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Senate

The Senate met at 10 a.m. and was called to order by the Honorable GEORGE ALLEN, a Senator from the State of Virginia.

The PRESIDING OFFICER. Today's prayer will be offered by our guest Chaplain, Father Paul Lavin, of St. Joseph's Catholic Church, Washington, DC.

PRAYER

The guest Chaplain offered the following prayer:

In the book of the prophet Amos, the Lord tells us:

I hate and despise your feasts,
I want none of your burnt offerings.
Let me have no more of the din of your chanting,
No more of your strumming on harps.
But let justice flow like water,
And integrity like an unfailing stream.

Let us pray.

Lord God, we praise You and bless You for the many gifts You have given to the United States, and for the gifts You have given to the men and women who serve in the Senate. Let our feasts be to come to the aid of the poor and the oppressed. Let our song be to practice justice, and let our sacrifice be the offering of a humble and contrite heart. Then, when our lips sing Your praise, You will listen to our song. Amen.

PLEDGE OF ALLEGIANCE

The Honorable GEORGE ALLEN led the Pledge of Allegiance, as follows:

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

APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. THURMOND).

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
Washington, DC, May 25, 2001.

To the Senate:

Under the provisions of rule I, paragraph 3, of the Standing Rules of the Senate, I hereby appoint the Honorable GEORGE ALLEN, a Senator from the State of Virginia, to perform the duties of the Chair.

STROM THURMOND,
President pro tempore.

Mr. ALLEN thereupon assumed the chair as Acting President pro tempore.

RESERVATION OF LEADER TIME

The ACTING PRESIDENT pro tempore. Under the previous order, the leadership time is reserved.

MORNING BUSINESS

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be a period for the transaction of morning business with Senators permitted to speak therein for not to exceed 10 minutes.

Under the previous order, there will now be 30 minutes under the control of the Senator from Illinois, Mr. DURBIN, or his designee.

The Senator from Minnesota.

Mr. WELLSTONE. I thank the Chair.

STEEL REVITALIZATION ACT

Mr. WELLSTONE. Mr. President, I rise to speak in support of the Steel Revitalization Act of 2001. This is the companion measure to H.R. 808 which, as of this moment, has 189 cosponsors in the House of Representatives. The measure represents a comprehensive approach to a serious crisis which is facing our domestic iron ore and steel industry.

Several of the provisions contained in this act are ones that my colleagues in the bipartisan Steel Caucus have introduced in the Senate. I particularly thank Senators ROCKEFELLER and SPECTER for their work in cochairing this caucus, and Senator BYRD for his unflinching support of the entire steel industry and his creative efforts on behalf of the industry's working families. A special thank you to Senator ROCKEFELLER, who has been absolutely the leader on this issue.

The Steel Revitalization Act includes the following components:

First, there is import relief. We go back to a 5-year period of quantitative restrictions on the import of iron ore. We go back prior to the import surge in 1997. We go to a 3-year average. That is where we hold the line. Between February and March, 2001, there was a 40-percent surge in the import of steel or semifinished steel, way under the cost of production, constituting unfair trade and putting people out of work.

Second, there is creation of a steelworker retiree health care fund which is administered by the steelworker retiree health care board at the Department of Labor. This fund would be underwritten through a 1.5-percent surcharge on the sale of all steel products in the United States, both imported and domestic.

One of the awful things about what is going on is many of the retirees worked their whole life, thought they had health care coverage, and are terrified they will not have the health care coverage. A 70-year-old struggling with cancer now is worried there will be no health care coverage.

Third, we have the enhancement of the current Steel Loan Guarantee Program which provides the steel companies greater access to funds needed to invest in capital improvements to take advantage of the latest technological advancements.

Finally, we have the creation of a $500 million grant program at the Department of Commerce to help defray the costs of environmental mitigation and the restructuring as a result of

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

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consolidation—again, assuming these companies make a commitment to invest in our country; again, assuming these companies make a commitment to the workers.

I think all Senators can appreciate this legislation. The Iron Range of Minnesota, and if you think of our sister State of Michigan, this is a part of the United States of America with a proud history of providing key raw materials to the producers of steel for well over a century. In these taconite mines are some of the hardest working people you ever want to meet. LTV has closed down in Hoyt Lakes; 1,400 miners lost their work. They are steelworkers, but they work in the mines. These were good, middle-class jobs. It is not just these workers who have lost their jobs; it has the ripple effect on all the small businesses, all the subcontractors, all the suppliers—all the families.

I am in schools all the time. There is such pain, such concern about the future of these families and concern for the future of their children. From my point of view, and I know I speak for Senator DAYTON, there is probably not a more important piece of legislation to introduce.

The introduction of a piece of legislation is not symbolic politics. It does not mean it passes. We have a lot of work cut out for us, but I will say to my colleague from Virginia, I thank publicly on the floor of the Senate—I certainly have called her—Secretary of Labor Chao. We are, again, in a situation right now where there is a lot of economic pain, a lot of economic desperation. The Secretary of Labor has provided the workers up there with at least some relief, which was extremely important. We were so hopeful we could get trade adjustment assistance benefits. The Secretary of Labor granted us an additional year, above and beyond unemployment benefits that workers receive through the State of Minnesota.

It is additional money for job relocation. For workers and their families to get that trade adjustment assistance is a lifeline. It gives them more time. It gives them an opportunity to think about what ladder there is for career development. It gives them some financial assistance for their families. I have told Secretary Chao—I don't know if I will get her in trouble with the administration by being so glowing about what I have to say about her—I so appreciate it and so do the people in the State of Minnesota. I want to publicly thank her.

I also want to say we are now waiting, of course, for the administration on a decision—Secretary Evans will make a decision soon—as to whether or not we will be taking some trade action to really make sure we have a future for this industry. The next big decision is going to be in mid-June about whether or not the taconite workers on the Iron Range in Minnesota are going to have a future. This industry will not survive if it is continually faced with unfair trade practices, if it continues to face this import surge of slab or finished steel. Our taconite workers on the Iron Range of Minnesota ask nothing more than to have a level playing field. We wait for a decision mid-June.

I think steelworkers and industrial workers all across the country—and I think they will have a lot of allies—will in a strong voice say you have to take some action. For the Iron Range in Minnesota, northeast Minnesota, time is not neutral. Time moves on. It is extremely important, above and beyond this lifeline assistance, that we get serious about a fair trade policy so these workers and their families have a future.

There is companion legislation in the House. Very important work has been done by Senator ROCKEFELLER and Senator SPECTER. I think we can get some strong bipartisan support, but it is not going to be enough to just introduce a bill. We will need action from the administration and we will need legislative action if there is to be a future for this extremely important industry—which, by the way, I think is essential to our national security.

This legislation is legislation near and dear to my heart because it is so connected to the lives and people I truly love, that is to say the steelworkers and their families on the Iron Range of the State of Minnesota.

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

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

The assistant legislative clerk proceeded to call the roll.

Mr. DORGAN. Mr. President, I ask unanimous consent the order for the quorum call be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. DORGAN. I ask consent to speak in morning business for 15 minutes.

The ACTING PRESIDENT pro tempore. The Senator from North Dakota is recognized.

OUR TRADE DEFICIT

Mr. DORGAN. I want to speak this morning about international trade and our growing and troubling trade deficit. In March, the merchandise trade deficit surprised economists, jumping to $37.6 billion in that month alone. That is the latest month for which we have data. In March imports into this country increased to $101 billion, while American exports decreased to $64 billion.

This is a very serious problem. The trade deficit continues to balloon. We had a $450 billion merchandise trade deficit last year and it continues to grow and grow. It increases our indebtedness in this country. Unlike a budget deficit, about which economists over strong coffee can make the point that we owe to ourselves, you cannot make the point that our trade deficit is owed to ourselves. It is owed to others outside this country and will be and must be repaid one day with a lower cost of living in this country. We must get a handle on this exploding trade deficit.

Let me speak to one portion of the trade issue. We are about to see the administration take a step that I vigorously oppose. I am going to offer a piece of legislation today on behalf of myself and my colleague from Nevada, Senator REID, that deals with the issue of Mexican trucks entering this country under the provisions of NAFTA, the North American Free Trade Agreement.

What is the issue? We signed a free trade pact with the country of Mexico. It has not turned out very well, as a matter of fact. We had a trade surplus with Mexico when we signed the trade pact. Now we have a $24 billion trade deficit with Mexico. So we went from a surplus to a very large and exploding deficit with Mexico.

But one aspect of the trade pact with Mexico is the question of movement of goods and individuals back and forth across the boarder and especially the question of Mexican trucks coming into this country. President Clinton, I believe in violation of NAFTA, prescribed a 20-mile zone in which Mexican trucks could haul goods into this country for trade purposes. But they could not go beyond that zone. This administration is about to lift that and provide unrestricted access into this country for Mexican trucks. My legislation will say that is not possible, we will not allow that to happen until and unless the Administration implements certain safeguards to protect those who use America's highways.

Let me describe why this is important. Do you want to drive down a highway in this country and drive next to a Mexican truck that is pulling double the load we allow pulled in this country behind our trucks, driven by a driver who is making less than the minimum wage in this country—on average, incidentally, of $7- to $10-a-day salary for that Mexican truck driver; a truck that has not been inspected in most cases, if inspected, not inspected to the same standards to which we inspect trucks in this country?

This is a circumstance where the Mexican trucks are determined to be unsafe at the border crossings at which the trucks are inspected. In many cases, 40 percent are turned back because they are unsafe, do not meet standards. Is that what we want to have on American highways? I don't think so.

This is what has happened. Mexico threatened, under NAFTA, to sue the U.S. for billions of dollars per year in compensation if the U.S. did not lift this longstanding control on allowing Mexican commercial truckers to operate within the United States. President Bush has agreed to allow them to operate in the United States beyond the limit, even though the Department of Transportation says it cannot certify

the safety of any, except a tiny fraction, of the Mexican trucks that enter this country.

This month, in fact, the Department of Transportation's own inspector general concluded that the Department of Transportation's enforcement program cannot reasonably assure the American people of the safety of Mexican trucks entering this country.

Barely 1 percent of the 3.7 million Mexican trucks that enter into the United States are inspected. Of those inspected, 36 percent are declared out of service for serious safety violations. At the border crossing in El Paso, TX, there are 1,300 trucks that come across every single day. One inspector is on duty—one—and he or she can inspect about 10 to 14 trucks a day. Most inspectors work only during daylight hours, leaving crossings with no inspectors at all during much of the day.

Now Mexico still lags far behind the United States when it comes to truck safety. They do not have an effective drug and alcohol testing program for truck drivers as we do. They simply do not have it. They have no hours-of-service regulations and only recently proposed the use of logbooks for hours of service. A reporter from the San Francisco Chronicle recently drove with a Mexican truck driver. They drove 20 to 21 hours straight—20 to 21 hours. That is significant and also dangerous. That cannot happen legally in this country. I do not want that driver on the road next to my family or my neighbors or my friends or anyone else in this country who is driving.

Right now there is no way for American law enforcement agencies to access a database containing information on Mexican truckers. If a police officer pulls me over to the side of the road or pulls the Presiding Officer, from the State of Virginia, over to the side of the road, and asks to see our license, they can put that name into a database. They can figure out very quickly what we have or have not done, what is on our driving record and what isn't. If the same police officer pulls over a Mexican truck driver, he will not find any information on him because it does not exist.

Despite these unresolved issues, and despite all of these facts and figures, despite the written objections of 258 Members of the House and 48 Senators, on both sides of the aisle, the administration has said that the NAFTA trucking provisions should be implementing. They are wrong. The provisions should not be implemented until and unless we can demonstrate safety for the American people by allowing these trucks into this country. If we cannot demonstrate safety—and clearly we cannot at this point—they should not be allowed in.

I am introducing legislation to prohibit the administration from granting operation rights to Mexican motor carriers until we can ensure that they meet the safety standards we require in this country. My bill would require the implementation of inspections and the deployment of needed resources to ensure that the trucks that would come in would meet basic safety standards.

This is not some issue where one can say: These people are antitrade, and therefore they want to stop trucks from this country or that country. This is very real. Every day, every hour, we have massive numbers of trucks coming into this country. There is evidence from California and New Mexico and from Arizona. The evidence of the number of trucks turned back for serious safety violations is overwhelming.

Mexico does not have the same standards. Their drivers can drive 20 hours a day and no one will know it. They have no logbooks. They have no drug testing. They do not have the same equipment standards as we do. It demonstrates, in my judgment, the concern that many of us have about this unfettered notion of opening up borders without making sure we have adequate safety in place for the American people. I am going to introduce this legislation on behalf of myself and my colleague, Senator REID, from the State of Nevada. And other colleagues I know will join us because there are nearly 50 Members of the Senate who have expressed their reservations about this issue.

I urge the administration to reconsider this issue. Change your mind about this. The American people don't want to be driving down a highway to pull up next to an 18-wheel truck that is hauling a load that is twice as heavy as that which could be hauled by an American trucker in this country, with a driver who has been driving 20 hours, who has never been drug tested, and driving equipment that doesn't meet safety specifications on American roads. That is not what we want on American roads and not what we want for the safety of the American people.

Mr. President, I am happy to yield to my colleague from Nevada.

The ACTING PRESIDENT pro tempore. The Senator from Nevada, Mr. REID.

Mr. REID. I am very happy to join with my colleague from North Dakota on this most important legislation. He has outlined very clearly the problems we have.

Let's think about this. In the United States there are 400,000 trailer truck accidents every year. Keep in mind, we have pretty strong, strict safety standards. Over 14,000 of those accidents involve hazardous materials. Do we want to add to that mix unsafe vehicles?

The trucks that have accidents in America that are American trucks are not unsafe. Those accidents are caused by driver errors, weather conditions.

We need to move forward on this legislation yesterday, not today. I certainly hope, through administrative fiat, that the President does not allow this to happen. That is our fear. That is what we have heard.

The Senator from North Dakota is really a visionary as far as legislation goes, on what he has focused in making statements in this Chamber, what he has done as a Senator, and what he has done as a Member of the House, focusing attention on our trade deficits. It is a stealth monster. Ultimately, if we do not do something about it, it is going to destroy the economy of this country. It is getting bigger and bigger and bigger. As the Senator has outlined with the chart he has behind him, this balloon is going to continue to get bigger and bigger and thinner and thinner and finally explode. I say he is a visionary because he has talked about our trade situation. This legislation in regard to dangerous trucks is excellent legislation.

Also, we have an amendment pending on the education bill that I think says it all. What it says is we should have the House and the Senate have a joint committee and convene immediately to determine what is happening with the gasoline and fuel prices in this country.

They expect in California, which is a neighboring State to Nevada, that the price of gasoline will be $3 a gallon this year. If we can inspect and investigate the price of chickens, can't we investigate the price of gasoline? Yes, we can.

So I say to my friend from North Dakota, I hope that when that amendment comes up—which was written by the Senator from North Dakota and on which I happily joined as a cosponsor—it is adopted overwhelmingly. I also acknowledge and appreciate his authoring the legislation that deals with these trucks, in which I happily join.

Also, as an aside, I tell him how much I appreciate him being one of the lone voices who talks continually about the dangers of this burgeoning debt we have in the form of a trade debt. It is just as dangerous as any debt we have. We need to do something about it. But it is a difficult issue to understand. It is in the background and people really don't focus on it. I appreciate very much the Senator not letting us not focus on it.

Mr. DORGAN. I thank the Senator from Nevada.

I have a couple minutes remaining. Let me point out what is happening with our trade deficit.

As you can see: With Canada, our trade deficit has dramatically increased from 1999 to 2000; China, $83 billion merchandise trade deficit in a year; European Union, $55 billion; Japan $81 billion. Japan, a $50 billion-plus trade deficit for us almost forever. Mexico—this used to be a surplus, incidentally—now the trade deficit is $24 billion-plus.

We cannot continue to do that. We just cannot continue to run up these kinds of trade deficits.

Just for a moment, let me describe some of the circumstances of the trade deficit. When we want to ship apples into Japan, they say the apples must come from trees that are separated at least 500 feet from apples on apple trees

in the orchard that are not going to be shipped to Japan. So if we are going to ship apples to Japan, they have to be in a grove 500 feet away from other apple groves. What kind of sense is that?

We ship T-bone steaks to Japan. Guess what the tariff is after 12 years of an agreement. Twelve years after an agreement with them, the tariff is 38.5 percent on beef going into Japan.

In Korea, just as an example, we exported 4,400 cars last year. They exported 470,000 to us. One might ask the question, Where is the fair trade here? Where is the reciprocal treatment? This country needs to demand of its trading partners that they open their markets to us so we can have fair trade.

Our deficit with China is going up, up, way up. It is now $83.8 billion. We take all their trousers and shirts and tennis shoes and jeans. They ship them into our country, and guess what. When we try to penetrate the Chinese market, we get a pitiful amount of exports into China.

People say: Hoorah, it is increasing. Hoorah, it is increasing at a minuscule level, and we have an $83 billion deficit with them. We have to change that.

I have other things to say.

The ACTING PRESIDENT pro tempore. The time of the Senator has expired.

Mr. DORGAN. I ask for 30 additional seconds.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. DORGAN. The President says he now wants fast-track trade authority. Fast-track trade authority to do more of this? Not on my watch. Let's have some trade authority that says when we do trade agreements in the future, we do them on behalf of this country's best interests. Maybe we should put some jerseys on those trade negotiators that read: USA. We do that for the Olympians. How about doing it for trade negotiators so they remember for whom they are negotiating.

My legislation on Mexican trucking is very important. I encourage my colleagues to cosponsor it.

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

The ACTING PRESIDENT pro tempore. Under the previous order, there will now be 30 minutes under the control of the Senator from Wyoming, Mr. THOMAS, or his designee.

Mr. DORGAN. Might I ask the Senator from Wyoming if he will yield for a question?

Mr. THOMAS. Certainly.

Mr. DORGAN. I ask the Senator from Wyoming if he would allow me to propound a unanimous consent request that at the conclusion of his 30 minutes, I have the floor for another brief statement in morning business? I believe his time will run until 11 o'clock. I ask unanimous consent that I be recognized at that time.

Mr. THOMAS. I have no objection to that.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

The Senator from Alabama.

GOOD NEWS

Mr. SESSIONS. Mr. President, some good news came out this week. I don't know how many people saw it. It was a report of the status of the surplus in our accounts for the United States. As it was reported in the Wall Street Journal and other organizations, for the month of April of this year, the surplus was $30 billion larger than the surplus for April of last year. For the first 4 months of this year, it showed that the surplus was $41 billion larger than the surplus of the first 4 months last fiscal year.

That is a rather significant event because we are in an economic slowdown. As everyone knows, a vibrant economy is the greatest motivator for creating surpluses.

There is a lot of fear out there that we may not continue to have surpluses. Since I have been in the Senate, going on my fifth year now, every projection on the status of the budget has understated the income to the Federal Government. For the last 3 years, the surplus has substantially exceeded what OMB and the Congressional Budget Office have projected for the surplus.

To me, we have one goal as a Congress and a Government: To try to make sure this economy gets on its feet again and gets humming and makes even more money for the taxpayers and for individual Americans. But at the same time, we have to look at what is happening.

The good news is that even in a time of slowdown, we have a real surplus churning out there. We have gone from a gross domestic product take by the Federal Government of 17.6 percent of GDP to 20.6 percent of GDP. The Government is taking a larger and larger percentage of American wealth to fund governmental programs.

That is a historic change. It may not sound like much to go from 17.6 to 20.6, but 20.6 represents the highest amount we have taken from the American economy for the Government since the height of World War II.

What is at work here is an opportunity for the American people to say: Great, we are paying down this debt in record numbers. We are paying down all debt that can be paid down without a penalty being paid on it. We are doing the right thing as far as debt is concerned. We are setting aside money for contingencies, $500 billion or so for contingencies. That is extra spending.

Remember, this surplus is calculated above inflation. When they figured how much the surplus would be, they figured in that the Government would increase spending at the rate of inflation every year. So we have the rate of inflation in there, another $500 billion for extra spending, and we are paying down debt at record numbers.

It is time for us to have at least this $1.35 trillion tax cut. We can do that. If we do not do that, we will spend more, and we will continue to take more of the overall wealth of the American economy. It will move us into a system such as those that exist in Europe that some in this body admire and want for us.

Our economy is more vibrant. Our economy is more productive. Our people have better health care and better incomes than Europeans. Our unemployment rate is lower by and large than our competitors, even though they have so many good things to offer their people.

We are on the right track. I am pleased with where we are today. Nothing could give me greater anticipation that within hours, perhaps, we will be able to send to the President of the United States a piece of legislation that will represent perhaps the largest tax cut in over 20 years, that could allow him to fulfill the promise on which he was elected to allow the American people to keep a larger portion of their wealth, to be able to spend it on their needs for their families, and for their children.

