspector General, Department of Agriculture, on behalf of the Federal Law Enforcement Officers Association; and Valerie Lau, Inspector General, James M. Cottos, Senior Technical Advisor to the Inspector General, and Emily P. Coleman, Regional Inspector General for Investigations (Eastern Region), all of the Department of the Treasury.

TELEPHONE SLAMMING

Committee on the Judiciary: Subcommittee on Administrative Oversight and the Courts concluded hearings to examine issues with regard to telephone slamming which is the unauthorized switching of a consumer's phone carrier without their authorization, after receiving testimony from Robert W. Spangler, Acting Chief, Enforcement Division, Common Carrier Bureau, Federal Communications Commission; William H. Smith, Jr., Iowa Utilities Board, Ankeny; Geryl Kramer, Kramer Associates, Inc., Chicago, Illinois; and Linda F. Golodner, National Consumers League, Wayne Huyard, MCI Communications Corporation, Susan R. Lichtenstein, Ameritech, and James M. Smith, Excel Communications, Inc., all of Washington, D.C.

INDIAN JUDGMENT FUNDS

Committee on Indian Affairs: Committee concluded hearings on the provisions of H.R. 1604, to provide for the division, use, and distribution of judgment funds of the Ottawa and Chippewa Indians of Michigan, after receiving testimony from Representative Kildee; Michael J. Anderson, Deputy Assistant Secretary of the Interior for Indian Affairs; and Arthur L. LeBlanc, Bay Mills Indian Community, Brimley, Michigan.

House of Representatives

Chamber Action

The House was not in session today. It will next meet on Tuesday, November 4.

Committee Meetings

No Committee meetings were held.

COMMITTEE MEETINGS FOR TUESDAY, NOVEMBER 4, 1997

(Committee meetings are open unless otherwise indicated)

Senate

Committee on Banking, Housing, and Urban Affairs, Subcommittee on Financial Services and Technology, to hold hearings on mandating disclosure of Year 2000 problem compliance by publicly traded companies, 10 a.m., SD–538.

Full Committee, business meeting, to consider pending nominations, 11 a.m., SD–538.

Committee on Commerce, Science, and Transportation, business meeting, to consider pending calendar business, 9:30 a.m., SR–253.

Subcommittee on Science, Technology, and Space, to hold hearings to examine the necessity of Federal involvement in the Next Generation Internet, 2:30 p.m., SR–253.

Committee on Energy and Natural Resources, to hold hearings on the nominations of Curt Herbert Jr., of Mississippi, and Linda Key Breathitt, of Kentucky, each to be a Member of the Federal Energy Regulatory Commission, Department of Energy, 10 a.m., SD–366.

Committee on Environment and Public Works, Subcommittee on Transportation and Infrastructure, to hold hearings to examine the status of Federal transportation programs in the absence of a multi-year reauthorization, 9:30 a.m., SD–406.

Full Committee, to hold hearings on S. 627, authorizing funds for programs of the African Elephant Conservation Act, and S. 1287, to assist in the conservation of Asian elephants by supporting and providing financial resources for the conservation programs of nations within the range of Asian elephants and projects of persons with

demonstrated expertise in the conservation of Asian elephants, 2 p.m., SD–406.

Committee on Foreign Relations, business meeting, to mark up S. 759, to provide for an annual report to Congress concerning diplomatic immunity, S. Con. Res. 48, expressing the sense of the Congress regarding proliferation of missile technology from Russia to Iran, and S. Con. Res. 58, expressing the concern of Congress over Russia's newly passed religion law, and to consider pending nominations, 2:15 p.m., S–116, Capitol.

Committee on Governmental Affairs, to hold hearings on the nominations of Ernesta Ballard, of Alaska, to be a Governor of the United States Postal Service, Dale Cabaniss, of Virginia, to be a Member of the Federal Labor Relations Authority, and Susanne T. Marshall, of Virginia, to be a Member of the Merit Systems Protection Board, 9 a.m., SD–342.

Committee on the Judiciary, to hold hearings to examine competition, innovation, and public policy in the digital age, 10 a.m., SH–216.

Committee on Indian Affairs, business meeting, to mark up H.R. 976, to provide for the disposition of certain funds appropriated to pay judgment in favor of the Mississippi Sioux Indians, and to consider the nomination of Kevin Gover, of New Mexico, to be Assistant Secretary of the Interior for Indian Affairs, 9:15 a.m., SR–485.

Committee on Veterans' Affairs, business meeting, to consider pending calendar business, time and room to be announced.