It is a great day. I am excited about it. I hope the conferees can complete their work promptly and we can bring that bill to the floor and we can make it law promptly.

I yield the floor.

The PRESIDING OFFICER. The Senator from Wyoming, Mr. THOMAS.

TAXES

Mr. THOMAS. Mr. President, I rise to talk about taxes, which is the focus of where we are, and prior to that, to mention that despite all the discussions we have had about certain issues, this Senate has accomplished quite a bit in the several months we have been in session. That is our task; we ought to be doing that.

A number of things have happened. First of all, we abolished the Clinton ergonomics regulation. We used a technique that allows the Congress to bring back regulations that are put in and to review them, which, quite frankly, is something we ought to be able to do on all regulations. I come from Wyoming. I was in the Wyoming Legislature. There, when you have a statute passed by the legislature, the rules are then put in by the appropriate agency, and those rules come back to the legislature to see if, indeed, they are consistent with the purpose of the legislation.

That doesn't happen in the Congress. It is too bad. You can pass a law, and by the time the regulations are in, the concepts under the law can be quite different. In any event, this one was brought back on ergonomics. It was successfully overhauled in the Congress. That is good.

Of course, we approved a deficit reduction budget, a budget that still has more expenditures perhaps than we

ought to have. But in any event, it probably is about a 5-percent increase, which is less than the increases of the past number of years—less because when you have a surplus, it is awfully hard to hold down spending. It was an appropriate thing to have this budget that does reflect at least some control in spending and we are pleased about that.

Of course, currently pending and perhaps the most important thing we will do in a very long time will be the tax reduction that is now being considered by committee. It has passed the Senate as well as the House. And when the conference committee completes their work, it will be back here for consideration. We are anxious for that to happen.

The Bankruptcy Reform Act was passed as well. We had brownfields revitalization, which is something that has gone on for a very long time that allows lands to be put back into use more easily. We have construction of a memorial honoring World War II and those who served there. We have intellectual property, a number of things that are quite important and that have, in fact, been achieved during this relatively short time.

So we are looking forward to that. But in the meantime, I am going to soon yield the floor to my friend from Idaho. I believe one of the most important bills we will be passing in this session of the Congress is the bill to cut tax rates across the board, bury the death tax, fix the marriage penalty, and double the child credit. We can do a lot to make this economy stronger, more fair, and to allow people to utilize more of their own money for the purposes upon which they decide.

I yield the floor.

The PRESIDING OFFICER. The Senator from Idaho is recognized.

ENERGY POLICY

Mr. CRAIG. Mr. President, I thank the senior Senator from the State of Wyoming for yielding to me, and I thank him for his leadership on all of these many issues that he has discussed. He comes from a fascinating State, a State with a basket full of potential energy for this Nation if we can change a few of our policies and allow Wyoming, Montana, and other such States to be able to use the abundance of their coal to produce electricity at the mouth of the mine itself, and then through transmission lines to transport it across the Western States and to the State of California, where they are so desperately in need of more energy.

I say that in my opening comments because we are on the threshold of beginning to work on a national energy policy. The President has presented one. The Senate has produced a bill. The Energy Committee, on which I serve, will now begin to review all aspects of that proposed policy and begin to shape for our Nation new public laws, amended public laws, a new regulatory process, a reduced regulatory process that will allow this country, once again, after nearly a decade, to get back in the business of producing energy.

Senator THOMAS and I were downtown yesterday speaking to a group, and I, at that time, said we are a rich Nation. Compared with all other nations of the world, we are one of the most wealthy. It is because of a combination of assets that we have had and have uniquely combined in the American character.

First of all is the free enterprise system where an individual is allowed to create at his or her level and with his or her talent, and to use that creation not only to create wealth for themselves but for everyone around them. That is probably the No. 1 resource in our country and always has been. But tied to that resource is an abundance of energy in almost all forms—electrical, hydrocarbon, you name it. We have never wanted for energy in our country. But today we do. The American public is paying a higher price for gas than at any time in our Nation's history. They are paying higher electrical rates than at any time in our Nation's history, and they are asking a fundamental question: Why? Why are we? Why do we have to?

Of course, we already know that those higher costs have depleted or reduced the wealth-generating capability of our country. It has cost thousands of jobs. It has hurt households. Every day, the commuter to his or her job is paying nearly double in the commuter costs than a year ago.

This country cries out for a new energy policy of production. But they also want to see it done in a clean and responsible way when it comes to the environment. All of those things can be accomplished if this Senate will put its mind to it to assuring that we make that happen, and that we partner with States and local governments to assure they are fully involved and engaged with us in this most important process.

A lot of people are saying right now: Well, George Bush, why aren't you helping out in California?

After about 20 decisions coming out of the new administration, 3 decisions coming out of the FERC, at some point we have to do the very common and necessary thing and say to California: Help yourself.

California, finally, is beginning to do that. They are beginning to recognize that after 10 long years of not producing any energy, they are going to have to produce some. They used to buy a lot of energy from Idaho. We used to ship a lot of energy down there. But we Idahoans now need our energy because we are growing. We also had a drought in the Western States of Idaho, Oregon, and Washington. We used to produce most of our power by turbines and dams and hydro power. As a result, this year we have less capability to produce and therefore we have less power to sell to California.

Those are some of the critically important dynamics of the policy we will have to develop in the Senate. I have already had some of my folks calling me from Idaho saying, with what happened yesterday and with Democrats taking control of the Senate, is the energy policy dead?

No, I don't think it will be. It can't be. My colleagues on the other side of the aisle cannot be viewed as obstructionists who are advocates of $2 or $3 gasoline or $400 or $500 megawatt power. They aren't now, and they can't be later. They must work with us and the Bush administration to get this country back into the business of producing and conserving and balancing out our electrical needs.

President Bush said: Give me a tax cut now and give me some immediate response so at least in the short term a consuming family will have just a little bit of relief in their energy bill or any other part of family expenses.

That is what we are struggling with at this very moment. The House and the Senate are meeting in conference to work out the differences between what we have produced in the Senate and what our colleagues in the House have produced. I hope in the end it will look very closely like what our President is asking—to return some of their tax dollars to them in the form of tax relief, both in the short term and in the long term, to stimulate the economy and to allow the producer to keep more of his or her hard-earned cash.

In the midst of all of that, for just a little bit of time, maybe they can afford to pay just a little more for energy. I wish they didn't. I wish we had been smart enough 10 years ago, 5 years ago, 4 years ago, to shift the policy. But we had an administration that said all you have to do is conserve and maybe use a little gas—that is, natural gas—to generate electricity, and we will get through all of this. We know that didn't work very well. Conservation was an important part of that energy message, and it is today.

The average consumer today is now making a choice. I heard on the television a couple of mornings ago that the American Automobile Association says consumers are going to travel less this summer. Instead of a 10-day trip in their automobile, they are going to take an 8-day trip or a 7-day trip. That is the American consumer doing what they do best—evaluating the cost of the trip and what they have in their pocketbooks and what their family can afford and stepping back.

It is OK to do that in the short term, but when it comes to industry and the creation of jobs and the fact that industry may have to produce less and step back because of the input cost of energy, that then begins to hurt the whole economy of our country.

So how can I talk about tax relief and energy in the same conversation? They are, in fact, integrally related. The ability to create a job, the ability to earn a paycheck, and to have a fair

amount of that which you can apply to yourself, your family, and your kids' education has, in part, always been in direct relation to the amount it takes you to live; and the cost of living has gone up substantially in the last 2 years because of the fundamental cost of energy. All of these issues are tremendously important. Thank goodness we now have a President who speaks boldly, clearly, and bluntly about these kinds of issues.

He says we are in an energy crisis and we can get out of it if we simply produce and get back to the business of providing for the consumer of this country. He has laid out a plan on how to do it. On most of it, I agree. I certainly hope this Senate in future days, and under its new leadership, will recognize the importance of such a policy to the American people. You simply cannot deny it any longer. If conservation is the only message out there, then look at California, the greatest conserving State in the Nation. They have conserved themselves right into darkness. That is no way to run a State. They now know they have to produce along with that conservation, and we ought to allow this great country of ours that opportunity.

I have always been one who believed that the freer our citizens, the freer our economy, the more flexibility to do what we do best—generate this great country's wealth and, therefore, this great country's world presence.

Wealthy nations can provide for their people, and we do. Poor nations cannot. There is nothing wrong with the idea of creating wealth and allowing people to share it, allowing people to have the fruits of their labor and their genius. It is what has made us great, and it is what allows us to turn to those less fortunate here and around the world, to say we can help, and the only reason we can help is because we are, fortunately, a rich nation.

I yield the floor.

The ACTING PRESIDENT pro tempore. The Senator from North Dakota.

Mr. DORGAN. Mr. President, my understanding is the next 8 minutes are under the control of the Senator from Wyoming, Mr. THOMAS. I ask unanimous consent that I be recognized, and in the event someone comes to whom Senator THOMAS wishes to yield that time, I will be happy to discontinue my comments.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. The Senator from North Dakota is recognized.

ENERGY POLICY

Mr. DORGAN. Mr. President, my colleague from Idaho just discussed the energy issue. There is not any question the energy policy is a critical policy for this country. We must develop a national energy plan that makes sense for our long-term future.

Every American every day has a claim on the need for energy. We need a consistent, predictable supply of energy that is reasonably priced. We need a policy that allows that to happen. When the price of oil went to $10 a barrel for some long while, people stopped looking for oil and natural gas. It is pretty predictable. There were fewer rigs looking for oil when the price of oil and natural gas was very low. When the price of oil went up and natural gas spiked back up, there were more drilling rigs and more people are searching for more oil and natural gas. That is predictable. That is how the market system works.

It is not in this country's best interest to have a roller coaster of exploration, and that is what happens. That is what describes only part of our current problem with the imbalance between supply and demand for energy.

We are too dependent on the OPEC countries. All of us know that. One day we will wake up—I hope this is not the case—it is likely we will wake up when some grotesque terrorist act in the Middle East interrupts the supply of oil, even if temporarily, and it will allow us to understand how overly dependent we are on a source of energy and oil, natural gas from a region that is so unstable.

In addition to having this roller coaster on exploration and being overly dependent on a supply of energy from the Middle East, we also are a country that has largely decided to ignore conservation. One can drive down the road these days and see someone driving a new vehicle that looks a lot like a Humvee, except it is bigger and heavier and is sold at your local dealership as a family vehicle. People have a right to drive that, but the point is that is moving in the opposite direction of having a national conservation ethic.

It is true, as the Senator from Idaho said, that we must produce more. I do not think you will find Members of the Senate in disagreement on that. We must produce more oil and natural gas. We must use coal resources. There are ample resources in our coal fields. We can do it using clean coal technology. We must use our fossil fuels in a thoughtful way, and we can do that in a manner that is not inconsistent with a good and clean environment.

That is important, but it is also important to understand we just cannot produce ourselves out of this problem. We cannot produce our way out of this problem. We have a President and a Vice President who come from oil backgrounds so it is probably not surprising their energy plan is to just drill more. They have an easy solution to America's energy problem: Just drill more.

That is one approach, but it is not a balanced approach. Yes, we must produce more, and I support that, but we also must conserve more. Conservation of energy is another way of producing energy. We must have a conservation component that is real, not just talk, but real as we deal with this energy policy.

We also must have an efficiency process in this energy plan. All of the appliances, the things we use every day in our lives that make our lives better, easier, can be made more efficient and should be. We have efficiency standards. The question is whether we continue to press for greater efficiency in all of these appliances or not. The answer should be yes.

Finally, renewable resources. We ought to use renewable forms of energy, and I know the big oil companies have never liked that very much, but I happen to believe that using ethanol, taking a drop of alcohol from a kernel of corn and using it to extend our energy supply, makes good sense.

We can take a drop of alcohol from a kernel of corn and still have the protein feedstock left. So we have extended America's energy supply and we still have protein feedstock for animals. What a wonderful thing to do. Plus, it is renewable. We are not depleting it every year.

Wind energy. North Dakota happens to be the Saudi Arabia of wind, according to the Department of Energy. There is nothing wrong, as an important part of our energy plan, of putting up more efficient wind turbines and using that wind energy to extend America's energy supply.

It is true, as my colleague from Idaho says, we need to produce more, and all of us support that, but a balanced energy plan will include production, conservation, renewable energy, and also efficiency with appliances and the things we use day to day. If we have a bold energy plan that includes all of those components, I believe we will find a broad area of support for it in this Congress.

As I mentioned, we have a President and Vice President who come from the oil industry, so it is not unnatural for them to produce a plan that says: By the way, let's just drill more. But that is not a balanced plan. We can, should, and must do much better than that and have a plan that balances all of these interests.

And, finally, another thought on this issue of an energy plan. We have other dislocations occurring in this country in a very significant way. In California, the price of electricity is going through the roof. Some say that is supply and demand. That is nonsense. That market is broken. It is flat dead broke, and the regulators should have intervened.

The Federal regulators are doing their best imitation of potted plants. They sit on their hands, we pay them salaries, and they do nothing. The fact is, they should have put a cap on wholesale prices for electricity in California.

We have big traders and big economic interests that take an Mcf of natural gas, trade it from an unregulated market to a regulated market, and in 24 to 48 hours, the price of that same Mcf of natural gas will double, triple, or quadruple. Guess who gets hit right square in the jaw with that. The consumer.

The price of power in California was $7 billion 2 years ago. It is expected to be $70 billion this year, a tenfold increase.

My point is this: Whether it is the price of natural gas that is being sold into California or the price of natural gas that is doubling around the rest of the country, or the price of gasoline at the gas pump, or the price of electricity, the fact is, we need to shine the spotlight of investigation on energy pricing in this country.

The education bill is going to be pending in the Senate when we return. It has an amendment that is pending which I offered calling for a joint House-Senate investigative committee on energy pricing. Is there some manipulation going on? Are there some interests that are manipulating both price and supply and driving up energy prices for the American people? I do not know, but I suspect so.

Some very limited investigations have shown that supply has been manipulated in a way to drive up price. It seems to me, given what is happening in California and the rest of the west coast, and given what is happening to natural gas prices and other things around the country, and the price at the gas pump for that matter, the American people will be served well by shining a spotlight of investigation on energy pricing practices all across this country.

That would represent a component to an energy plan that gives the American people some confidence that we are doing the right thing.

Mr. DURBIN. Will the Senator yield?

Mr. DORGAN. I am happy to yield.

Mr. DURBIN. I thank the Senator from North Dakota for highlighting this energy issue. If there were ever a moment in time when we should talk about energy, it is on the Friday before the Memorial Day weekend when families across America are making plans to head out for vacations or family reunions. It is the time when they get in the car or decide whether to take a long or short trip and become sensitized to the price of gasoline.

In Chicago and in the Midwest, for the second year running, we have seen devastating increases in the price of gasoline. It seems Easter is the kickoff for the oil companies to start raising the prices and then to catch all sorts of criticism from the public and elected officials and to bring them down after Memorial Day. In the meantime, families and businesses are being socked by the high prices.

The Senator from North Dakota puts his finger on it. This Congress has been unwilling to take a look at the energy industry. Certainly, we do not expect the White House, with the President and Vice President, with their background in this field, to do it. If this Congress will not do it, the consumers of America stand on the sidelines. They stand on the sidelines with their pockets empty because each time they go to the gasoline station, they are putting more and more money into their cars and trucks, into their vehicles to move their families.

I ask the Senator from North Dakota, if we have an opportunity for a joint conference with the House and Senate in a bipartisan approach to get into the energy pricing, how soon can we have that hearing, what kind of things can we look into, what kind of relief can we offer to businesses and families across America who are being nailed by the high energy prices?

Mr. DORGAN. The Senator from Illinois knows we have an amendment pending on the Elementary and Secondary Education Act that calls for the creation of a select committee on investigation. One of the problems is you need resources to do that; you need investigators. You cannot do this without the ability to investigate pricing practices. My hope is that we can move quickly when we get back. We will have a vote and see who wants to do this.

I make another point that is important. One hundred years ago, Teddy Roosevelt, carrying a big stick, said to John D. Rockefeller: ''You can't do that.'' He was talking about price fixing with respect to oil and energy. He began to break it up.

I am not alleging there is widespread fraud or abuse. All I am saying is there are things that do not add up. We have big energy traders, huge economic interests, trading energy and doing it at secret prices from unregulated markets into regulated markets. We have oil companies much, much bigger than they used to be because they merged, and merged, and merged again. We have economic power with the opportunity to manipulate markets and try to drive up prices. Who are the victims? The victims are the American consumers. They deserve to know.

There was a limited Federal Trade Commission investigation dealing with gas prices last year in the Midwest. Some say that exonerated the companies. It did no such thing. It was such a limited investigation. Even that limited investigation showed some deliberately limited refinery output. They did not want to increase supply because they knew if they restricted supply, they could jack up prices.

Mr. DURBIN. I ask the Senator another question. When we ask the people in the energy business, why are prices out of control, they say it is the market mechanism, market forces.

There are two things I find interesting. Our common experience says when gasoline prices go up in a town, they all go up at the same time in lockstep. When they come down, they trickle down at the same rate. You don't see competition in pricing that could be found in any other market.

Second, the oil companies consistently guess wrong about supply. That is what the Federal Trade Commission said. Why would they guess wrong? They make more money when they guess wrong. These oil companies are now having record profits and they are saying: We just did not have pipeline capacity; we were not prepared for reformulated gas, for clean air; we made a mistake.

Look at what resulted from the mistake. It did not result in their being penalized. It resulted in their being rewarded with some of the highest profits they have seen in 10 years. I cannot think of another company or another industry in America that can guess wrong so consistently and profit from it time and time again.

Vice President CHENEY recently he saw no evidence of price gouging. Mr. Vice President CHENEY, come to Chicago, come to Illinois. Take a look at what happened in a 30-day period. The price of gasoline went up 50 cents a gallon. No price gouging?

I have a quote from Vice President CHENEY who said:

> Americans are more understanding and tolerant of high gas prices than most pundits believe.

Again, I invite the Vice President to speak not only to the families who are now paying $50 and $60 and $70 to fill the gas tank but also talk to business people, the small businesses that have been forced to consider layoffs and a reduction in their own activities because of high energy prices. To say people understand this and accept it is to ignore our responsibility. We are supposed to be there for these consumers and these businesses and these families who have no other voice in the process.

I have joined with the Senator from North Dakota. I think it is important we have this investigative hearing to make certain that the people who run this industry come in and are held accountable.

I also think when we get into the debate about energy, we ought to have consumers at the table. It is not enough to have the energy giants and the government agencies and people in pinstriped suits from K Street in Washington. Let's have people representing small businesses in Illinois, farm families from North Dakota, who can talk about the practical impact. I know the Senator from North Dakota supports that. I would appreciate it if he told me what he thinks we can do to deal with the market mechanism which always is stacked against the consumer.

Mr. DORGAN. Mr. President, the market is broken. It is clearly broken.

Look at what is happening in California: $7 billion was the cost of power in California 2 years ago. This year it is estimated to be $70 billion, a tenfold increase. Who are the victims? The folks in California who are going to work every day, coming home to open the bills and figure out how to pay an electric bill that has dramatically increased.

That is why I say, look, we need a new energy plan. I don't disagree with that. We have not had a good energy plan for decades. We are too dependent on foreign sources.

The Senator from Idaho piqued my interest on the subject. There are a lot

of areas we can agree. I agree with the Senator from Idaho, that we do need to produce more oil and gas. I agree with that. We need to build more power lines and more transmission capability. I agree with that. We need to build more powerplants, I agree. We need to use more coal sources, use more clean coal technology, and do all of that while being sensitive to the needs of the environment. We can do that. I support that in a manner consistent with protecting our environment.

Then I say: Support us on this. We need better conservation. More conservation. We need more effort towards renewable sources of energy. We need more effort towards greater efficiency of appliances and the rules that support that are in place. And now the administration threatens to retract on some of those rules.

Finally, we also need to have an investigation of pricing practices. Join us on that.

If my colleague from Idaho and his colleagues would join in the resolution I have included on the Elementary and Secondary Education Act that calls for the selection of a House and Senate committee to investigate pricing, we will have an energy plan that includes a lot of the right things but also says, while we are doing this, let's take a look to make sure the American people are not victims of pricing practices and supply manipulation that enriches some of the bigger economic interests, but takes it out of the pockets of the folks who are trying to gas up at the pump in order to go to work.

Mr. DURBIN. Will the Senator yield?

Mr. DORGAN. I am happy to yield.

Mr. DURBIN. I follow up on a point. There was an old saying during debate of the Clean Air Act, a belief that once we established standards for clean air in America, it was said as a result of that Government decision, the people in the automobile industry in Japan went out and hired an army of engineers to figure out how to make their cars cleaner and more fuel efficient.

The people in charge of the American automobile industry went out and hired an army of lawyers to fight the regulations at every possible level. That is an oversimplification.