NOTICE

For a listing of Senate committee meetings scheduled ahead, see page E2167 in today's Record.

House

Committee on Banking and Financial Services, hearing on the Millennium Bug: Banking and the Year 2000 computer problem, 2:45 p.m., 2128 Rayburn.

Committee on Commerce, Subcommittee on Oversight and Investigations, hearing on the Federal-State Relationship: A Look into EPA Regulatory Reinvention Efforts, 1 p.m., 2322 Rayburn.

Committee on Government Reform and Oversight, Subcommittee on Human Resources, oversight hearing on Privatization of Child Support Enforcement Services, 2 p.m., 2247 Rayburn.

Subcommittee on the Postal Service, hearing on Improving Labor Management Relations in the Postal Service, 10 a.m., 2154 Rayburn.

Committee on National Security, Subcommittee on Military Research and Development, hearing on Federal response to domestic terrorism involving weapons of mass destruction—status of Department of Defense support program, 10 a.m., 2118 Rayburn.

Committee on Resources, Subcommittee on Forests and Forest Health, to markup the following bills: H.R. 1659, Mount St. Helens National Volcanic Monument Completion Act; H.R. 2416, provide for the transfer of certain rights and property to the United States Forest Service in exchange for a payment to the occupant of such property; and H.R. 2574, to consolidate certain mineral interest in the National grasslands in Billings County, ND, through the exchange of Federal and private mineral interest to enhance land management capabilities and environmental and wildlife protection, 2 p.m., 1334 Longworth.

Committee on Rules, to consider the following: H.R. 2676, Internal Revenue Service Restructuring and Reform Act of 1997; H. Res. 188, urging the executive branch to take action regarding the acquisition by Iran of C–802 Cruise missiles; H.R. 967, to prohibit the use of United States funds to provide for the participation of certain Chinese officials in international conferences, programs, and activities and to provide that certain Chinese officials shall be ineligible to receive visas and be excluded from admission to the United States; H.R. 2195, Laogai Slave Labor Products Act of 1997; H.R. 2232, Radio Free Asia Act of 1997; H.R. 2358, Political Freedom in China Act of 1997; H.R. 2386, U.S.-Taiwan Anti-Ballistic Missile Defense Cooperation Act; H.R. 2570, Forced Abortion Condemnation Act; H.R. 2605, Communist China Subsidy Reduction Act of 1997; and H.R. 2647, to ensure that commercial activities of the People's Liberation Army of China or any Communist Chinese military company in the U.S. are monitored and are subject to the authorities under the International Emergency Economic Powers Act, 2 p.m.; and to hold a hearing on H. Res. 298, amending the Rules of the House of Representatives to repeal the rule allowing subpoenaed witnesses to choose not to be photographed at committee hearings, 6 p.m., H–313 Capitol.

Committee on Science, Subcommittee on Technology, hearing on The Global Dimensions of the Millennium Bug, 9:30 a.m., 2318 Rayburn.

Committee on Ways and Means, Subcommittee on Trade, oversight hearing on the Future of United States-China Trade Relations and the possible Accession of China to the World Trade Organization, 10 a.m., 1100 Longworth.

Résumé of Congressional Activity

FIRST SESSION OF THE ONE HUNDRED FIFTH CONGRESS

The first table gives a comprehensive résumé of all legislative business transacted by the Senate and House. The second table accounts for all nominations submitted to the Senate by the President for Senate confirmation.

DATA ON LEGISLATIVE ACTIVITY

January 7 through October 31, 1997

	Senate	*House*	*Total*
Days in session	143	124	..
Time in session	1020 hrs., 12′	912 hrs., 56′	..
Congressional Record:			
Pages of proceedings	11575	9866	..
Extensions of Remarks	..	2165	..
Public bills enacted into law	14	53	67
Private bills enacted into law	1	1	2
Bills in conference	3	5	8
Measures passed, total	258	410	668
Senate bills	74	20	..
House bills	60	188	..
Senate joint resolutions	4	2	..
House joint resolutions	8	10	..
Senate concurrent resolutions	18	8	..
House concurrent resolutions	18	37	..
Simple resolutions	76	145	..
Measures reported, total	200	346	546
Senate bills	131	4	..
House bills	15	231	..
Senate joint resolutions	2	1	..
House joint resolutions	2	9	..
Senate concurrent resolutions	11	..	..
House concurrent resolutions	2	9	..
Simple resolutions	37	92	..
Special reports	20	11	..
Conference reports	..	15	..
Measures pending on calendar	111	61	..
Measures introduced, total	1594	3375	4969
Bills	1357	2794	..
Joint resolutions	37	98	..
Concurrent resolutions	59	183	..
Simple resolutions	141	300	..
Quorum calls	6	6	..
Yea-and-nay votes	289	238	..
Recorded votes	..	323	..
Bills vetoed	..	2	..
Vetoes overridden	..	..	..