But I want to say to the Senator from North Dakota that 8 years ago, during the Clinton-Gore administration they said to Detroit: We want you to sit down and work on a more fuel-efficient automobile that is safe for families. We are prepared to make certain that you do not run afoul of any antitrust violations. We want you to come together, the big three, put your heads together with your best creative talent and come up with that automobile, come up with that SUV, come up with that truck. They gave them that assignment. They moved forward with it and they hoped for the best.

Let's take a look at where we are today. Today the only vehicle I know of that is on the road that offers fuel economy over 50 miles a gallon in a car that is of normal size is, sadly, from Toyota Motor Company. It is a model called the Prius. They have a 5-month waiting list of people who want to buy this car which combines electric power with a gas engine and gives much greater fuel economy.

Detroit announced last week that they will have a competitor for the Toyota Prius in about 3 or 4 years.

You have to ask yourself, what is going on here? If this country, with all its creative talent and technological skill, cannot come up with a product, an automobile, a truck, an SUV, that is safe and fuel efficient, what are we missing?

I think what we are missing is the guidance and leadership and direction from the top. We cannot just say let market forces come to work because if market forces come to work, we are going to get scooped time and time again by someone with more vision. Sadly, in this case it happens to be a foreign automobile manufacturer.

I ask the Senator from North Dakota if part of this energy debate should not include incentives for those who are making the automobiles and the trucks and other vehicles to come up with more fuel-efficient vehicles so we can have safe vehicles that also reduce our need for foreign oil.

Mr. DORGAN. Mr. President, I say to the Senator from Illinois, I think that makes a great deal of sense. I know one of our colleagues drives one of the hybrid cars. I have seen it parked outside of the building when we have late votes. It is a car that runs on both gasoline and electricity. I understand they are very efficient.

But the roads are not populated with many of those cars, largely because we have an energy industry and auto industry that moves down the road with the internal combustion engine, and they fight every step of the way on increased efficiencies people propose in Congress.

Mr. President, I have told my colleagues this before, my first car was a 1924 Model T Ford. I bought an antique car and restored it. My dad told me where it was. He was hauling gasoline and was out on a farm and they had an old car in a granary. He told me about it and said you should write to this fellow and see if he wants to sell it. The guy had long since moved to Wisconsin. So I wrote to this fellow from Wisconsin and asked if he wanted to sell an old Model T stored in a granary for 30 or 40 years. I was a teenager.

He said he would sell it for me for $25, and he sent me the owner's manual and the key. So I went out and hauled the old Model T in and restored it.

It is interesting, that 1924 Model T Ford is fueled exactly the way a car built in 2001 is fueled. You pull up to a gas pump and you stick the nozzle in the tank and you pump gas in it. Think of the few things that have changed in 75 or 80 or 90 years—almost everything has changed around us. Almost everything we do is dazzling, breathtaking new technology, technological change that takes your breath away. Guess what. Eighty years ago you pulled up to a pump and stuck a hose in and pumped a little gas in, and 80 years later you do exactly the same thing.

You wonder why; why would nothing change? Clearly, part of the solution is technology. I just described the technology of a car that is occasionally parked in front of the Capitol. We have the capability of making more efficient automobiles. Of course we have the capability. We ought to have the will. As the Senator from Illinois says and proposes, we ought to provide incentives as part of an energy plan to say to those who are interested in doing that: Here is your head, go do it. We encourage you to do it. Here are the financial incentives to do it.

That is another way to provide conservation and new technology to move out of this energy problem that we have. That is longer term, not short term. But it is certainly part of what we ought to be doing.

Mr. DURBIN. If the Senator will yield, I would like to ask him this question. There are those who argue from the energy industry side that the only way we can improve our energy future in America is by compromising on air quality standards. They suggest it is environmental regulation which is causing the problem we face today.

I disagree with that. I think they ignore realities. One of the realities we should not ignore is to perhaps visit a local hospital, go to an emergency room, and ask the doctor who is in control what is the No. 1 diagnosis of children going to emergency rooms in America today. I was surprised to learn it is not trauma, kids falling off a bicycle; it is asthma. The No. 1 reason kids miss school: Asthma. The No. 1 diagnosis in emergency rooms: Asthma. Pulmonary disease, lung problems, and asthma are, unfortunately, becoming epidemic in our country. I cannot give you the specific reason for all of it, but the people I have spoken to say air quality is part of it.

I will mention something else to the Senator from North Dakota. The former head of the Environmental Protection Agency, Carol Browner, told me that the Web site for the Environmental Protection Agency had a dramatic increase in visits from a few thousand a month to millions a month when they started posting ozone alerts on cities across America. Families literally got up in the morning and logged on, went to the EPA Web site to find out whether it was safe for their child to go outside. Think about that.

If we are talking about compromising air quality standards in America, more kids are going to be sitting inside their homes; more elderly people with pulmonary disease are going to be at risk. We cannot afford that. We can have a good energy policy and not compromise the public health of this Nation and the health of families across the board. I totally reject the concept that I have

heard from some in this administration and from the energy industry that the only way we can move forward in America is at the expense of our health.

This should not be ''your money or your life.'' In this situation I think we can have a good energy policy that does not compromise that basic quality standard. We have made amazing progress over the last 20 years. Visit any foreign industrialized country and take a look at the muck they call air. Go to Beijing in China. You wake up in the morning and say it is a foggy day; at noon you say it is still a foggy day; midafternoon, still a foggy day; at night, still foggy; and the next morning, the same. Every day, day after day, the air quality is miserable.

I don't pick on China. There are many other comparable countries. The United States should lead, not only being an industrial power but also sensitive to the health of its people. I ask the Senator from North Dakota for his comments on this relationship between energy and the environment.

Mr. DORGAN. Mr. President, the Senator from Illinois makes a good point. Increasing the supply of energy in this country does not have to be at odds with protecting and preserving a good environment. It just does not.

We have had experience with this in North Dakota. Some 25 years ago, the proposals to build coal-fired electric generating plants in our State produced a great deal of controversy. I was one in the State capital who led the fight saying if we are going to build coal-fired generating plants, then you must provide the latest available technology on those stacks. We must have wet scrubbers and the latest available technology to scrub down those emissions.

The industry was furious with me because I led a vigorous fight and we built those plants in North Dakota. But they did it and they had to have latest available technology scrubbers on their stacks. When they strip-mined to get the coal, they had to segregate top soil and do layers and topography restoration. They did not like it. But guess what. We did it the right way.

Mr. President, 25 years later, looking in the rear-view mirror, they would all agree that was the right thing to do. We were the first State in the Union to meet the ambient air quality standards. We now have segregated top soil and topography restored on strip-mined lands of which we are proud.

You can do this the right way. I know the energy industry sometimes doesn't want to because it is more costly to do it that way. But it makes sense to do it the right way. Increasing the supply of energy does not have to be at odds with protecting our environment.

Let me make one final important point. Gregg Easterbrooke wrote a book that I believe was entitled ''America the OK.'' It was published a few years ago. In it he said we have doubled our use of energy in our country in the last 20 years, and we have cleaner air and cleaner water. Why? Because this country demanded it. We demanded, through the Clean Air and Clean Water Acts, that we take steps to protect our air and our water.

The point is, no one 20 years ago would have predicted you could double the use of energy without significantly fouling your air and water. If you do it the right way, you can coexist: an increased energy supply with a good, clean environment. That is what the Senator from Illinois is saying.

So as we go through these battles about energy policy, my hope is that the good ideas on that side of the aisle can be merged with our good ideas and we can have a policy that is balanced. Yes, more production, but production the right way, with environmental safeguards. Yes, let's also insist on some conservation, efficiency, and renewable energy at the same time; we can do all of this together.

But it is not a balanced energy plan simply to say, the market will take care of this. The market is broken, and we know it. Buy electricity in California today, and ask yourself whether you think this market works, while the big economic interests get rich and you get gouged. Ask yourself then, on the west coast: Do you think this market works? Everyone in the country knows that is not the case.

Americans deserve the opportunity to have an investigation of energy pricing that shines a spotlight on pricing and supplies and evaluates whether they are being manipulated in a way that victimizes consumers.

As I said before, 100 years ago, Teddy Roosevelt took a big stick and said to John D. Rockefeller, you cannot do this any more, because he was manipulating the price of oil. And 100 years later it is useful for us to have a significant investigation of both the price and supply of energy and find out who is doing what so the American people have some confidence, as we develop a new energy plan, that the big economic interests will not gouge the American consumers.

Mr. President, I yield the floor.

The PRESIDING OFFICER (Mr. ROBERTS). The distinguished Senator from Georgia is recognized.

Mr. CLELAND. Thank you very much.

Mr. President, I appreciate the magnificent discussion on energy policy and environmental concerns led by the distinguished Senator from North Dakota and the Senator from Illinois.

I would like to change the subject for a moment as we approach Memorial Day weekend.

MEMORIAL DAY

Mr. CLELAND. Mr. President, on next Monday, May 28, and acting pursuant to a joint resolution actually approved by the Congress back in 1950, the President of the United States will issue a proclamation calling upon the people of the United States to observe a day of prayer for permanent peace in remembrance of all of those brave Americans who have died in our Nation's service.

In many ways, this is part of our history and heritage, Memorial Day. In 1866, citizens from both the North and the South, after the Civil War, decided to form the first Memorial Day effort and place a flag on the grave sites of those brave Americans who had died in the Civil War.

That is actually how Memorial Day got started.

Whenever Memorial Day comes around, I am reminded of what may well have been the first, and is still one of the finest, memorials to fallen soldiers. Thousands of years ago: the Funeral Oration of the great Athenian leader Pericles, as recorded by the historian Thucydides, during the Peloponnesian War in the 5th century BC:

> For this offering of their lives made in common by them all they each of them individually received that renown which never grows old, and for a sepulcher, not so much that in which their bones have been deposited, but that noblest of shrines wherein their glory is laid up to be eternally remembered upon every occasion on which deed or story shall call for its commemoration. For heroes have the whole earth for their tomb; and in lands far from their own, where the column with its epitaph declares it, there is enshrined in every breast a record unwritten with no tablet to preserve it, except that of the heart.

There are many thoughts as we approach Memorial Day weekend. In that spirit, I am pleased that both the House and the Senate have now passed legislation that will expedite a monument commemorating the sacrifice of those who served in World War II.

My father served in World War II after the attack at Pearl Harbor. This weekend I will be visiting some of my fellow veterans, and we will see the premiere of the new movie ''Pearl Harbor.''

I introduced a resolution on Tuesday calling upon all Americans to especially dedicate Memorial Day of 2001 to those brave American men and women who have given their lives in service to their country especially since the end of the war in Viet Nam.

As a Vietnam veteran, I appreciate the monument in this great city, sometimes called ''The Wall,'' the Vietnam Veterans Memorial.

But no grand edifices or other public monuments commemorate the deeds of those who have died after the Vietnam war, but their service to their country was just as strong, their sacrifice just as great, their families' and communities' loss just as keen as that of their predecessors in the two world wars of the 20th century, Korea and Viet Nam.

Honoring our fallen heroes is altogether fitting and proper, as President Lincoln said at Gettysburg. At this point, I thank my many colleagues, on both sides of the aisle, who joined me

in cosponsoring this resolution: Senators MCCAIN, LEVIN, HUTCHISON, MILLER, BIDEN, JEFFORDS, LANDRIEU, BENNETT, MURRAY, JOHNSON, CARNAHAN, DAYTON, CONRAD, KENNEDY, DURBIN, HATCH, SESSIONS, CLINTON, and ALLEN. I also thank the entire Senate for adopting this measure by unanimous consent last evening.

I am reminded of the line from one of Wellington's troops that: ''In time of war, and not before, God and the soldier men adore. And in time of peace, with all things righted, God is forgotten and the soldier slighted.''

Mr. President, I am honored to live in a country that forgets not God and does not slight the soldier.

I yield the floor.

The PRESIDING OFFICER. The distinguished Senator from Missouri is recognized.

EXTENSION OF MORNING BUSINESS

Mr. BOND. Mr. President, on behalf of the leader, I ask unanimous consent that the Senate remain in a period of morning business with Senators speaking for up to 10 minutes each, with the following exceptions: Senator DURBIN or his designee will control the floor from 11 to noon and from 1 to 2 p.m.—and I ask within that timeframe, if no one seeks the floor, I may be recognized to introduce a bill—and Senator THOMAS or his designee will control the floor from noon to 1 p.m. and from 2 to 3 p.m.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. BOND. 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. BOND. Mr. President, I ask unanimous consent to speak as in morning business for up to 10 minutes for the purpose of introducing legislation.

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

(The remarks of Mr. BOND pertaining to the introduction of S. 967 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

Mr. BOND. I yield the floor.

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

RURAL AMERICA

Mr. DORGAN. Mr. President, some weeks ago, I was on an airplane, and I had a laptop computer with me and my briefcase. Like most of my colleagues sitting on an airplane, I went through my briefcase and found a letter from the U.S. Park Service. I read the letter, and it provoked me to get my laptop computer out of its case and put it on the tray table, and I started typing.

I created a message for the U.S. Park Service. Here is what their letter said to me. The U.S. Park Service wrote me a letter and said in the Teddy Roosevelt National Park, one of their picnic grounds was being colonized by prairie dogs. So they were going to do something called a ''scoping'' exercise and an EA, called an environmental assessment, to think about spending a quarter of a million dollars to move the picnic grounds.

I read and reread this Park Service letter about the scoping and the environmental assessment they were doing to spend a quarter of a million dollars to move the picnic grounds, and I sent them a letter.

What I said to the Park Service was that I found it interesting that they had the time to do scoping and EAs on these kinds of issues. I said, at the moment, we are in a rather complicated budget fight in Congress, but you have solicited my opinion, so let me give you a few thoughts.

I said: I am not unsympathetic to prairie dogs. I think they are cute little creatures. They, unlike the rats, were blessed with a furry tail and a button nose and they have a good deal more human sympathy, therefore, than rats do.

I asked the Park Service what would have been the Park Service's response if it had been a group of rats that had colonized the picnic area rather than prairie dogs. Then I thought better of asking because maybe they would have had a larger EA and scoping mission.

My point to them was: Do not waste the taxpayers' money; do not move the picnic grounds, move the prairie dogs.

I said: When I was growing up, about 50 miles from where they have this problem in the Badlands, I was growing up in Regent, ND, we had a group of rats ''colonize,'' to use the Park Service's word, our horse barn. I was about 14 at the time, and my dad said the rats could live a very good life just 1 mile from our barn in the town dumps, which is where a lot of rats live, and he said he would like me to enlist a couple of my schoolmates and see if we couldn't move the rats.

It turns out these rats were no match for three 14-year-old boys. We very quickly retook the Dorgan horse barn. We understood that we could do that without a lot of effort.

Getting back to the prairie dogs, I told the Park Service that I figure there are about 1.4 million acres of ground in the Badlands in North Dakota in which prairie dogs can, do, and are colonizing. They have many prairie dogs in the Badlands. So the prairie dogs can colonize in a million and a half acres or so. They just cannot colonize in this picnic area.

I said: The way to handle these prairie dogs is to find somebody who can communicate with them. That is not hard. We have a lot of folks who ranch and farm and spend a lot of time around animals, and one very quickly learns how to communicate with animals. I raised some horses. We raised cattle, and we learned how to communicate with animals.

I said to the Park Service: If you do not have anybody who knows how to communicate with an animal, go out in a ranching area and get some instruction, and once they have taught you how to send certain communications to animals, go back and have a little discussion with those prairie dogs and tell the prairie dogs they are not welcome in the picnic area; that you do not want to spend a quarter of a million dollars of the taxpayers' money to move the picnic area, and you want them to leave. And if they will not leave, I said to the Park Service, here is a cost-free way to deal with it: Get about three 14-year-old boys from somewhere in that area, and they will take care of that problem real quick for you.

As I was sitting on this airplane thinking about all the things we confront in rural America—yes in and near the Badlands where I grew up—I was thinking that we are not short of prairie dogs; we are short of people. We have Federal agencies that want to treat lightly that which is serious and then treat seriously that which is light, and they do not quite understand.

The real problem in our part of the country, where the Park Service is worried about prairie dogs and picnic areas, is that human beings are becoming an endangered species. All of our rural counties are shrinking like prunes. The counties are shrinking in population. People are leaving, not coming in. Farmers and ranchers are leaving the land at an alarming rate. Small towns are shrinking. Many rural counties are very fast becoming a wilderness area. That is not by Federal designation, it is the way things are working in rural America.

I said to the Park Service: When I received your letter about prairie dogs, picnic areas, and environmental assessments, and scoping, it just seemed to be such an unusual bureaucratic effort for such a minor issue.

Having prairie dogs move into a picnic area, in my judgment, does not rank up there with having people moving out of rural America. So I said: You have to excuse me for being a little impatient.

Just once, I told the Park Service, I would like to see a Federal agency crank up a little energy, a little emotion about the real problems facing rural America.

Have my colleagues ever heard of a Federal agency say: This county has shrunk 50 percent; we are going to do a scoping exercise to figure out what we can do to solve that problem.

Have my colleagues ever heard of a Federal agency cranking up an effort to do an environmental assessment of what is happening with the creation of

wilderness areas, where people are moving out, jobs are leaving, and people on Main Street are having a devil of a time keeping their front door open because rural areas are shrinking?

Have my colleagues heard a Federal agency say that matters to them; they are going to make an effort to find out about that?

No; oh no. Scoping and environmental assessments are reserved for dealing with furry little creatures that inhabit a picnic area. God forbid a Federal agency ought to spend its money and its time worrying about a few prairie dogs.

Again, we are just not short of prairie dogs, we are short of people in rural America. I would like very much just once to have a Federal agency, the Park Service, the Forest Service—you pick it—just once to have a Federal agency get aggressive on something that really matters to us in rural America.

I said to the Park Service: You probably regret asking for my advice. You probably certainly regret I had time on an airplane to read your letter and had a laptop available to respond to it. But, frankly, my advice is do not spend the taxpayers' money, do not spend a quarter of a million dollars; get those prairie dogs out of the picnic area and get your people, if you have the time work on things that really matter, to work on things with us that matter to rural America in a real way.

I know the Park Service has read my letter because they sent me another letter and said this is not just about prairie dogs and picnic areas, it is now about the bubonic plague or some godawful thing, and they have developed several areas of new dimensions to this tiny little issue, as is always the case. I am sure they brought in four or five specialists now to respond to this issue that I have raised with them about worrying about all the wrong things.

Some days you just scratch your head and wonder whether bureaucracy has any common sense left.

I say to the Park Service, and all the others who are engaged in these Federal agencies: Give us some help from time to time on things that really matter to people living in rural America.

I live in a wonderful State. It provides a wonderful environment for people who want to live in an area where they have good neighbors, no overcrowding, and very little crime. It is a wonderful place with wonderful values. The fact is, we are fighting a losing battle in many ways trying to keep people, jobs, promote economic opportunity and a future that has some assistance for people who want to live in rural areas.

I say to Federal agencies: If you want to worry about something, do not worry about a few prairie dogs in a picnic area. Help us worry about promoting some economic help in rural America for a change.

If you don't want to do that, cut some of the positions out of some of the agencies to say you have too many people working on some of the issues. Maybe we can cut down on the idle time.

It was therapeutic for me to say this on the floor. It probably was a slow water drip for the Presiding Officer. I ask unanimous consent to have printed in the RECORD the letter I sent to the Park Service on the subject of prairie dogs and picnic areas and scoping and environmental impacts, and I say to them, save your breath and save the taxpayers' money and work on things for a change that do matter.

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

MOVE THE PRAIRIE DOGS

(By U.S. Senator Byron Dorgan, D-North Dakota)

The National Park Service wants to spend nearly a quarter of a million of dollars to move a picnic area in Theodore Roosevelt National Park to accommodate a colony of prairie dogs that moved into the area. A quarter of a million dollars? To move a picnic area? To accommodate prairie dogs?

They must be kidding, right? No. They're serious.

Following is the text of a letter I'm sending to the acting Director of the National Park Service in Washington, D.C.:

DEAR MR. GALVIN: This is in response to the Park Service letter asking for my thoughts about how to deal with some prairie dogs that have ''colonized'' your picnic area in the south unit of the Badlands in North Dakota.

Your letter stated that you are ''scoping'' the issues and about to prepare an ''Environmental Assessment'' (EA) to determine whether you should spend $223,000 to reconstruct the picnic area in a different location.

We're in the middle of a rather complicated fight about the federal budget here in Congress, but still, I'm pleased to offer a few thoughts about prairie dogs and picnic areas.

Now I want you to know that I'm not unsympathetic to prairie dogs. They are cute little creatures. Unlike a rat, the prairie dog was blessed with a furry tail and button nose and seems to have a better public image. But, I just wonder if it had been rats that had colonized the picnic grounds if you would be talking about spending a small fortune to fix the problem? Maybe I shouldn't ask. . . .