*These figures include all measures reported, even if there was no accompanying report. A total of 130 reports have been filed in the Senate, a total of 372 reports have been filed in the House.

DISPOSITION OF EXECUTIVE NOMINATIONS

January 7 through October 31, 1997

Civilian nominations, totaling 474, disposed of as follows:	
Confirmed	235
Unconfirmed	229
Withdrawn	10
Civilian nominations (FS, PHS, CG, NOAA), totaling 3,092, disposed of as follows:	
Confirmed	2,284
Unconfirmed	808
Air Force nominations, totaling 8,120, disposed of as follows:	
Confirmed	8,113
Unconfirmed	7
Army nominations, totaling 6,245, disposed of as follows:	
Confirmed	6,220
Unconfirmed	25
Navy nominations, totaling 6,157, disposed of as follows:	
Confirmed	4,847
Unconfirmed	1,310
Marine Corps nominations, totaling 1,679, disposed of as follows:	
Confirmed	1,679
Unconfirmed	0

Summary

Total nominations received this session	25,767
Total confirmed	23,378
Total unconfirmed	2,379
Total withdrawn	10

Next Meeting of the SENATE

10 a.m., Tuesday, November 4

Senate Chamber

Program for Tuesday: After the recognition of four Senators for speeches and the transaction of any morning business (not to extend beyond 11 a.m.), Senate will vote on a motion to close further debate on H.R. 2646, Education Savings Act For Public and Private Schools, and vote on a motion to close further debate on the motion to proceed to S. 1269, Reciprocal Trade Agreement Act.

(Senate will recess from 12:30 p.m. until 2:30 p.m. for respective party conferences.)

Next Meeting of the HOUSE OF REPRESENTATIVES

10:30 a.m., Tuesday, November 4

House Chamber

Program for Tuesday: Consideration of 20 Suspensions:

1. H.R. 2644, United States-Caribbean Trade Partnership Act;
2. H.R. 1967, to provide that the distribution before January 1, 1978, of a phonorecord shall not for any purpose constitute a publication of the musical work;
3. H.R. 2265, No Electronic Theft Act;
4. H.R. 1493, to require the Attorney General to establish a program in local prisons to identify, prior to arraignment, criminal aliens and aliens who are unlawfully present in the United States;
5. H.J. Res. 91, Apalachicola-Chattahoochee-Flat River Basin Compact;
6. H.J. Res. 92, Alabama-Coosa-Tallapoosa river basin Compact;
7. H.R. 1702, Commercial Space Act; and
8. H.R. 1839, National Salvage Motor Vehicle Consumer Protection Act of 1997;
9. H.R. 1836, Federal Employees Health Care Protection Act of 1997;
10. H.R. 2675, Federal Employees Life Insurance Improvement Act;
11. H.R. 404, transfer to State and local governments certain surplus property for use for law enforcement or public safety purposes;
12. H.R. 1856, Volunteers for Wildlife Act of 1997;
13. H.R. 434, Carson National Forest and the Santa Fe National Forest Land Conveyance;
14. S. 587, Hinsdale County, Colorado Land Exchange;
15. S. 588, providing for the expansion of the Eagles Nest Wilderness;
16. S. 589, providing for a Boundary Adjustment and Land Conveyance Involving the Raggeds Wilderness;
17. S. 591, Transferring the Dillon Ranger District in the Arapaho National Forest to the White River National Forest;
18. H.R. 1604, Providing for the Division, Use, and Distribution of Judgment Funds of the Ottawa and Chippewa Indians;
19. H.R. 948, Burt Lake Band of Ottawa and Chippewa Indians Act; and
20. S. 931, Marjory Stoneman Douglas Wilderness and Ernest F. Coe Visitor Center Designation Act; and

Consideration of H.R. 2746, HELP Scholarships Act (closed rule, 2 hours of general debate); and

Consideration of H.R. 2616, Charter Schools Amendments Act (open rule, 1 hour of general debate).

NOTE: *No recorded votes are expected before 5:00 p.m.*

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