My advice is this: don't waste the taxpayers' money. You don't have to move the picnic grounds. Move the prairie dogs!

When I was growing up in Regent, some rats ''colonized'' (to use your term) our horse barn. My dad told me that since it was our barn, and the rats could live a good life just a mile south in the town dump, I should get rid of them. I recruited a few school friends to help. We didn't do any ''scoping'' or ''Environmental Assessment.'' The rats were in a foul mood, but they were no match for three fourteen year old boys. We reclaimed the Dorgan barn in no time.

Now getting back to the prairie dogs that are ''colonizing'' your picnic area, I figure that there are about 1,428,288 acres of ground in the Badlands that those little dogs can colonize. But they have no right to do it in your picnic area.

So here's what you should do. And it's nearly cost free. Find a way to communicate with those prairie dogs. If you don't know how, check with some of the neighbors living in western North Dakota. When you live on a farm or ranch, you learn quickly how to communicate with animals.

Once your Park Service employees get the hang of communicating with prairie dogs, have them let those dogs know you're reclaiming your picnic area, with force if necessary. And if those prairie dogs won' leave, you go out and hire three or four teenagers from the area and tell them to get the job done. I guarantee you those kids will have this problem solved in just a couple of days. And it don't cost you $223,000.

Don't misunderstand me. I am a supporter of our environment, of wildlife and, yes, of the Endangered Species Act. And so are most North Dakotans. But prairie dogs are not endangered in western North Dakota. To those who insist they are, I challenge them to put a male prairie dog and a female prairie dog in their own backyard and report back to us in a couple of years.

The fact is, we're not short of prairie dogs. We're running short of people!

The real endangered species, especially in the western part of our state, is the human species.

Farmers and ranchers are leaving the land at an alarming rate. Small towns are shrinking like prunes. Many rural counties are fast becoming wilderness areas.

When I received your letter about prairie dogs, picnic areas and environmental impact statements, it seemed such an unusual response to such a small issue.

Having prairie dogs move into a picnic area doesn't rank up there with the problem of people moving out of our state.

You'll have to excuse me for being impatient with federal agencies that treat the light too seriously and the serious too lightly.

Just once I would like to hear of a federal agency interested in doing an impact statement on what our country will lose when there are no family farms or ranches left in rural America. How about ''scoping'' that issue? Or how about an impact statement on the damage done to our farmers and ranchers from the mergers and monopolies that are being formed in the industries that farmers rely on such as the railroads, grain trade, packing plants and more.

By now you probably regret asking for my advice. Simply put, my advice is don't you dare spend nearly a quarter of a million dollars to move that picnic ground. Move the prairie dogs.

And then spend some time with me and others in Congress to help create a friendly environment for people to make a decent living on our farms and ranches in rural America.

Sincerely,

BYRON L. DORGAN,
U.S. Senator.

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

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

The assistant bill clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. CHAFEE) ordered.

THIS GREAT DEMOCRACY

Mrs. HUTCHISON. Mr. President, this has been a tumultuous week in the Senate. We have had significant legislative accomplishments. I think it is an interesting process to watch the changes that are taking place. It always makes me value our Constitution

and the peaceful transitions of power our Constitution has provided.

I was watching C-SPAN this morning. The topic was ''The Greatest Generation.'' People were talking about what they consider to be our greatest generation. The debate was about whether the greatest generation was the wonderful heroes who went to battle in World War I and especially World War II, because we are talking to them, and in Tom Brokaw's book ''The Greatest Generation'' being the silent heroes, the people who answered the call of their country and fought bravely and came home and never talked about it, never whined, never complained. They are, indeed, our great heroes.

Then people started talking about the greatest generation being our Founding Fathers and their families, and the sacrifices they made when they declared independence and when they crafted our Constitution that set in place the document that has kept us vibrant and alive today.

Through all of the things that I, personally, have lived, even in my mere 7 years in the Senate, I have seen our Constitution tested and prevail, tested and come through, tested and show the wisdom of the balance our Founding Fathers put in place so we could have changes in power and have them peacefully.

While talking about the greatest generation, it also has come home to me when I have visited foreign countries, foreign countries that have seen the despotism of military rule, of dictatorships, of communism. They are coming out of those totalitarian governments. They are coming into democracy. I thank the Lord, I thank my lucky stars, and I feel so grateful we had Founding Fathers, and families who supported our Founding Fathers, who created a document that is living today, that has given the balance so we have never had a totalitarian government since the democracy we formed in 1776.

I feel very proud, and it came home to me today as I started thinking about the greatest generation. I think our Founding Fathers and their families certainly created generations behind them who also were great in that they answered the call of the time. That is what has happened throughout the 17 or so generations since the founding of our country. Sometimes we have not had to answer a crisis. Sometimes the United States has had a period of peace and prosperity. When we have been tested throughout the 17 or 18 generations, we have met the test. We have met the test because we have learned from our Founding Fathers and their families and we have built on their strengths and the Constitution they created. We have been able to answer every test with success.

I feel very grateful to live in a society where we can debate which were the greatest generations. I don't think we have had a generation that has ever sunk to the lows we have seen in other countries and other societies where our Government has broken apart or our institutions have broken apart. I think we have perhaps expanded beyond the boundaries, but we have always come back because we have the structure that we do.

I appreciate very much the opportunity to serve in the Senate in this great democracy and hope we will always be able to meet the test of the strength of our Founding Fathers and always be grateful for the Constitution that has been so vibrant throughout the generations.

I yield the floor.

The PRESIDING OFFICER (Mr. INHOFE). The Senator from Maine.

Ms. COLLINS. I thank the Chair.

(The remarks of Ms. COLLINS pertaining to the introduction of S. 970 are located in today's RECORD under ''Statements on Introduced Bills and Joint Resolutions.'')

Ms. COLLINS. Mr. President, I yield the floor and, seeing no one seeking recognition, 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. INHOFE. Madam President, I ask unanimous consent the order for the quorum call be rescinded.

The PRESIDING OFFICER (Ms. COLLINS). Without objection, it is so ordered.

TAX RELIEF FOR THE AMERICAN PEOPLE

Mr. INHOFE. Madam President, while I was presiding, something occurred to me. I felt compelled to share it.

Right now, something very significant is taking place. There is a conference committee that is looking at the bill that we passed and the bill that was passed in the House of Representatives. They are going to come out with a product and decide just how to change it because the bills are not exactly the same.

It is a piece of legislation that will do something very significant. It is going to provide tax relief for the American people. It occurred to me—I will use the words ''liberal'' and ''conservative'' in a very friendly way, but all too often, people do not know what you are talking about when you call someone a liberal or a moderate or a conservative.

A liberal believes that Government should have a greater involvement in his or her life and really believes that there are more things in which the Government should be involved. I suggest to you that the more things Government gets involved in, the more individual freedoms we lose.

I happen to be a conservative. I agree that Government is involved in too many things. I think that other than national defense, which we need to be more involved in right now, there are many activities taking place in this country that our Founding Fathers really did not think were the role of the Federal Government.

We are in a very strange time right now. We are in a time when we have surpluses. We are all very gratified for that. But the whole idea of tax relief is offensive to people who fall into the definition I just referred to of a liberal. They want to use that money. They want to start new programs.

Now we have this time of surplus. I want to applaud the President of the United States, George W. Bush, because what he said he wanted to do was, first of all, take everything that could be used to spend down the deficit for the next 10 years and use it.

I have a lot of town meetings in my State of Oklahoma with very wise people, but they are too busy going out to make a living and paying for all this fun we are having in Washington, that they do not really understand that when you have such surpluses that once you use those surpluses to start new Government programs, then the Government programs might work, and the problems that they are addressing might go away but the Government program goes on.

I can remember that one of the greatest speeches made during my career was one that was made many years ago by Ronald Reagan before he even ran for Governor of California. The speech was called ''Rendezvous With Destiny.'' He said: There's nothing closer to immortality on the face of this Earth than a Government agency, once formed.

So if you don't want to increase the size and scope of Government, then you need to address what the President is addressing now. President Bush said: Let's start off by taking all the money to pay down the debt. Most people think, if you had $5 billion, you go up there and drop it someplace and the debt would be gone. That is not true because you can't pay off something until it comes due. So what this President has suggested to us is, let's pay off everything for the next 10 years that can be paid off on the national debt.

Then let's look at Social Security. Let's make sure the fund is actuarially sound and the money is going to be there for the people when they reach the age that they can draw it out.

Incidentally, Social Security reform doesn't mean that is going to change. That program would continue; the money will be there; but it will give some of the new people who come into the program an option as to what they do with the money they pay into the system.

Then the President said: Let's take Medicare and do the same thing with that. So he proposed actually increasing it by $153 billion over a period of 6 years—that would take care of that problem—and after that, to put some money in so we can take care of a very serious problem, the most serious problem the Nation is facing right now, and that is the demise of the military over

the last 8 years. Let's build that back up.

After that has been done, all of that is behind us, then let's take this surplus that remains and return it to the American people as an overpayment because they paid too much. It is like buying a car and you find out when you get back home, you read the sticker price and think, wait a minute, I paid too much. You go back to the dealer and you expect to get the money back. He would say: I gave it to my mother-in-law. That is kind of what happens in this case.

So we have the opportunity to return to those who paid it an amount of money. We should be looking at a much larger tax reduction than they are negotiating right now. What they are negotiating right now, if you put it in as a percentage of GDP, would be about 1 percent. Yet our other two major reductions in this century were far greater than that.

The liberals are missing a bet. If they really want to get more money into the system, they should be supporting larger tax cuts because history has shown us, when you reduce the marginal rates, it has the effect of increasing revenues.

Going back to World War I, the President, after World War I, said: The war effort is behind us now so we will go ahead and reduce these marginal income tax rates. And they did. To their shock, they found out that it didn't reduce revenues. It massively increased revenues.

I am a conservative Republican. I look back wistfully at the days when we had a President, a Democrat, who realized that this concept works every time. It was President Kennedy in the 1960s who said, we need to expand the role of Government and get into a lot of programs—perhaps such as the dental program the Presiding Officer discussed—and the best way to do this—this is a direct quote from President Kennedy—to increase revenues, is ''to reduce the marginal rates so that the economy will expand.'' For each 1-percent expansion in the economy, that produces about $46 billion in new revenue.

Sure enough, it happened. In fact, it almost doubled the revenue in the 6 years after that massive cut. Remember how big that cut was? It went from 91 percent down to 78 percent. It was a huge cut, much greater than we are talking about doing today. So that worked and some of these programs were funded.

Then along came Ronald Reagan. The decade of the 1980s, from 1980 to 1990, saw the largest tax reduction in the history of this Nation. President Reagan was elected and the first thing he did was sign the tax reduction. He took that 78-percent rate and brought it all the way down to, I think, 28 percent. The result was great increases, massive increases in revenues.

To document that, the total amount of revenue that came in from all marginal rates in 1980 was $244 billion. In 1990, it was $466 billion after all the reductions that had taken place, the largest reductions in any 10-year period in the Nation's history.

You hear the liberals saying: Look at all the deficits that came about during that 10-year period. That wasn't a result of the President. That was a result of a very liberal, big-spending, Democrat-controlled House and Senate that increased the spending.

You cannot blame that on the President because he was the one who reduced the taxes and was responsible for doubling the revenues at that time.

We should stand back and look at this. We had one of the financial advisers to President Clinton, when he was President when he first came in, who made the statement that there was no relationship between the level of taxes the Nation pays and its productivity. Theoretically, that means if you pay 100-percent taxes, you will be just as motivated to work hard and to expand the economy as if you were paying no taxes. Obviously, that doesn't make sense.

It is time the American people realize what we are trying to do and what this President is trying to do and that we get the best conference report out and that this can be a very historic time because sometime, maybe today, that conference report will come out. It will incorporate some tax reduction, not great tax reduction—the top rate may be going down from 39 to 35 percent—and actually eliminating some taxes down at the lower income level. I think we have an opportunity to pass this thing out today. This will go down as probably a great legacy, not just for the President of the United States but for the House and the Senate which are working on this.

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.

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

The PRESIDING OFFICER (Mr. INHOFE). Without objection, it is so ordered.

A MOMENTOUS WEEK

Mrs. HUTCHISON. Mr. President, I rise today to talk about some of the activities that are going on right now. We have had a momentous week in the Senate. We passed a tax relief bill so that every working American would get relief from the burden of taxation. We passed a budget that is responsible stewardship of the people's money.

I stress people's money because one of the things I think is very important is that we remember the money people work so hard to earn is not the Government's money. It is what people send to the Government to do the functions of Government and that we have the responsibility to assure it is wisely spent and what isn't necessary for the functions of Government is sent back to the people who earn the money. We believe that people can choose how to spend their money better than a big Government program can do.

So we have passed the budget resolution that provides for tax relief for hard-working Americans. It would be $1.35 trillion over a 10-year period. It would pay down the debt to the maximum extent possible without paying a premium for early payment of outstanding Treasury issues. And I think that is a very important component because paying down the debt frees up more money that is going to go to interest payments, and that is money that can either go into the spending that is necessary to cover the costs of Government or more can be sent back to the people who earn the money.

We also do provide in the budget that was passed at least a $500 billion cushion—a rainy day fund—which we think is very important for meeting the emergencies we might face in the next 10 years. It is also important for the added spending that we know we are going to face. We have set a 5-percent limit on the increase in spending for the next year. A 5-percent increase is more than most families are going to increase their spending in the next year, so I certainly think it is the most we should go beyond this year's spending of the Government money.

With that 5-percent increase and the $500 billion rainy day fund, we will be able to spend more in the priority areas such as national defense. We know we have fallen behind in the last few years in keeping up our strong national defense. We also know we are going to have to meet some future technology tests in order to maintain our superiority and security. So that means we are going to be looking at the next generation of airplane, the next generation of ship, the next generation of land-based vehicle, and the next generation of missile defense.

We must perfect our theater missile defense, so that when our troops are in any theater in the world, they will have the protection of a missile defense system, such as the PAC 3, which is a hit-to-kill missile—a missile that can hit a missile. That has been tested and it works. It is going to be the most successful theater defense system we have ever had in our country.

We are also looking at a longer range missile defense system, possibly a sea-based system and, later down the road, an intercontinental ballistic missile defense system. This is because we want to make sure that our shores are totally secure from any kind of incoming ballistic missile and that our people, wherever they may be in the world defending our interests, will also be secure. So that is going to take more money and we are going to put more money into it.

In addition to more defense spending, we are going to have to deal with prescription drug options in Medicare and

prescription drug benefits for people who are facing true hardships in meeting their medical needs. That will take more money. I hope we can reform the Medicare system so that it does meet the test that all of us want it to meet for quality health care for our senior citizens, and that we can add a prescription drug component. So that will be another area of added spending.

I hope we will be able to have a Social Security reform bill, and all of the money that is now in Social Security surplus will be held for Social Security reform. It will be held for the integrity of the Social Security System that is done in the budget we have passed because we want to reform Social Security to make sure it is secure, not only today and 10 years from now but in the year 2030 when it will go into deficit if we don't do something to make sure it remains solid.

So we passed a very good budget. In that budget, we also allocated $1.35 trillion for tax relief. I am very proud that our conferees are trying to work that out between the two Houses. The two Houses passed very different bills. The Senate bill was passed this week; the House bill was passed earlier. They are different bills. The rate reduction is different in the two bills, so we are trying to reconcile those rate reductions. We are trying to make some of the reductions earlier in the process, over a 10-year period. Some of the rate reductions take effect later in the 10-year period. We would like to bring all of the reduction into 2002 so that every working American would start feeling some relief by January 1 of this year.

We are trying to give relief from the marriage penalty. When two single people are working—for instance, a policeman and a schoolteacher—when they get married today, they will pay approximately $1,400 more in taxes just because they got married. You may say, why would they have to pay $1,400 more in taxes? Why would our Tax Code do that? Well, it is because when they get married, they go into the next bracket; whereas, if they make $30,000 and $25,000, respectively, and they are in the 15-percent bracket, when they get married they go into the 28-percent bracket. That is a $1,400 hit. So we are going to try to relieve that penalty.

In the Senate bill, there was very solid relief—double the standard deduction, double the 15-percent bracket. That is solid relief. It will take place over the 10-year period. Many of us hoped it would take place sooner than the 10-year period, but at least if we can get that relief on the books, we will begin to change our Tax Code so that it does not discriminate against people who get married. We want people not to think of taxes as a factor when they decide to tie the knot and start their family.

So anything in the Tax Code that will have the effect of cutting back on the ability of people to get married and start their families, buy their first home, buy the extra car, whatever it is, we want them to be able to do it without regard to the Tax Code.

So we are looking at significant rate reductions that will affect every working American. We are talking about significant marriage penalty relief. We are also talking about relief from the death tax. We are talking about trying to keep a family-owned farm or business in the family.

I don't want to continue to see family businesses in our country sold to big businesses and take away the family nature of the business which is important to that family and important to every employee of that family business. I want those family businesses to stay together. I don't want every farm in America to be part of an international conglomerate. I want family farms to make it in America, and I want family ranches and family small businesses. That is the economic engine of this country, and it has been our tradition for over 200 years, valuing family-owned businesses.

If we can pass them through the generations without taxing them and causing them to have to be sold to pay inheritance taxes, then I think we will have maintained one of the very important economic engines of America, and we will have maintained a very strong tradition and a very strong part of the entrepreneurial spirit that has helped build this country. So we address that death tax, and we eliminate it over the 11-year period, and we significantly increase the exemption through the 10-year period.

The fourth area of major tax reduction that we hope will come out of the conference report and was a component of both the House and Senate bills is the child tax credit. We are trying to double the child tax credit over a 10-year period. Today, it is $500. We hope to increase that to $1,000.

So the four major parts of our tax relief bill will be a major tax reduction through rate reduction, marriage penalty relief, death tax relief, and the $500-per-child tax credit doubles for every family.

There are many other important elements; there are many other important tax relief measures I would like to see pass. If we can keep those four strong elements so that everyone will realize relief in a big way, I will be happy.

Hopefully, we will lower the capital gains rate and will increase the IRAs and the pension capabilities. The more people can save, the better off our country will be and the more stability our country will have. Those are all worthy. I hope we can do those at a later time.

There are some very important education deductions in the Senate bill. I hope we can keep some of them. Trying to help people with their education expenses is the most important thing we can do to increase the number of young people who get a solid education, K–12 and college.

It will be a great stepping stone to go into the next year if we can pass the tax cut bill. Right now the conference committee is working. I believe Senators are willing to stay. We thought we would be out for Memorial Day right now. We thought we would be gone. I thought I might be home with my family last night, but I am not. I am here and so is every Senator.

We hope to pass this tax reduction package. If we cannot do it today, we are willing to stay until tomorrow. We will pass it tomorrow if we can get out the tax cut package and certainly we hope we can finish this business because there will be some major changes that are dependent on our passing that tax cut legislation.

There are major changes in the Senate. They are not my first choice for changes, but nevertheless the decision has been made, so we ought to go forward and let people start making concrete plans about how the Senate is going to be organized. It is in everyone's best interest to do that.

The Senate is staying in session. We are going to make every effort to finish this tax relief bill for the American people if we have to work today, tonight, tomorrow, Sunday, Tuesday—whatever. If we can come to an agreement on a tax cut bill that has the general principles I have outlined that were passed in the House and Senate bills, then we will be in very good stead with the American people that we have done our job to the best of our ability in a bipartisan way, and we will then come back and start the business of reorganizing the Senate and continuing to do the people's work.

When we come back from Memorial Day and visiting with our people at home, we are going to start talking about the energy crisis. During Memorial Day weekend, we are going to want to start thinking about how we can address the energy crisis in a meaningful way, hopefully with some short-term relief but, more importantly, for the long term.

We have three major problems with the energy crisis in this country. We have a production problem. We are importing 56 percent of the energy needs of our country from foreign countries, and that is not a good, stable situation. We have a distribution problem in that we do not have enough refineries and pipelines to distribute the energy even if we increase production, and we have a conservation, a consumption problem. We need to encourage people in every way to conserve heating and air-conditioning in their homes, the gasoline they use in their cars.

We can encourage people to conserve. We hope they will do it anyway. With incentives, people will be even more encouraged to conserve.

We have a three-pronged energy problem: production, distribution, and consumption. That is going to be our priority when we return.

Senator MURKOWSKI has been talking about the energy crisis in this country for the last 4 years. I have been privileged to work with him, along with

Senator BREAUX, Senator LANDRIEU, Senator DOMENICI, and Senator THOMAS, on this energy issue in a bipartisan way.

We have been saying for the last 4 years we have an energy crisis in this country. We have not been able to get the rest of the Members of Congress to listen. They are going to listen now, and Senator MURKOWSKI, myself, Senator BREAUX, Senator THOMAS, Senator DOMENICI, Senator LANDRIEU, Senator BINGAMAN—all of us are going to be working on an energy package that will address the three components.

It must be balanced, and we must address all three components.

I hope we can get tax relief on the table, letting people keep more of the money they earn, and send it to the President. I know he is going to sign it because he asked for it. He campaigned on it. He kept his promise; he asked for it and we are going to give it to him. Now we are going to address energy. We are going to address education reform and try to keep doing the people's business.

We have toiled in the fields. We have worked hard. We have a lot to show for that work. We will finish the job the people have asked us to do on tax relief and, hopefully, we will go home, turn a leaf, and start addressing education and energy when we return.

I am proud of the job our President is doing, and I am proud of the job the Senate has done.

I end by saying on a personal note, I am very proud of our leader, Senator TRENT LOTT, the majority leader of the Senate. He has worked very hard to push the President's programs he campaigned to do and was elected to do.

Senator LOTT has the most unfailing sense of humor and optimism of anyone I have ever met. He has been hit with a few blows in the last few weeks. I admire what he has been able to do, working with the Democrats, saying we are going to work in a bipartisan way. Through the filibuster of the tax cut bill, he kept his optimism. He never let down. He let the 50 or so amendments be voted on time after time. He kept his good humor.

Now he is facing becoming the Senate Republican leader rather than the Senate majority leader, and he is already reaching out to Senator DASCHLE, who will be the majority leader in the next couple of weeks. He said: We are going to keep working with you, and we are going to try to work in a bipartisan way to assure the people's business gets done.

My hat is off to Senator LOTT today. I have seen him up close in the last few weeks, and I can tell you he is a leader who is determined to continue to do his job in the best way he can, in the most sincere way he can, never with acrimony, always trying to do the right thing, working with a 50–50 Senate, which has not been the easiest job he has ever been handed but one he has tried to dispatch in a most fair and equitable way.

I yield the floor.

The PRESIDING OFFICER (Ms. STABENOW). The Senator from Rhode Island.

CONGRATULATIONS, GENERAL LENNOX

Mr. REED. Madam President, last evening, the Senate of the United States confirmed MG William J. Lennox, Jr., of the U.S. Army, to be the 56th Superintendent of the United States Military Academy at West Point.

General Lennox is an extraordinary officer and gentleman. I have known him for a long time. In July of 1967, we entered West Point together. He proceeded through West Point and for 30 years he has been an extraordinary soldier. He represents the very best of what our Army is all about. He is a soldier and he is a scholar, but he is a soldier first.

He was commissioned in field artillery and served in various demanding assignments from platoon leader, battery commander, executive officer of the 2d Battalion, 41st Field Artillery in Germany; Deputy Commanding General to the U.S. Army Field Artillery Center and School at Fort Sill; Chief of Staff, III Corps at Fort Hood; and Assistant Chief Of Staff, United Nations Command for the United States Forces Korea. In his most recent assignment, General Lennox was the liaison for the Department of the Army to Congress.

He has performed all of these duties in extraordinary fashion. Bill Lennox understands our Army is composed of the greatest soldiers in the world. He respects these soldiers. He has committed himself to lead these magnificent men and women with the same dedication, the same professionalism, the same fidelity to duty and country that these soldiers demonstrate every day.

He is a great soldier, but he is also a distinguished scholar. Bill was assigned to the Department of English at the Military Academy after receiving a master's degree from Princeton University. He accomplished a remarkable feat while teaching English at West Point. While being active as an officer and professor at the Military Academy, he also obtained his Ph.D. from Princeton University in English.

He is a rare combination of a great soldier and a real scholar. In fact, typical of the Army life, nothing is very easy. The day Bill was scheduled to take his final Ph.D. examination and present his oral defense was also the day that his family was moving from West Point to his next assignment. So as Bill was taking these exams, and after spending the week preparing not only for a demanding analysis of English literature but also a move, fortunately, his wife and his partner, Anne, had to pack up the house and get them moving.

It illustrates something else that General Lennox brings to West Point. He has an extraordinary family. His wife Anne has not only played a large part in his life, but also a large role in his career. Their sons are extraordinarily talented young men. Together, Bill and Anne will represent to a whole generation of cadets, both male and female, the exemplar of what an Army family should be: committed, patriotic, and dedicated. They will ensure that cadets are conscious not only of their role as a professional members of the military service but also of their role as people and neighbors.

Bill is following a distinguished predecessor, LTG Dan Christman. The United States Military Academy today has compiled a remarkable record. Dan has reinvigorated the Academy in terms of academic performance, physical infrastructure, and commitment to basic values that make our Military Academy and our Army a very special one indeed.

I am confident that Bill Lennox can meet the very high standards established by Dan Christman and a whole succession of predecessors: people such as William Westmoreland, Douglas MacArthur, and Robert E. Lee. West Point has a very storied tradition and great legacy. Bill Lennox brings to that great tradition the character of a soldier and something else: Bill understands and appreciates that he is helping to train the leaders of the army of democracy; that unlike other countries around the world, we do not have a separate military caste. The men and women who lead our Army, the soldiers who man our Army come from every walk of life. They understand that they defend this great democracy, with all its contradictions, with all its unmet, untidy, and messy proceedings. They do it with great faith and great fidelity, with great competency and great patriotism.

I am delighted and honored to be able to say a few words about my friend and the next Superintendent of the United States Military Academy. I am pleased to commend Bill Lennox for his career and to celebrate his new appointment. But I am also honored to convey to my colleagues not only deep respect and affection for Bill, but also the sense that our Army is producing and promoting an individual who recognizes what we do here is very important. As Superintendent of the United States Military Academy, he will ensure that this democracy will continue.

Ultimately, it is not our weapons, but it is the brave men and women who wear the uniform of the United States that allows this experiment in freedom and democracy to continue day in and day out. He will instill in a generation of cadets a deep devotion to the credo and core values of the Military Academy: duty, honor, country. He will do that because he has lived his life according to that credo of duty, Army, country.

To Bill and Anne, good luck, Godspeed, go forward, and lead a right institution into this new century.

I yield the floor and 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. FITZGERALD. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mrs. CLINTON). Without objection, it is so ordered.

Mr. FITZGERALD. I thank the Chair.

(The remarks of Mr. FITZGERALD pertaining to the submission of S. Con. Res. 44 are located in today's RECORD under ''Submission of Concurrent and Senate Resolutions.'')

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

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

TAX CONFERENCE

Mr. KYL. Madam President, our Senate colleagues are anxiously awaiting the report from the conference committee that is attempting to iron out the differences between the House-passed tax bill and the Senate-passed tax bill. I thought perhaps some who are waiting for this outcome would be interested in some thoughts with respect to what has gone on so far and what we might expect from the conference. In particular, I will address remarks to the part of the bill in which I was most involved.

I begin by noting that the conferees, who are the people on the Ways and Means and Finance Committees, are busy at work trying to iron out the differences between the two bodies. Part of the success of getting the bill to the conference in the first place is attributable to the bipartisan leadership of the chairman of the Senate Finance Committee, CHUCK GRASSLEY of Iowa, and MAX BAUCUS, the ranking Democrat from Montana. They worked very hard to develop a bill which wasn't all conservative or all liberal, all Republican or Democrat, but which represented views of a substantial part of the membership of the committee on both sides of the aisle. It represents most of what President Bush wanted, but not all, and not quite to the same degree, because by definition it is a compromise.

Because of that compromise, and it had support from both sides of the aisle, over the course of the last week there were 45 different attempts to amend the bill. Every one of them failed. In other words, the Members of this body voted time after time after time to support the work of the Senate Finance Committee, understanding it represents a good compromise.

Of course, there has to be another compromise, and that is with the House of Representatives. The bill the House passed represents a little more closely the views of President Bush. Naturally, those on the Republican side of the aisle are hoping there will be a compromise between the House and Senate versions that truly does reflect a meeting of the minds.

The Senate-passed bill was only a total of 10 years of $1.35 trillion because that was the compromise amount. That meant we could not grant relief quite as robust as the House had done earlier. All of the Republicans and 12 Democrats voted in favor of that bill.

From my perspective, it was not perfect; it certainly was a very good step toward tax relief, providing, most importantly, marginal tax relief from income tax rates and significant relief from the estate tax and eventual repeal, after 10 years, of the estate tax.

I am hopeful this conference committee will be able to reach a conclusion and enable the Senate to pass this bill sometime tonight or tomorrow, whatever might be the time.

I will discuss primarily the provisions relating to the phaseout and eventual elimination of the death tax in the year 2011. The death tax provisions being negotiated now, it is my understanding, are not as much as either in the House-passed bill or the Senate-passed bill. The reason is because there has been an effort to accommodate more Members with what they wanted to include in the bill. Everything else has to give. The net result is, according to my understanding, that the range they are talking about now, out of a total of $1.35 trillion, is about $135 billion, or 10 percent.

For practical purposes, about 10 percent of the tax relief under the bill goes to rate reduction of the death tax and an increase in the exemption and eventual repeal in the 10th year. President Bush, by contrast, allocated $260 billion for death tax relief. We are trying to get by to do more with less.

Probably the most important thing is there has been an understanding both in the House and in the Senate reflecting the will of the American people that there is something terribly unfair about a provision of the Tax Code that literally taxes people because they die; not because they sold an asset; not because they saved or invested or had some other kind of economic transaction that they fully knew the tax consequences of but, rather, they are taxed because they die.

We have come to conclude, representing the view of the majority of Americans, there is something very unfair about taxing people after they die. Actually, you are not even taxing the person who died. You are taxing that person's heirs—the spouse, the children—at the very worst time of their life following this tragic event. It is not fair. It doesn't represent good tax policy.

There is a good way to substitute the capital gains tax for the estate tax, so that the assets end up being taxed but being taxed the same as any other assets, based upon an economic decision, if and when those assets are sold, and then taxed at the capital gains rates. But a tax is not imposed at the time of death. Fundamentally, death should not be a taxable event and that is a core principle that will come out of this tax bill. It is a core principle embodied in the repeal of the estate tax, sometimes called the death tax.

To me, the most interesting thing to come out of this debate is the realization that the American people have a fundamental sense of fairness. When you ask them whether it is fair to tax at the rate of about 25 percent, for example, they say no; we ought to get taxes down.

When you ask them if it is fair that death should be a taxable event, they say no, even if they do not think they are ever going to benefit personally from repeal of the estate tax. Fairness is what this effort to repeal the death tax is all about.

What I mostly wanted to do today is to report the results of a national poll of just this week. So we are not talking about something a long time ago—just this week, a very objective poll. So it has a very low margin of error. It is a poll by the respected McLaughlin & Associates of a thousand likely voters from around this country.

Here is one of the questions they asked. They wanted to ask the question, in effect, in the worst way possible. They said: Do you believe it is fair or unfair for Congress to impose a 40-percent or greater tax on an estate worth $1 billion?

You could say, Do you think the death tax is unfair? I guarantee at townhall meetings people say: No, the death tax is not fair. That is not really putting the question in the most objective way. But when you ask: Is it fair or unfair for Congress to impose a tax of, be specific, 40 percent or more on estates—you don't use the death tax terminology—on estates of $1 billion or more, that is the loading of the question. That is the part that biases it, $1 billion or more, should you tax them at more than 40 percent?

Do you know what the answer is? By 60 percent the American people say: No, it is unfair. Only half that many said it was fair. How many of those people do you think would benefit from a repeal of that estate tax? Out of 1000, I don't know, maybe one but maybe not. There are not many people in this country leaving an estate of $1 billion. Yet all Americans realize it is fundamentally unfair to impose a tax of more than 40 percent.

Of course, I might add the law currently is that it is about a 60-percent tax rate, but the question was not biased.

I think what that shows is right this week the vast majority, by 2 to 1, of Americans believe that even a tax rate

of 40 percent is unfair. The reason that is significant is in the Senate bill we were not able to reduce the tax rate on estates of even $5 million, let alone $1 billion, to that 40 percent level. As a matter of fact, I think we got it down to 45 percent, if I am not in error. Yes, we reduced the rate from 60 percent down to 45 percent. The House got it down into the 30s. I have forgotten whether it is 37 or 39 but something like that. We ought to be working to reduce the rate below 40 percent before the tax is finally eliminated in the 10th year. But we were not able to do that. I hope that is something the conference committee will work to do, to try to bring that rate down just as much as they possibly can.

What is interesting about this survey that shows that American people are fundamentally fair minded is that the results were the same across economic and political classes. For example, just as many voters who earned under $20,000 as those earning over $100,000 said the practice was unfair; exactly 61 percent in both cases. It is consistent across the political spectrum, very similar. Among Republicans, 65 percent said it was unfair. Remember the baseline is 61 percent. Slightly more Republicans, 65 percent, said it was unfair. Slightly fewer Democrats, 54 percent, said it was unfair; and Independents, 62 percent, almost right on the button.

The bottom line is, whether Republican or Democrat or independent, a substantial majority believe that even a 40-percent tax on $1 billion estate is unfair.

The other interesting thing is this survey tracks all the other surveys I have seen over time. I will go back just 1 year because that is a nice frame. But the clear and resounding message is the estate tax is unfair and ought to be stricken from the code. The same McLaughlin & Associates conducted a poll earlier this year, in January. It found then that 89 percent of the people surveyed believed it was not fair for Government to tax a person's earnings while it is being earned and then tax it again after the person dies—which is exactly what the estate tax does.

Mr. President, 79 percent approved the idea of abolishing the estate tax—79 percent. That is very consistent with other surveys as well.

I went back a year ago because there is an interesting Gallup Poll that was done just a year ago—not quite a year ago. It found 60 percent of the people supported the repeal, even though about three-fourths of them believed they would never receive any direct benefit from that repeal.

Again, it goes to the notion of fairness. People believe an unfair tax should be repealed even if it is not going to help them at all. The reality is it probably would help them in terms of its indirect benefits. I noted during the debate on the estate tax the economic benefits to repeal, in terms of new jobs created, the infusion of capital into the economy, the growth of the economy—all these things would be significantly benefited from a repeal of the estate tax. Of course, that benefits all Americans.

As John F. Kennedy said, in a different context, with respect to tax relief, ''A rising tide lifts all boats.'' So if you can help the American economy, it helps everybody in the economy, even if you are at the lower end. So the reality is, repealing the estate tax does help all Americans. But it obviously helps some more than others. It especially helps those in two categories: First of all, those who pay the tax. That is not very many people. It is maybe in the hundreds of thousands—maybe a million, I don't know. But if you take members of families who are directly affected by this, clearly it is a number that is very much in the millions, if at all. Yet Americans fundamentally believe it is unfair to tax them.

The other larger group that is affected by the tax is, of course, all the people, especially the small business people—family-owned farms and family-owned businesses—who have to spend their money to try to plan their estate in such a way as to minimize the estate tax liability. This is difficult and expensive.

The Women-Owned Business Association—by the way, women-owned businesses represent more than half the small business in this country. They surveyed their members and found—just 2 years ago I believe it was—the average small business spent $60,000 to do this expensive estate planning.

I note there was an op-ed in the Washington Post this morning by a very wealthy American who testified before the Finance Committee. He said it was really a shame we were going to do away with the estate tax. Of course, his point was he didn't think the American people really believed that way; yet I think the survey results show that they are. But people like this individual have the money to do the estate planning. They do not suffer from the tax. It is the small businesses and family-owned businesses and farms that end up having to pay a lot of money to buy insurance, to pay lawyers and accountants and estate planners to try to avoid the tax.

The real cost of the tax is at least as much, and probably more, in the wasted money spent to avoid paying the tax than it is the revenue to the Federal Government in the first place. Mr. President, 2 years ago when the tax collected about $20 billion, there is a study that showed that almost exactly the same amount of money, by coincidence, about $23 billion additional, was spent by people to avoid paying the estate tax or minimize their liability. So it is a very inefficient tax, as economists Henry Aaron and Alicia Munnell said in writing a 1992 study. They said death taxes ''have failed to achieve their intended purpose. They raise little revenue. They impose large excess burdens. They are unfair.''

I think the thing to note at this point in time in this Chamber, at about 2:20 on Friday afternoon, is that the conference committee is working away trying hard to bridge the gap between the House and Senate versions of the estate tax. I think all of us are hopeful that they will conclude their work so we can vote on the bill and provide tax relief to Americans.

This is a bill which provides relief all the way from the refundable tax credits, literally providing money to people who do not pay taxes, all the way up to those few people who, as I said, would receive relief from the estate tax. But most importantly, it would provide marginal rate relief for all Americans.

We have an opportunity now. I hope that we can drive the rates of the estate tax down prior to the repeal but, in any event, we will have struck a blow for fairness in this country by reducing marginal rates; reducing, if not eliminating, the marriage penalty, which is very unfair; and, finally, getting rid of a tax that a majority of Americans believe is very unfair, a tax that literally requires people to pay money to the Government because they died, the estate tax.

Madam President, we have a wonderful opportunity. I hope the conferees come back soon and we will have a chance to vote on this legislation.

Again, I commend the members of the conference and, in particular, the bipartisan leadership in the Senate, Senator GRASSLEY and Senator BAUCUS, for the fine work they have done to get it this far.

I just hope now we can conclude the work and send it down to the President for his signature and the benefit of the American people.

I yield the floor.

The PRESIDING OFFICER. The Senator from Wyoming.

Mr. THOMAS. Madam President, I yield myself a few minutes to talk about energy this afternoon, if I may, please.

First, I thank my friend from Arizona for a very complete discussion of the tax reduction bill. Certainly, it is one of the most important things we will do during this Congress, and, indeed, over the next number of years.

The whole question, in the broad sense, of how you do taxes is very interesting. One question is, How are they fair? How do you make them fair among all the taxpayers? Another question is certainly the amount. How do you justify taking this money from citizens and it going to the Government? And when you have more than enough, what do you do with the surplus?

So I thank the Senator very much.

IMPORTANT ISSUES BEFORE THE SENATE

Mr. THOMAS. Madam President, we, of course, have been dealing, over the last several weeks, with some of the most important issues that will be

dealt with in this entire year, as we should. One, of course, is the budget. I think our success in the budget is holding down spending to something somewhat below what it has been in the past. Because we have had a surplus, the expenditures have gone up really more than you would imagine they would in terms of inflation and those kinds of things.

So this budget was held—I think the President asked for 5 percent—to a little in excess of that, but, nevertheless, a reasonable budget of which we can be proud.

The question now, of course, is staying within the budget. The budget is not an imposition of a limit; it is a pattern and a scheme to try to stay within. But it does not necessarily ensure that. That will be the real challenge.

The second thing we have dealt with, and have not yet completed, of course, is education. For most people in this country, education is the first issue they mention when they talk about issues.

Again, there are some rather basic issues that really ought to be talked about and decided. One issue is, What is the role of the Federal Government in elementary and secondary education? I think most of us would agree—and our experience has been—that State and local governments have the principal responsibilities in education. With that certainly ought to go the opportunity to make the decisions on a local basis.

The schools in Wyoming, obviously, have different needs, and have different uses for the dollars, than in areas of the country such as Pittsburgh or New York. And, therefore, local decision-makers ought to have a chance to be able to use those dollars in the ways they are needed.

Another issue in education, of course, is the basic question of, What is the role, in terms of expenditures, of the Federal Government? I think over the past number of years the Federal Government's contribution financially has been something less than 7 percent. So it is a relatively small contribution but a very important one and has caused us to have some of the programs that, of course, are very essential to our young people and very essential to education.

The tax bill that has been talked about is probably the most important thing we will do for a very long time. Hopefully, we will conclude that this afternoon. We will return a substantial amount of the surplus to those people who have paid it in and, at the same time, retain enough money to do the things that most people believe are a high priority; that is, to pay down the debt—to pay down all of the debt that is available to be paid down—to do something more with Social Security and pharmaceuticals, to ensure that Medicare is strong and continues in the future, and, of course, to have some flexibility so that there will be money there for increased expenditures for the military and for security.

I think all of those areas will be covered in this proposal that is before us.

The next issue that has a much higher profile now than normally is the question of energy. Of course, one of the reasons that it is now on so many people's minds is because prices have gone up substantially. There is the difficulty in California, the shortages that have occurred there. You can talk in many ways about why it has happened and what was the cause, but, nevertheless, it is there. Certainly there are some fairly interesting things that have happened there that have brought about the difficulties in electric energy.

But energy, of course, has been an issue for some time. It is not a brand new idea. It isn't hard to understand that when the market messages tell you that consumption is going up and production is going down that you are going to have a wreck inevitably and you need to do something about it.

It is not hard to tell that we have put ourselves at risk when we find ourselves depending nearly 60 percent on oil imported into this country as opposed to domestic production. That is an increase that has changed substantially over the last several years.

I suppose one might also say that it is not hard to imagine that you have some problems when you really have not had an energy policy for the past number of years, so that whatever has been done has not been part of a coherent plan to provide sufficient energy.

So I am very pleased to applaud the President and Vice President DICK CHENEY for the effort that they have put in—and immediately put in—to the energy issue. The White House energy tax force, chaired by Vice President CHENEY, has produced an energy package that has now been presented to the public and to the Congress with some 105 proposals that need to be considered, some of which can be done by administrative fiat within the Government. Others will have to come to the Congress, of course, to be acted upon.

I have been serving on the Energy Committee for some time and have been very interested in public lands and the interior. It has been very interesting that we focused entirely on the Department of Energy which, in turn, has not focused much on energy but, indeed, has had most of its focus, over the last several years, on one of its other responsibilities, which is nuclear: nuclear waste, nuclear security, Los Alamos. Those kinds of things have been almost the entire attention of the Department of Energy as opposed to energy.

So it is significant to me that in this work group the Vice President has included not only the Secretary and the Department of Energy, as, of course, it should be, but also the Department of Interior, which manages our public lands—which have some of the greatest energy reserves—and also EPA, the Environmental Protection Agency, which has had a great deal to do with the production of energy and the regulations that have been promulgated.

So I think it was an excellent idea to have this collaborative effort, to bring several different agencies together. I hope they continue to be a part of dealing with the whole energy issue.

So I certainly support a program that recognizes that we have significant energy demands and one that begins to look for a solution—a solution that also includes conservation and the protection of the environment. I think those are very key elements.

I come from the State of Wyoming. We have a good deal of energy production in our State. Some call it the Btu capital of the world. We have probably the largest reserve of coal in the United States, as well as natural gas and oil. We have uranium, all those kinds of things. We also have some of the most beautiful mountains and flats and prairies of any State in the Union. And we have, for a number of years, produced energy. We intend to continue to do that. We intend to continue to do it in such a way that you can protect the environment at the same time you have multiple uses of those lands. But there will be lands that will not be used for a multiple use. They have been set aside as wilderness. They have been set aside as national parks, and that is as it should be. And so we do have to differentiate.

But in the policy, of course, we talk about energy and fuel diversity, which I think is very important. Certainly we are going to have a number of kinds of fuels that we can use, coal being one.

There is emphasis on clean coal technology so we continue to research ways that coal, which now produces about 52 percent of our electric generation, can be used with less intrusion into the air. We can do that. In this plan there are opportunities for that.

Renewables: We need to take a look at the long-term importance of renewables. Certainly all of us would like to see more power generated from wind and solar. Currently only about 1 percent of our consumption is produced by renewables. It can be greater, and we hope it will be.

Hydro: Of course, we need to take a look at our opportunities for renewables in hydro. Interestingly enough, some of the environmentalists who are critical of the President's plan more recently were asking to tear down dams. It is sort of a paradox.

Nuclear has a role, certainly. We have seen over the last few years that nuclear-generated power is probably the most clean power that is available and can be done in a safe manner. We need to do more there. We need to do something, however, about the waste storage, of course. That has not yet been resolved.

These are some of the things that can be done, and I hope we do them. We have an opportunity to set out a policy and then use a combination of production and conservation to protect our environment. Those are the challenges we can indeed meet.

I yield time to the Senator from Utah.

The PRESIDING OFFICER. The Senator from Utah.

TAXES

Mr. BENNETT. Madam President, we are all waiting for the conferees to come back to us with the tax bill. As we do that, I thought it might be appropriate for me to talk a little bit about some of the rhetoric that has surrounded the issue of taxes in the time we have together.

If I may, I will be a little personal because I have experience with the issue of marginal rates which might be of some value to this debate and which I would like to share.

As many Members of this body know, I was one of the founders of a business that started in what the pundits have come to call the decade of greed; that is, the 1980s. In that period of time, that which has been most commented on and most decried by the pundits is the fact that the top marginal tax rate was 28 percent.

We are talking now about an attempt on the part of President Bush to bring that tax rate down to 33. It is pretty clear from the conversations I have had with the conferees that that is not going to happen. I think it will be somewhere in the neighborhood of 35.

Someone said: Why does Michael Jordan need a tax cut? Why does Ross Perot need a tax cut? Why does Donald Trump need a tax cut? Isn't it proper that they continue to pay the lion's share of the taxes in this country? And they do. The people in the top 1 percent pay most of the taxes. To put it in another statistic: The top 400 taxpayers—this is less than 1,000 tax returns—pay more than 40 million of the taxpayers down below; 400 pay more taxes in dollars received than 4 million people down below.

Why do those 400 need a tax cut? They have plenty of money. That is the argument we hear.

I will concede that I don't think Michael Jordan needs a tax cut; I don't think Donald Trump needs a tax cut; and I don't think Ross Perot needs a tax cut. But under the Constitution, we have equal protection of the laws, which means if you provide a tax cut for someone, for a good and logical reason, someone else who happens to be in the same boat, even if he is rich, gets the same equal protection of the law and gets the same tax cut. So it is the side effect, if you will, that Michael Jordan gets a tax cut.

Here is the experience I had which I think gets ignored over and over and over again in the rhetoric that is thrown out with respect to tax rates. As I say, my associates and I started our business during the decade of greed when everybody was saying it was so terrible that the top marginal tax rate was 28 percent. We used, as most businesses did at that time and many businesses still do now, a provision of the tax law that is known as section S of the tax law. Those who use it are known as S corporations as a result of their election.

All that means simply is that the profits of the corporation are not taxed at the corporate level. They flow through, as the Tax Code provides, to the individual tax returns of the shareholders.

We had five principal shareholders. That meant that as the corporation earned money, that money flowed through to our tax returns. If I can be fairly dramatic, in terms of the impact on me, I was earning my salary as the CEO of that company, which I and my wife thought was a relatively modest salary, but I filed a tax return showing that I had earned more than $1 million. Why? Because my share of the profits of the corporation showed up on my tax return.

Now it made absolutely no difference whatsoever to my take-home pay, which was tied to my salary, because the corporation did not give me any money beyond the money necessary to pay my share of the taxes. Why would we do that?

There are two reasons we made the S corporation. The first and primary reason is that we wanted to avoid double taxation. If the corporation earned $1 and paid corporate taxes on it—and let's take the corporate rate at the time, which I believe was 38 percent—if the corporation earned $1 and paid 38 cents of that dollar to the Federal taxes and then gave the resulting money to the shareholder, the shareholder would then have to pay taxes a second time on the money that came as a dividend. If you make an S corporation, you only pay taxes once instead of twice. That is the primary reason people make the S choice.

The second reason was that if we did the S choice, we only paid 28 percent on that $1 earned instead of 38 percent on that $1 earned. Naturally, we wanted to save the extra 10 percent, 10 cents on the dollar.

Many people have the idea that when you earn money, you buy yachts and you take vacations and you waste the money overseas in what the Scriptures would call ''riotous living.'' In fact, of course, when you are growing a business, you need every penny. It goes into inventory. It goes into accounts receivable. It goes into capital investments. If the business is growing—and our business was doubling every year; it did that for about 6 years running—you are always behind.

Indeed, I say to the students in business school, when I am asked to talk to them about this, the most terrifying thing you can do in a start-up business is make a profit, because then you owe taxes. Uncle Sam shows up and wants his tax money in cash.

You don't have it in cash because, as I say, your profits are all tied up in inventory, all tied up financing your growth. You end up, in most instances, borrowing cash from the bank in order to pay your taxes.

We paid a marginal rate of 28 cents out of every dollar we earned, and we plowed every one of the remaining 72 cents back into that business to make it grow. Our salaries did not increase. My take-home pay actually went down when that extra $1 million showed up on my tax return, because then I was being treated, as far as the Federal Government was concerned, as if I were a basketball star earning that $1 million, and that wiped out all of my deductions. That may not matter much to some people, but we had six children at the time, and that constituted a fairly significant amount of deductions that all of a sudden we couldn't take because we were ''rich.''

My take-home pay on my W–2 pay hadn't changed. The amount of money I was being paid by the corporation had not changed.

All that had changed was the bookkeeping entry on my tax return. Well, I am not complaining because the business was successful—so successful that we could look back on it now and realize that that business started literally in somebody's basement, with 2 employees, a husband and a wife, that then doubled to 4 employees, and that is how many they had when I joined them; I made No. 5. That business is now employing about 4,000 people. They are paying literally millions of dollars in Federal taxes, both the corporation taxes, the income taxes of the payrolls that have been generated with those 4,000 folks, plus the suppliers, plus all the rest of it. It is a fairly typical American success story.

The point of all this is not to bother you with details of my experience, but to point out that the difference between the top marginal rate of 28 percent that we pay and the current effective rate of 42 percent is 50 percent of the original amount; 14 points out of the 28 percent have been added on to the 28 percent. I suggest to you that if we were trying to start that business today, we would not have been able to finance it.

Many of the people who looked at this business said to us: How are you doing this? This growth is phenomenal. How are you creating these jobs?

We said we did it with internally generated cash. We didn't sell stock; we didn't go to the bank, although we had a credit line at the bank, of course. But we did it because we were able to save enough of the profit dollars we earned to pay for the growth of that business and create those jobs.

You can never say anything with certainty with respect to hypotheticals, but it is my conviction that if we were starting that business today, facing an effective tax rate of 42 percent, we would not succeed. We could not afford to do it. Therefore, we would not have created the 4,000 jobs that exist now.

The point I want to make with respect to the top marginal rate is that it does not just apply to the Michael Jordans and Donald Trumps of this world. That marginal rate applies to

the entrepreneurs who are trying to do the same thing my associates and I were lucky enough to do—start a business, create jobs, add to the growth of this country, and discover as they go along that they need to hang on to every penny they earn to finance that growth, and every additional percentage point that we in the Congress put on the marginal rate hampers the opportunity of people to do that.

Senator GRASSLEY, chairman of the Finance Committee, has offered the statistics of how many hundreds of thousands of small businesses trying to become big businesses are affected, how many hundreds of thousands of them, with their subsequent millions of employees, would be benefited by the kind of tax relief at the top brackets that President Bush is urging us to pass.

We never hear that from the folks in the national media. Sometimes I wish that some of the people who are the talking heads on the shows on Sunday, who pontificate with such certainty about economic matters, might just take a few weeks off from their situation in front of the cameras and come out into the real world and try starting a business, try employing people, try creating jobs, and discover that life is a little different. Some in this Chamber have that experience.

Comments were made by one of the more distinguished Members of this Chamber who ran for President in 1972—the Democratic nominee, Senator McGovern. He was firmly and solidly in the camp of those who insist that top marginal rates should be higher and higher and Government should regulate more and more. He tells the story of how, after his political career was over, he still had enough notoriety left over that he could give some speeches and earn some money for those. As he was paid honoraria for the speeches, he accumulated some money and he decided: Now is the time for me to relax a little. I will buy a business.

He bought an inn in New England. Maybe he watched Bob Newhart's show and he thought that would be a nice thing for him to do—whatever. He has come back and said: If I had had the experience actually running a business in the real world before I became a Senator instead of afterwards, I would have been a very different kind of Senator. I would have had a very different view about regulations and taxes and the way the Government interferes with people's lives.

This came from a man who at the time was labeled the most left of all of the Presidential nominees put up by either party in a generation. Coming back from the actual experience, he finds things are really different in the real world than they are on the Sunday talk shows, and sometimes as they are portrayed in the Senate.

So while it may sound too personal for me to share this experience, I think it may have some value because we need to understand, as we are voting on this marginal tax rate, that we are talking about something far more than just the amount of taxes Michael Jordan or Donald Trump or Ross Perot may pay. We are talking about hundreds of thousands of businesses in this country that have been slowed in their growth, slowed in their ability to create jobs by seeing a jump in the effective rate go from 28 percent, which it was prior to 1991, to an effective rate of 42 percent now. And then people are beginning to wonder why there are some slowdowns in the economy.

There is another point I want to make about this issue and the rhetoric that has gone around about it. We are told over and over again that the primary benefits go to the top 20 percent and the folks at the bottom 20 percent don't get anything out of this. That is terrible, we are told, and we must somehow find a way to use the Tax Code to take the money from the top 20 percent and make it available to the bottom 20 percent.

There are several things that need to be said with respect to this argument. The first is the statistically obvious one. As long as you are dealing with 100 percent and dealing in percentages, you are dealing in what the mathematicians call a zero sum game; that is, you take a sum from this side, it must be added to that side, and everything in the end, one subtracted from the other, gives you zero, because everything equals.

The economy is not a zero sum game. Neither is society. If you are talking about the top 20 percent, you will always have a top 20 percent. You can't have a 100-percent scale without statistically and mathematically having a top 20 percent. So the top 20 percent will never disappear. No matter how much you make an attempt to take money from the top 20 percent and put it in the bottom 20 percent, mathematically, somebody else will always show up in the top 20 percent.

The second point, however, is the more important one, and that is, in America, more than in any other economy and any other society in the world, there is fluidity all up and down the economic scale.

If I may be personal once again, let me demonstrate that. I have been in the bottom 20 percent. I am an entrepreneur. I start businesses. Most of the businesses I have started have failed. That is the way entrepreneurs live. I sat down when I got an award as entrepreneur of the year and said: Am I really?

I did a little calculation, and up to that time I had been involved in 11 different businesses that would be considered startups or turnarounds, 11 different entrepreneurial activities. Of those 11, 4 failed outright—just flat died. Four we managed to sell before there was any profit or loss; we broke even and got out. Only three of those businesses survived. Of the three that survived, only two really were major successes. One of the three was a minor success that was on a plus, so I have to include it. So there is the track record: Out of 11, basically there are 2 success stories.

While I was in one of the others that was not a success story, I was in the bottom 20 percent. Indeed, I was in the bottom of the bottom. I was getting no income. I was dipping into my savings, and when the savings were gone, I was going into debt. I was paying the payroll of the business on my American Express card, and then my American Express card got canceled because I hadn't made the payments on it.

Statistically, I was in the bottom 20 percent. It was not 5 years after that somewhat dispiriting experience that I was in the top 20 percent. One of those entrepreneurial efforts hit, and when it hits, it hits rapidly, at least in my experience. I went through the bottom 20 percent, the next 20 percent, the next 20 percent, the next 20 percent, up to the top 20 percent pretty fast.

Did I get from the bottom 20 percent to the top 20 percent because the Government took money from the top 20 percent and gave it to me while I was in the bottom 20 percent? No, I got there because the American economy makes it possible for entrepreneurs to have this kind of success story.

Quite frankly, since I have been in the Senate, I have gotten out of the top 20 percent. I have started coming back down again. That sort of fluidity happens to us all the time.

I have used the name of Donald Trump. Donald Trump has been from the top to the bottom to the top again as his real estate ventures go good and go bad.

The problem is not the statistical one of where people are at any one moment in time. I have six children. Right now some of them are doing pretty well. I have one child who, with her husband, probably is pretty close to the bottom 20 percent. He is not earning anything, and my daughter is supporting him. Gee, isn't that terrible, until you find out he is a student at the Harvard Law School and has pretty good prospects of good earnings once he gets out. He is going into debt now. He is in the bottom 20 percent, but when he gets his degree from the Harvard Law School, I believe he is going to be in fairly high demand with people dangling $125,000 a year starting salaries in front of him, and he will move very rapidly from one to the other.

The problem we should be talking about is not the dry statistics of income, it is the reality of skills. The income gap in this country is not something that can be addressed with the Tax Code. The income gap in this country is a skill gap and has to be addressed through a series of educational initiatives, retraining initiatives, both government and private, and a recognition that the people who have the skills in the freedom of the American economic and environmental system have the opportunity to move up. But

when they move up, they will always be replaced statistically with someone who is earning less than they are who ends up in the bottom 20 percent.

Interestingly enough, when we had hearings before the Banking Committee on the issue of the Tax Code and tax relief, and Alan Greenspan was testifying before us, one of the members of the committee said to him: Mr. Chairman, with respect to the good economy we are enjoying, tell us who has benefited the most in terms of the economic strata of the United States, which group has gotten the greatest benefit out of this good economy?

Knowing the political orientation of the Senator who asked the question, I think he was expecting and hoping that Alan Greenspan would say: Well, this economy has mainly benefited people at the top and the people at the bottom have not gotten anything out of it.

I think the Senator was a little surprised when Alan Greenspan said: Without question, the people who have benefited the most from this good economy are the people at the bottom of the economic scale.

Then he was asked how can that be because statistically the top 20 percent has gotten richer than the bottom 20 percent. But Alan Greenspan pointed out a great truth: It probably does not make any difference—I am not quoting him now; this is my summary—it probably does not make any difference whatsoever to Bill Gates whether his portfolio is $60 billion or $80 billion in terms of his lifestyle. He still has his big house at $60 billion. He still has all of his opportunities at $60 billion. His life has not changed at all if it goes from $60 billion to $80 billion.

However, someone who cannot get a job, who suddenly finds that he or she can and become gainfully employed for the first time in his or her life sees an enormous change, and that, indeed, has been the primary impact of this good economy. It has virtually, at least for a period of time, eliminated unemployment.

I can remember when we thought structural unemployment in this country was about 6 percent, and when we got down to 6 percent, we had functional full employment. We saw unemployment go down below 4 percent at times in the recent boom situation, and who got those jobs? People who were unqualified for the jobs that were available when unemployment was higher.

I remember visiting with employers in my State and asking them: What is your biggest progress in this booming economy?

They said: We cannot hang on to workers. We will take any warm body. We need workers.

I said: Will you take the unskilled?

They said: Absolutely, we will take the unskilled and we will spend the money training them; we will spend the money making them skilled because we have to have people.

One employer said: We have a job fair opening where we rent a room and ask people to come in. They come in, we make a presentation to them. Say there are 30 or 40 people in the room. We make a presentation for an hour. We break for coffee and only 10 of them come back afterwards. All 40 of them are unemployed and want a job, but 30 of the 40 decided they did not like the way we made the presentation. And they can always walk down the street and get a job someplace else.

That is the impact of a booming economy on the people at the bottom. It gives them an opportunity that will make a more dramatic change in their lives than the change in the lives of the people at the top. That is what Alan Greenspan was talking about when he said in terms of the impact for good on people's lives, there is no question whatsoever but that the booming economy we are having has affected for good more people at the bottom than it has people at the top.

Yet from the rhetoric we hear around this Chamber, we are told over and over that if we do not somehow take money away from the people at the top and shift it to the people at the bottom, we are going to destroy American democracy.

This class warfare kind of rhetoric simply does not jibe with reality. It does not jibe with what we have experienced in the last 10 years. It does not jibe with what the economists tell us is reality, and it certainly does not jibe with that which the small business man and small business woman will tell you in terms of actual job creation.

Of course, the statistic we need to keep in mind is that the great job-creating machine in this country is not the Fortune 500. The great job-creating machine that is creating new jobs is not headed by Exxon, General Motors, Ford, and DuPont. No, the jobs are being created the way the jobs were created in the circumstance of which I was fortunate enough to be a part: A company started in a basement by a husband and a wife that within a decade has created 4,000 jobs, and in the process of creating those 4,000 direct jobs, among the suppliers, there are another 2,000 to 3,000 to 4,000 jobs as people are hired to produce the articles that our company has to buy in order to provide its product to its customers.

As we wait for the report to come in from the conferees as to where they are going to put the marginal rate, I wanted to take the time to make it clear that the political rhetoric that flows around this issue really has little or no connection with reality.

In reality, a lower marginal rate primarily helps small businesses to grow. A lower marginal rate is crucial to the rate by which small businesses grow. The rate at which small businesses grow is the most important dynamic in terms of how the economy is growing, and for those who get statistically hung up on the gap between the top 20 percent and the bottom 20 percent, they must remember and recognize that in America, more than any other society in the world, the freedom to move both up and down the ladder is greater than anywhere else.

If we can understand those things, we can come to a more intelligent decision with respect to where the marginal rate will be. I have no illusions that the conferees will bring the marginal rate in at the level that I would like, but I hope that once it comes in, in future Congresses we can keep all of this in mind and take another bite at the apple at some particular point.

My desire would be to bring the top marginal rate back down to where it was during the decade of greed where, quite frankly, we sowed the seeds of the great economic expansion about which we are all excited and for which politicians of both parties have been taking credit when, in fact, they have had little or nothing to do with it.

I think the work I did at the Franklin Company before I came here had more to do with creating jobs than anything I have done since I have been here. I want to get the marginal rate back down so others who are trying the same kinds of things we did will have the same opportunity that we did.

I yield the floor.

The PRESIDING OFFICER (Mr. HAGEL). The Senator from Michigan.

Ms. STABENOW. Mr. President, I ask unanimous consent to speak up to 15 minutes in morning business.

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

TAXES AND THE ECONOMY

Ms. STABENOW. Mr. President, I rise to speak also about the tax cut proposal, about the debate on how to keep the economy going. I rise in great respect for my friend from Utah, who was successful in business, and lays out a prospective about how to keep the economy going.

While I share his view that we need to be focused on a skilled workforce and that is critical to keeping our economy moving, he and I represent two different views of how best to do that. That is the debate going on in Washington now. I characterize it as a debate about whether or not the 1980s or the 1990s worked. I argue the bill that will come back—whether tonight, tomorrow, or next week—is a bill based on the notion that the economic policy of the 1980s worked. I argue from the Michigan standpoint, and anyone in Michigan, any families, businesses, farmers I represent, would indicate the 1980s were not a good time for Michigan. We had high unemployment, high interest rates. We saw massive debts both at the State and national level. It is the same kind of approach I fear will be happening today with the policies being laid out.

No. 1 in the debate is how to give a tax cut. Is it supply side, as my colleague talked about?

The proposal we are being asked to vote on is a very large tax cut, two-thirds to the upper income wage earners, those in the top 10 percent. And

then we wait for it to trickle down. My folks in Michigan have been waiting for the tax cut of the 1980s to trickle down and hit their pocketbooks. Many have not seen it. We are being asked now to, once again, place it there. I am supportive and have voted for tax relief and will continue to do that. I prefer to do tax relief that goes directly into the pockets of the majority of Americans.

Contrary to this tax cut, I believe we should eliminate the marriage penalty, not in 6 years, as in this bill, but now. Talk about unfair, that is extremely unfair. We are a country that values family and marriage. Yet we have a tax structure that unfairly penalizes those who are married. I support a proposal and did vote for a proposal to give relief now to married couples by eliminating that unfair tax penalty.

There is a difference in approach. The approach being put forward says a very large supply-side tax cut will trickle down. Coupled, in the 1980s, with a very large increase in defense spending and not controlling other spending, what happened? We tripled the national debt, interest rates were at the highest level ever, and employment went down.

In the 1990s we tried something different. Tough decisions were made. Revenue was put aside to pay down the national debt that had been tripled in the 1980s. We paid it down, slowed the rate of spending. We were able to make sure we were putting aside money for Social Security and Medicare and paying those dollars back instead of spending it on other programs. We were putting those dollars back and paying back Medicare and Social Security trust funds. We have had very tough decisions made to balance the budget.

And we did something important in the 1990s. We focused on real investments in education, job training to get that skilled workforce, and in research, health research, technology research, developed the new technologies that when combined with an educated workforce would increase our labor productivity.

It is a very different approach. We focused on growing the economy by investing in education, paying down our debt, investing in research and technology development, and balancing the budget.

What happened? In the 1990s, high interest rates went down. We have seen home ownership up. In my State of Michigan, more and more young people and older people are able to have their own home, an important part of the American dream. We have seen unemployment, jobs, go up in the 1990s as a result of this approach to the economy. We saw budget deficits go down and the Federal deficit go down.

This is a no-brainer. What do we want? The 1980s or 1990s? Yet what comes before us in the year 2001 is a set of proposals that takes us back to what happened in the 1980s. We are seeing a proposal that gives two-thirds of the tax cut to those at the very top, hoping it will trickle down.

We know as soon as this bill passes there will be requests for very large increases in defense again, and other increases will come forth. To me, what is most intolerable, is the tax cut proposed spends $550 billion of Medicare and Social Security to pay for it. That is not acceptable.

Over the next 10 years, we are seeing a tax cut and budget proposals that spend Medicare and Social Security right before the baby boomers begin retiring in 11 years. There is no time to pay it back. We are going to be facing massive debt if that is the case. I am very concerned about that.

Right now we are seeing the financial managers in the country, in the private sector, who are beginning to see it, as well. While short-term interest rates are going down, long-term high interest rates are going up in anticipation of the country going back into massive debt.

I urge Members, it is not too late to stop this train, to put some brakes on it. I propose we create, as we did on this floor—we had an amendment we tried twice to pass—a budget trigger which says if the phase-in of the tax cut dips into Social Security and Medicare to pay for it, if we go back into debt, we will suspend that action, further tax cuts or spending, until the revenue comes in.

In Michigan, we call that common sense. Don't spend it unless you have it. We believe fiscal responsibility, keeping the budget balanced, paying down the debt, protecting Social Security and Medicare are critical and should not be compromised for any other actions no matter how well intended. We have a train going down the track. My fear is there will be no budget trigger to stop the train before it goes off the track. That is common sense.

We are going to be asked at some point to vote on a final budget proposal that spends Medicare and Social Security moneys for the future. When we look at the fundamental unfairness, we see that those who are most dependent on Social Security, most in need of Medicare health benefits, are those who receive little or nothing from the tax cut but their Social Security and Medicare, will help pay for it.

It is not fair. It is just simply not fair. We have in front of us a proposal that kept us moving in the same policy track as the 1990s. I urge we still have time to consider that. It is a proposal that gives tax relief but makes sure we condition it upon using none of Social Security and Medicare and that we keep our commitment to fiscal responsibility and paying down our debt while we do it.

The proposal I support also would put aside dollars for education to continue our ability to keep labor productivity going in our country. When we asked Chairman Greenspan at the Budget Committee hearing what was the one thing driving this economy, he said it was increased labor productivity. So why in the world would we be creating a situation where education funds are going to have to be cut and research funds and technology development will have to be cut in order to pay for the tax cut in front of us?

I believe common sense would dictate we pay down the debt, we protect Medicare and Social Security, we give a major tax cut focused on our middle-income families and small businesses and family farmers, and that we can do that and also be able to continue investments to keep the economy going.

This is the approach that worked. It is hard to argue with success. The policies in the 1990s were successful because of the hard work of both the private sector and the public sector to move us out of debt, to balance the budget, and to make investments in education and the economy.

I hope we will take a deep breath and reconsider what is about to be done in the next few hours or the next few days. We can do better than that.

Also, when we talk about putting money back in people's pockets, there are multiple ways to do that, all which I support, which we need to do and can do while being fiscally responsible. No. 1 is a tax cut. No. 2 is keeping interest rates down so your mortgage is down, as are your car payment and your student loan—those things are low enough for people to be able to afford those items for their families.

Finally, for the senior citizen in this country who gets up in the morning and sits at the table and decides, do I eat today or get my medicine, which too many seniors are doing in the greatest country in the world, we can put money in their pockets by lowering the cost of prescription drugs. They will not see much of this tax cut, but they deserve some money in their pocket, too.

If we do this right, if we use good old common sense, we can put forward a plan that keeps the economy going, puts money in people's pockets, and supports our families in a way that allows the economy to grow and prosper. We owe no less to our children.

We can do better. It is time to take a second look at what we are doing.

I yield my time.

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

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

Mrs. FEINSTEIN. Mr. President, I ask unanimous request to be recognized as in morning business.

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

(The remarks of Mrs. FEINSTEIN pertaining to the introduction of S. 976 are located in today's RECORD under ''Introduction of Bills and Joint Resolutions.'')

Mrs. FEINSTEIN. I thank the Chair. I yield the floor.

KOREAN WAR HEROISM

Mr. SMITH of New Hampshire. Mr. President, with the approach of Memorial Day, it is my privilege to call the attention of this body to one of the greatest, yet least known, acts of sustained heroism in the history of the United States. It occurred 50 years ago in the sixth month of the Korean war.

In December of 1950 American forces accomplished the unbelievable evacuation of 100,000 Allied troops from the port city of Hungnam in North Korea, barely hours ahead of the charging forces of our two newest enemies, North Korea and Communist China. At the same time our American soldiers, sailors, and marines, managed to evacuate another 100,000 persons, all North Korean civilian refugees who were fleeing their own harsh dictatorship and the ruthless Chinese army whose leaders had threatened to cut off their heads because some had been aiding our United Nations forces.

One of the most heroic acts in the evacuation of Hungnam is the virtually unknown story of a small American merchant marine freighter, the S.S. *Meredith Victory*. With space for only twelve passengers, the ship loaded and rescued 14,000 North Koreans—the innocent people of our enemy—old men, young mothers with their babies on their backs and at their breasts, children carrying children. Their rescue was accomplished during one danger-filled voyage of three days and three nights in bitter winter cold that ended in safety and freedom on Christmas Day. The United States Government, through its Maritime Administration, has called it ''the greatest rescue operation by a single ship in the history of mankind.''

The Korean war has been called ''America's forgotten war,'' and the evacuation of Hungnam has been called ''the forgotten battle in the forgotten war.'' I submit, that the heroic story of the men of the S.S. *Meredith Victory* is ''the forgotten rescue.''

Fortunately, this story is now being brought to the attention of the American people in a new book ''Ship of Miracles'' by Bill Gilbert, a former reporter for the Washington Post who served in the U.S. Air Force during and after the Korean war. The foreword to his book is written by General Alexander M. Haig Jr. whose career included serving as White House chief of staff, NATO commander, and Secretary of State. Appropriately, however, General Haig served in Korea during the war and was directly involved in the rescue of our troops and the refugees from Hungnam. The book was released by Triumph Books of Chicago.

General Haig states in his foreword, ''The story of Hungnam and the *Meredith Victory* is a brilliant yet relatively unknown chapter in American history that can now take its place, during this fiftieth anniversary of the Korean war, among such legendary names as Bunker Hill, Midway, the Battle of the Bulge, Iwo Jima and Okinawa. This book did not just deserve to be written—it needed to be written.''

The men of the *Meredith Victory*, led by their captain, Leonard LaRue of Philadelphia, emerge as the heroes of this amazing story. Every one of the 14,000 refugees aboard that ship survived, plus five babies born enroute to safety with no doctors to help. There was no food for the refugees, no water, no sanitation facilities, no interpreters, and no protection against the enemy. The men of the *Meredith Victory* accomplished their rescue while sailing through one of the heaviest-laid mine fields in the history of naval warfare with no mine detectors. They had no anti-aircraft guns in case of an air attack. Radio contact with other ships was forbidden for security reasons. To add to the prolonged tension, the ship was carrying a large supply of jet fuel.

The *Meredith Victory* arrived at Pusan on the southern tip of the Korean Peninsula on Christmas eve but was not allowed to land because the port was already overflowing with refugees and rescued American troops. Captain LaRue wrote later of ''these people aboard who, like the Holy Family many centuries before, were themselves refugees from a tyrannical force.'' The ship did land safely on Christmas Day on Koje-Do island, fifty miles southwest of Pusan.

One of the Navy officers who participated in the Hungnam evacuation was the late Admiral Arleigh Burke who became Chief of Naval Operations. He later said, ''As a result of the extraordinary efforts of the men of the *Meredith Victory*, many people are now free who otherwise might well be under the Communist yoke. Many unknown Koreans owe the future freedom of their children to the efforts of these men.''

Larry King, the talk show host, said '''Ship of Miracles' will make you proud to be an American.''

The book has already won its first award. Mr. Gilbert has been awarded the Theodore Roosevelt and Franklin D. Roosevelt Naval History Prize, awarded annually by the New York Council of the Navy League. The Council's president, Rear Admiral Robert A. Ravitz (USNR, ret.), said Mr. Gilbert was selected ''because his book tells a story of American heroism and humanitarianism which has gone overlooked for 50 years and should be told and made a shining part of our military history.''

Admiral Ravitz added, ''At a time when we are reading other stories about what American forces did or didn't do in Korea and elsewhere, Mr. Gilbert has made a valuable contribution to American history of revealing this story of both the bravery and the goodness of America's men in time of war.''

For these reasons, our nation owes a debt to Bill Gilbert on this Memorial Day for writing a book which reminds the American people of that forgotten war and of an heroic incident in that war by the brave men of the S.S. *Meredith Victory*.

IN RECOGNITION OF OLDER AMERICANS MONTH

Mr. SARBANES. Mr. President, I rise today in recognition of ''Older Americans Month.'' Since 1963 when President Kennedy began this important tradition, each May has been designated as a time for our country to honor our older citizens for their many accomplishments and contributions to our Nation. Those of us who have worked diligently in the U.S. Senate to ensure that older Americans are able to live in dignity and independence during their later years look forward to this opportunity to pause and reflect on the contributions of those individuals who have played such a major role in the shaping of our great Nation. We honor them for their hard work and the countless sacrifices they have made throughout their lifetimes, and look forward to their continued contributions to our country's welfare.

Today's older citizens have witnessed more technological advances than any other generation in our Nation's history. Seniors today have lived through times of extreme economic depression and prosperity, times of war and peace, and incredible advancements in the fields of science, medicine, transportation and communications. They have adapted to these changes remarkably well while continuing to make meaningful contributions to this country.

Recent Census figures reveal that the number of Americans 85 and older grew 37 percent during the 1990's while the nation's overall population increased only 13 percent. Baby boomers, who represented one-third of all Americans in 1994, will enter the 65-years-and-older category over the next 13–34 years, substantially increasing this segment of our population.

At the same time the number of older Americans is skyrocketing, they are in much better health and far less likely than their counterparts of previous generations to be impoverished, disabled or living in nursing homes. More older Americans are working and volunteer far beyond the traditional retirement age to give younger generations the benefit of their wisdom. These figures show that commitment to programs such as Medicare and Social Security, and investment in biomedical research and treatment are improving the quality of life for older Americans. One of our national goals must be to ensure all older Americans experience these improvements. We must continue to enact meaningful legislation to help meet the needs of this valuable and constantly expanding segment of our society.

By 2020, Medicare will be responsible for covering nearly 20 percent of the population. Yet 3 in 5 Medicare beneficiaries lack affordable, prescription

drug coverage. Though Medicare works, it was created in a different time before the benefits of prescription medicines had become such an integral part of health care. Today it is unthinkable to think of quality healthcare coverage without including the medicines that treat and prevent illnesses. I have and will continue to fight for Medicare prescription drug coverage. As a cosponsor of the Medicare Prescription Drug Coverage Act of 2001, I recognize the predicament many older Americans are in as they struggle to live independently on a fixed income and afford costly prescription drugs. It is imperative that we address the needs of the Americans who have devoted so much of their life experience and achievement to better our society.

The celebration of Older Americans Month provides us with the opportunity to highlight the importance of the Older Americans Act. As a vigorous and consistent supporter of measures to benefit older Americans, I am pleased that Congress and President Clinton reauthorized this important legislation last year. I commend my colleague from Maryland, Senator BARBARA MIKULSKI, for her tireless efforts in pressing for enactment of The Older Americans Act Amendments of 2000. This legislation funds a dynamic network of community and home-based services so critical to many of our Nation's seniors, including home care, ombudsman services for residents in long-term care facilities, and subsidized employment for older workers.

One of the most beneficial provisions of the Act is the creation of the National Family Caregiver Support Program. The Administration on Aging estimates that each day, as many as 5 million older Americans are recipients of care from more than 22 million informal caregivers. On average, these caregivers will limit their professional opportunities and lose an average of $550,000 in total wage wealth as they care for their loved ones. Women are 50 percent more likely to be informal caregivers, and as a result, they are more likely to risk their health, earnings and retirement security. As programs such as Medicare and Medicaid continue to feel the pressures of the current Federal budget process, the noble and compassionate work of these dedicated individuals is particularly critical. The National Family Caregiver Support Program addresses the challenges faced by informal caregivers. It authorizes funding for distribution of information to caregivers regarding available services, caregiver training, and respite services to provide families temporary relief from caregiving responsibilities.

I have always believed strongly that this wise population contributes greatly to American society. Our Nation's older generations are an ever-growing resource that deserves our attention, our gratitude, and our heart-felt respect. As observance of Older American Month comes to a close, I look forward to working with my colleagues in the Senate to implement public policies that affirm the contributions of older Americans to our society and ensure that they continue to thrive with dignity.

LOCAL LAW ENFORCEMENT ACT OF 2001

Mr. SMITH of Oregon. Mr. President, I rise today to speak about hate crimes legislation I introduced with Senator KENNEDY last month. The Local Law Enforcement Act of 2001 would add new categories to current hate crimes legislation sending a signal that violence of any kind is unacceptable in our society.

I would like to describe a heinous crime that occurred November 7, 1999 in Lawrence, KS. Two heterosexual men, one a student at Kansas University, were walking down the street when some men directed anti-gay epithets at them. After responding to the remarks, the two were attacked by five men. One of the victims was knocked backwards on a concrete planter and held down while two attackers struck his face with their fists. The other ran to call the police. This was the third such incident in as many months. One of the victims said that the police initially told him they could not arrest the perpetrators because, ''it was their word against ours.''

I believe that government's first duty is to defend its citizens, to defend them against the harms that come out of hate. The Local Law Enforcement Enhancement Act of 2001 is now a symbol that can become substance. I believe that by passing this legislation, we can change hearts and minds as well.

ROLE OF THE FEDERAL OMBUDSMEN IN DISPUTE RESOLUTION

Mr. AKAKA. Mr. President, last week the General Accounting Office, GAO, released a report I requested entitled ''Human Capital: The Role of Ombudsmen in Dispute Resolution.'' The report studies the use of Federal ombudsman offices as an informal alternative to existing and more conventional processes to deal with personnel conflicts inside Federal agencies.

I know that traditional formal dispute resolution processes have long been criticized. To address these concerns, the Federal Government promotes and encourages alternative methods including the use of ombudsmen. This has resulted in the greater use of alternative dispute resolution, ADR, practices, both because of legislation, specifically the Administrative Dispute Resolution Act of 1990, ADRA, and because of a desire to resolve workplaces conflicts quickly to the mutual benefit of both the employee and the agency. I wish to point out that ombudsmen are not themselves an alternative means of dispute resolution, but rather a neutral practitioner of dispute resolution practices, including ADR techniques, to handle complaints.

I support strong workplace protections to protect Federal employees from arbitrary agency actions and prohibited personnel practices. Ombudsmen provide another way to ensure a more rapid conclusion to workplace problems. These offices may also provide another tool in assisting agencies in attracting, retaining, and motivating their workforces. In fact, this report concludes that ''ombudsman offices can offer a useful option for agencies to consider in developing their overall human capital management policies and practices.'' Another plus is that these offices focus on identifying systemic issues and developing conflict prevention strategies.

The GAO identified 22 workplace ombudsman offices in 10 agencies. Their ''best practices'' report focuses for illustrative purposes on offices within three agencies: The National Institutes of Health, NIH, the International Broadcasting Bureau, IBB, and the U.S. Secret Service.

NIH has one of the most developed ombudsman offices, which was established in 1997, and now has four full time ombudsman. The IBB office began as a part-time position in 1988, and now has two full-time officials. The Secret Service's office, started in 1987, employs one full-time staff member and nine collateral-duty people serving the Secret Service's field offices.

These ombudsmen are high-level managers with broad authority to deal with almost any workplace issue, including answering questions about agency policies, cutting through ''red tape,'' counseling employees and coaching them on how to manage situations, handling accusations about employment discrimination, and workplace safety issues. Ombudsmen are a resource for Federal workers with workplace issues; an office which they can consult that is independent, neutral, and provides confidentiality.

The 1990 ADRA authorizes the use of ombudsman offices but does not define or set standards for an ombudsman. The Act, as amended in 1996, established the Interagency ADR Working Group. There is also a Coalition of Federal Ombudsmen. The NIH, IBB, and Secret Service ombudsmen who participated in the GAO report are involved with both these and outside organizations. Some of the non-Federal Government organizations have published or drafted standards of practice for ombudsmen. These standards focus on the core principals of independence, neutrality, and confidentiality, which requires a commitment from the highest levels within an agency. This commitment is the guiding force in the success of the three offices studied by the GAO.

In addition to support from senior management, an ombudsman office must work closely with unions representing Federal workers. The General Counsel of the Federal Labor Relations Authority has issued guidance concerning the establishment of ADR

programs and the Federal Service Labor-Management Relations Statute. It is essential that ombudsmen do not come in conflict with the role of unions in protecting worker rights. From the case studies examined by the GAO, there appeared to be good relations between ombudsmen and unions in the agencies where employees are represented by unions. As agencies consider this and other alternatives to traditional dispute resolution, there must be assurances that employees' rights are maintained throughout the process of implementing these practices.

I recommend this General Accounting Office report to my colleagues, and I commend Anthony P. Lofaro of the GAO for his contribution to this report, along with Stephen Altman and Katherine Brentzel. It provides excellent background and a best practices blueprint for Federal agencies as they consider employing ombudsman to assist their employees.

AMERICAN INDIAN HERITAGE MONTH

Mr. WELLSTONE. Mr. President, I rise today to speak on American Indian Heritage Month, which is celebrated in Minnesota in May. It is fitting that we take time during this month to recall the contributions, services and heritage of our fellow Native American citizens, and to remember that the enormous contributions and talents of Native American continue to enrich our lives every day.

In our review of these vital contributions, we must acknowledge the courage, talent, determination, leadership and vision of those men, women and children who made an impact on our Nation in the face of incredible obstacles. We should be mindful, as we celebrate the culture, heritage and spiritual contributions of the first Americans, that we must re-dedicate ourselves to preserving the unique relationship between Native Americans tribal governments and the Federal Government.

Many of the basic principles of our Constitution, such as freedom of speech and separation of powers, were embodied in practices already in use by American Indian tribal prior to our Republic. Many of our deepest values, such as respect for the preservation of natural resources, reverence for elders, and adherence to tradition, find root in American Indian traditions.

The relationship between American Indians and the Federal Government is unique and finds no parallel. When the United States was organized as a Nation, government officials continued the practice from the Dutch and British of making treaty agreements with American Indian Nations whenever land boundaries needed to be clarified or negotiated.

All of the land in Minnesota was gained by the United States through a series of treaties with the Anishinabe and Dakota Nations. Sixteen treaties and four agreements applied to American Indians of Minnesota. One of the earliest treaties to affect Minnesota's American Indians was the Pike Treaty of 1806, which allowed the Federal Government to claim a small section of land near the confluence of the Minnesota and Mississippi rivers to build a military fort, which ultimately became known as Fort Snelling. The 1825 Treaty of Prairie du Chien created a boundary between the Dakota to the south and the Ojibwe who lived in the woodland country to the north.

In addition to acknowledging the historical context of the relationship between the Federal Government and the American Indians, we should also recognize the various contemporary entities and contributions of these Bands. Their efforts have helped shape the social, economic and political landscape of our region.

In the area of economic development, the Minnesota American Indian Chamber of Commerce has done tremendous work in the area of advanced telecommunications, and other forms of business development to expand economic opportunities for American Indians on reservations as well as in urban areas.

The Mille Lacs Band of Ojibwe was honored by the Harvard Project on American Indian Innovation in 1999 for their Ojibwe Language Program. This is a highly successful effort to revitalize the Band's native language by teaching it to their younger members in innovative ways.

Our community also is extremely privileged to have an organization with the capacity and outreach of American Indian Opportunities Industrialization Center. This organization provides necessary education and job training skills, serving as a bridge between public school and employment or college for its students.

I am also proud to commend the organizations that comprise the Metropolitan Urban Indian Directors for their unwavering efforts to examine and address many critical issues and challenges facing urban American Indians.

Native Americans in my State, and indeed in all fifty States, are justly proud of their heritage and culture. They can be just as proud of their efforts today to preserve that heritage, to protect that culture and to make it relevant for today's Native American children, and it is those efforts that I honor today.

CONFIRMATION OF RESERVE SERVICE CHIEFS

Mr. McCAIN. Mr. President, I rise to mark an historic day for our Nation's military, and specifically the reserves. Yesterday, the U.S. Senate honorably carried out its constitutional duty by approving the Presidential nominations of Reserve Service Chiefs to the rank of three-star. Last year's National Defense Authorization Act for Fiscal Year 2001, H.R. 4205, required the service secretaries to increase the rank of the Chief of the Navy Reserve, Commander of the Marine Forces Reserve, Chief of the Army Reserve, Chief of the Air Force Reserve, Director of the Army National Guard, and the Director of the Air National Guard to Vice Admiral or Lieutenant General. This mandate was very significant to me and many of my colleagues, as well as those who serve in our reserve forces.

Earlier this year, I was greatly honored to be recognized by the Reserve Officers Association in receiving their highest honor—the Minute Man of the Year Award. The Reserve Officers Association, particularly Rear Admiral Stephen G. Yusem USNR (Retired), deserves great credit for its efforts in working with Congress to ensure that this well-deserved change in promotion authority for the Reserve Chiefs became a reality.

It is especially important to me because of the significant changes I have observed in our Total Force, active duty and Reserve Components since the late-1980s to early-1990s when Senator Glenn chaired the Personnel Subcommittee on the Committee on Armed Services and I was the ranking member on the subcommittee. Back then, reservists were truly weekend warriors. That, however, is not the case now—they are much more than that. Today, reservists work considerably more than weekends, and are as critical a part of the fabric of our National Military Strategy as active duty servicemembers.

The all-volunteer military has largely been a success in our country. However, an unfortunate bi-product has been the increasing chasm between those Americans who have served in the armed services and those who have not. Twenty years ago, scores of elected officials in Washington were veterans. Today, the number of Senators and Congressmen who have worn the uniform of the armed services has rapidly declined.

This military-civilian gap, as some have characterized it, is a troubling reality that we must seek to bridge. It is increasingly difficult for many of our fellow citizens to truly appreciate the sacrifices of those who serve in any capacity. That is another reason that the reserves are so important for our national life. Our reserve servicemembers not only protect our liberty, but also serve as the indispensable link to those Americans in civilian life not ordinarily touched in their daily lives by the sacrifice, honor and privilege of military service.

The roles and missions of the Reserve Components have changed over the past several years, as the active duty force has evolved from the downsizing of our military forces during the last decade. For example, in March 2001, the Army National Guard 29th Infantry Division took command of the American peacekeeping mission in Bosnia. The significance of this deployment is that

75 percent of the 4,000 U.S. Army soldiers on the ground will be Army Reserve and Guard soldiers from 17 states—not just headquarters' staff, but operational units as well.

This is just one of many such deployments that have taken place in recent years, but it highlights the ever-increasing role of reservists in defending America's security interests around the world, and marks a radical departure from the past.

The figures are quite staggering when considered in total. Today, reservists and National Guardsmen are deployed under three presidential call-up orders for Bosnia, Kosovo and Southwest Asia. For Bosnia, more than 21,000 U.S. reservists have been called involuntarily since 1995, with another 14,000 having served in a voluntary capacity. For Kosovo, more than 7,100 have been called involuntarily, and these have been joined by more than 4,000 volunteers. For Southwest Asia, 2,800 have been called and some 11,000 have volunteered.

During each of the past five years, Reserve and National Guard servicemembers have performed between 12 and 13.5 million duty days in support of the active force. These numbers are a direct contrast to 1990, when just one million duty days were performed, yet there were 25 percent more reservists.

Reservists also currently make up more than half of the airlift crews and 85 percent of the sealift personnel needed to move troops and equipment in either wartime or peacetime operations. In addition, reserve medical and construction battalions, as well as other specialists, are critical to a wide range of operations. Consequently, efforts by the reserve components to move beyond a traditional wartime backup role and to provide peacetime support to active units are desirable. The Naval Reserve and Air Force Reserve components have made particularly impressive progress in this direction.

Reservists are performing many vital tasks, from patrolling the no-fly zones in skies above Iraq to rebuilding schools in hurricane-stricken Honduras and fighting fires in our western states, from overseeing civil affairs in Bosnia, to augmenting aircraft carriers short on active duty sailors with critical skilled enlisted ratings during at-sea exercises as well as periods of deployment.

I believe that the civilian and uniformed leadership of our Armed Forces and the Congress must recognize this involvement, and, at a minimum, provide equality in benefits for reserve component servicemembers when they put on the uniform and perform their weekend drills as well as all other critical training evolutions. Quality of life is not just an active duty obligation that Congress must provide. Reservists, on duty, who resemble their active duty counterparts during training evolutions and are deployed at times around the world, should be treated equally when the administration and Congress provide for quality of life benefits.

I am pleased to pay homage to the many wonderful reserve servicemen and women who serve in our armed forces, and in some small measure thank them for their dedicated service to our country by recognizing the confirmation by the U.S. Senate of the Reserve Service Chiefs to three-star rank. Congratulations to Vice Admiral John B. Totushek, Chief of the Naval Reserve; Lieutenant General Dennis M. McCarthy, Commander of the Marine Forces Reserve; Lieutenant General Thomas J. Plewes, Chief of the Army Reserve; Lieutenant General James E. Sherrard, III, Chief of the Air Force Reserve; and, Lieutenant General Roger C. Schultz, Director of the Army National Guard. I am confident that our Reserve Component forces will continue to flourish under your leadership. All of you have already demonstrated that the key to your strength as leaders is in supporting the servicemen and women who work very hard in our military. I trust in your willingness and ability to uphold the honor of our country. Congratulations on your continued sacrifice and service to our Nation.

THE VERY BAD DEBT BOXSCORE

Mr. HELMS. Mr. President, at the close of business yesterday, Thursday, May 24, 2001, the Federal debt stood at $5,660,965,921,275.71, five trillion, six hundred sixty billion, nine hundred sixty-five million, nine hundred twenty-one thousand, two hundred seventy-five dollars and seventy-one cents.

One year ago, May 24, 2000, the Federal debt stood at $5,676,762,000,000, five trillion, six hundred seventy-six billion, seven hundred sixty-two million.

five years ago, May 24, 1996, the Federal debt stood at $5,122,025,000,000, five trillion, one hundred twenty-two billion, twenty-five million.

Ten years ago, May 24, 1991, the Federal debt stood at $3,481,461,000,000, three trillion, four hundred eighty-one billion, four hundred sixty-one million.

Twenty-five years ago, May 24, 1976, the Federal debt stood at $607,559,000,000, six hundred seven billion, five hundred fifty-nine million, which reflects a debt increase of more than $5 trillion, $5,053,406,921,275.71, five trillion, fifty-three billion, four hundred six million, nine hundred twenty-one thousand, two hundred seventy-five dollars and seventy-one cents during the past 25 years.

ADDITIONAL STATEMENTS

IN RECOGNITION OF THERMOANALYTICS, INC.

• Mr. LEVIN. Mr. President, I wish to acknowledge the achievements of ThermoAnalytics, Inc., a small business from my home state of Michigan that has been once again recognized for its quality products and high tech innovation. On May 9 of this year, ThermoAnalytics was selected by the Small Business Administration as the Small Business Prime Contractor of the Year 2000 for Region V, an area that includes Michigan, Illinois, Indian, Minnesota, Ohio and Wisconsin. This is the third quality award bestowed upon ThermoAnalytics, Inc. by the Federal Government in the past year.

ThermoAnalytics has worked with the automotive industry and the U.S. Army Tank-Automotive and Armaments Command (TACOM) to develop a world class software tool that is considered standard in the auto industry and Department of the Army. As the Army continues to transform itself into a smaller, lighter and more efficient fighting force, computer analysis tools, such as these, are used to design performance vehicles before they are built and tested. The products designed by ThermoAnalytics are helping the Army achieve this important goal.

ThermoAnalytics developed a computerized model for heat management to aid in the assessment of the susceptibility of Army vehicles to threat sensors. This technology was commercialized into a state-of-the-art image based radiation solver. The commercial product was released in July 1999 and provides engineers with a quick and simple thermal predication tool. A second commercial product was developed for more advanced use by the Big 3 automotive manufacturers and associated automotive markets. The products are used widely by the automotive industry and military labs and contractors.

In addition to the Contractor of the Year Award, ThermoAnalytics received the Small Business Administration's Tibbetts Award for their accomplishments in the area of high technology innovation on October 3, 2000. Tibbetts Awards are presented annually to small technology firms which have achieved excellence under the Small Business Innovative Research (SBIR) program. The winners, one from each state, are selected based on the economic impact of the technological innovation, overall business achievement and demonstration of effective collaborations.

Prior to the Contractor of the Year Award and the Tibbetts Award, ThermoAnalytics received the Army Phase II Quality Award on August 22, 2000. These three awards highlight the ingenuity and innovation that have come to typify ThermoAnalytics.

ThermoAnalytics, Inc. is an outstanding company that has played a vital role in assisting the United States Army and private industry. I know that my Senate Colleagues will join me in congratulating ThermoAnalytics on being named the Small Business Prime Contractor of the Year for Region V.•

MEMORIAL DAY TRIBUTE

• Mr. LUGAR. Mr. President, in celebration of the Memorial Day holiday, I would like to recognize the work of Gertrude Stephenson, whose dedication to the remembrance of veterans has led to deeper awareness and ongoing appreciation of fallen heroes in Washington County, IN. What began as a project of the Salem High School Class of 1965 to honor Jerry Sabens, killed in Vietnam, developed into a community-wide effort to acknowledge the sacrifices of all Washington County veterans who gave their lives in service to our country.

Thanks to Mrs. Stephenson's direction and the research assistance of Martha Bowers, more than 100 articles were printed in The Salem Leader detailing the stories of these veterans. With the help of Cecil Smith, former editor of The Salem Leader, and his staff, the stories have been compiled in a book, ''Gone But Not Forgotten.''

This labor of justice will greatly benefit the citizens of Washington County, IN, as families come together to share stories, photographs and personal information of the loved ones who died protecting our freedom. County youth will gain new understanding and appreciation of our American patriots of war.

I am personally grateful for all in Washington County who contributed to this project, including the Washington County Veterans Office, the County Extension Office, the Stevens Museum staff and so many others.•

TRIBUTE TO ELIZABETH M. BENNETT

• Mr. DAYTON. Mr. President, today I take the opportunity to pay special tribute to a remarkable person, Elizabeth M. Bennett, of Wayzata, MN. Beth has led a life of extraordinary service to the communities of Minneapolis and Saint Paul. Most particularly, she has invested her energies with the goal of improving the quality of health care in the Twin Cities. Her activism was not limited to Minnesota, however; early on, she also made her presence felt in Northern California, where she lived for a time, and eventually on the national stage, as well.

The extensive list of her volunteer commitments spans six decades, beginning with her activism in high school, where she applied her special gifts for analysis and problem solving. Happily, these talents were also crowned by the ability to lead and inspire, for, in a demonstration of her early promise, she started a YWCA leadership group at West High School in Minneapolis. For this effort, she was awarded the Harry S Truman National Leadership Award in 1947. From there, Beth was well on her way.

As a young person, Beth dreamt of entering the medical profession, an ambition which was never realized. Instead, she directed her passion for better health care into her volunteer work, serving as a board member for a variety of institutions. She volunteered to participate—early, effectively, and equipped always by mastery of the subject at hand—in the public discussion encompassing the community's broad health care agendas. Her interests have included the uninsured, and health care research for children and seniors, always staying current with the rapidly changing profile of health care needs and delivery systems in our society.

In addition to investing her time, heart, and mind, she raised many millions of dollars. For her extraordinary fund raising, she has not always received sufficient recognition. But I am pleased to say that in 1988, she was awarded the well-deserved National Association of Fundraisers Award. Beyond the tangible, however, Beth touches others with that indispensable, inimitable spirit of enthusiasm, encouraging them to become involved, too. Many have found exposure to Beth's zeal and breadth of knowledge about a cause to be irresistible and have been moved to strong support, sometimes for the first time.

Beth was instrumental in the creation of the new Children's Hospital in 1958, planning for community health care facilities and programs, consideration of issues in medical education, and the relationship between the University and private community entities and served on its Board for 35 years.

She served on the boards of Northwestern Hospital and Abbott Hospital in various capacities and was a major force in their merger in 1994, serving for over 40 years. She acted as a liaison between Abbott-Northwestern and Children's (now Allina Health System) during a crucial early period, planning for community health care facilities for adults as well as children.

Continuing her lifelong advocacy of quality health care for the citizens of the State of Minnesota, Beth has been a member since 1990 of the board of directors of the University of Minnesota's Children's Foundation (which supports pediatric research), recently as its Chair, and concurrently chairs the pediatric portion of Campaign Minnesota at the University of Minnesota.

In recognition of these numerous contributions she has made to health care, Beth was recently recognized with the University of Minnesota Dean of the Medical School Community Service Award.

While health care is closest to Beth's heart, she is also dedicated to higher education, having served on the boards of the University of Saint Thomas for the lasts 7 years and the Minneapolis College of Art and Design. In addition, she has served as a board member of WAMSO (Women's Association of Minneapolis Symphony Orchestra), the United Way, and The Bakken Library. Her love of the arts also inspired her to serve as a docent of the Minneapolis Institute of Arts. Long a member of the Junior League of Minneapolis, she spent 15 years on its board of directors and also chaired its Prevention of Accidental Poisoning in Children Project. While residing in California in the 1950's, she belonged to the board of directors of the Children's Hospital of the East Bay in Oakland and volunteered at the Oakland Well Baby Clinic.

Those who are fortunate enough to know Beth called her a jewel. To legions, she has been a champion, having created a solid legacy of support for many institutions and their constituents. While I trust that Beth's vocation of service has truly been its own reward, I hope that my remarks today might reflect a small measure of the goodness, self-giving, and strength she has long brought to us Minnesotans.•

FLORIDA BOARD OF REGENTS

• Mr. NELSON of Florida. Mr. President, I rise today to commend the Florida Voters League for its efforts to save Florida's Board of Regents. Today, the Board of Regents meet for the last time as the chief governing body of our State university system. The individuals who have served our system through the years have been distinguished public servants. I want to recognize them and thank them for their tireless effort throughout the years to ensure our students receive a quality education.

Florida's system has faced many challenges over the years, but none have been as potentially destructive as abolishing the board. At a time when Florida faces increasing strains on colleges and universities, it is imperative that we maintain a system that ensures our higher educational institutions receive adequate resources and funding beyond politics. The Board of Regents was created for that very purpose. It has served our State well by ensuring no State university becomes too powerful at the expense of the others.

This new system ensures that politicians will govern education, instead of experts and independent voices. In the past, the word of the Board of Regents was respected by legislators and was further supported by the Governor. It was meant to be a nonpartisan governing board. The will of the Universities now, however, will be determined by local political boards and the will of the Legislature. We recently have seen programs granted to universities by legislators, despite the strong opposition of the Board of Regents largely because legislators wanted to bring home ''the bacon'' to their alma mater. It was best described by Dean Weisenfeld of Florida Atlantic University's College of Science when he stated, we need to let ''universities be universities.'' Instead, the fate of our universities might now depend on the strength of their legislative delegations.

As my distinguished colleague, Senator BOB GRAHAM, has argued, elimination of the Board returns our State

to an antiquated system under which our institutions are pitted against each other for State and Federal dollars. The Board of Regents, on the other hand, has fostered a system of cooperation between our colleges and universities, reduced duplication of programs, and ensured fairness in funding. We must continue that sprit of cooperation if we are to meet the needs of our institutions and achieve our ultimate goals: creating world-class programs, attracting quality faculty and students and ensuring our schools can compete with the nation's best for research dollars. In that spirit, I support Senator GRAHAM's efforts to preserve the Board via constitutional referendum.

I applaud the Florida Voter League and other organizations that have chosen to speak out on this important issue. Insuring our State's next generation of leaders receive a quality college education is an issue we can't afford to ignore.●

IN RECOGNITION OF SUGARBUSH ELEMENTARY SCHOOL, 1ST PLACE WINNER IN THE NATIONAL CHILDREN'S SET A GOOD EXAMPLE COMPETITION

● Mr. LEVIN. Mr. President, I would like to honor the students at Sugarbush Elementary School, in my home state of Michigan. These motivated students will be honored on June 6th of this year for winning first place in the 18th Annual American Set A Good Example Competition.

Too often we hear about all the negative influences facing our youth. Much has been made of the many problems facing our children. While we hear about the threats posed by drugs, violence and illiteracy, too little is made of the positive steps that our youth are making to fight these terrible problems. This year, students from thousands of schools participated in the National Children's Set A Good Example Competition in an effort to address these problems. This competition is an innovative program that takes students' ideas seriously, and encourages them to develop and design projects that combat problems facing them every day.

Everybody truly wins when children are given the chance to express themselves and improve their communities, but the students at Sugarbush Elementary School received special notice when they were awarded 1st place in the National Children's Set a Good Example Competition. Their project encourages children to avoid drugs, respect people and protect the environment—values that people of all ages should live by.

Winning first place in a contest that includes over 10,000 schools is a significant accomplishment, and the students, faculty and parents at Sugarbush Elementary School have every reason to be proud of this accomplishment. I am sure that my Senate colleagues will join me in honoring the students at Sugarbush Elementary School for Winning 1st place in the National Children's Set a Good Example Competition, and more importantly for their hard work, idealism and commitment to strong values.●

TRIBUTE TO THE LIFE OF JULIAN JAY HENDRICKS

● Mr. REID. Mr. President, on behalf of myself and Senator ENSIGN, I rise today to pay tribute to a young Nevadan who touched the lives of those around him and created a sense of family in the small one-room schoolhouse where he was a student.

Julian Jay Hendricks, who celebrated his 7th birthday on February 25, 2001, became a student in the Duckwater Elementary School one-room schoolhouse last fall, and quickly adapted to life in the 9 student community. Julian's contagious smile and joyful disposition became a welcome presence to his Duckwater classmates and teacher.

Inside the classroom, Julian was an excellent math student, and enjoyed the task of learning how to read. On the playground, the young boy enthusiastically played basketball and volleyball with his friends and classmates. Like many adventurous boys, he loved skateboarding and rollerblading with his friends. Another favorite pastime of his was challenging his friends to a game of checkers; a game he was almost always the victor!

Tragically, Julian's life and the life of his grandmother, Jeanette Lankford, were cut short in an automobile accident on March 4, 2001.

For too short a time, this young Nevadan brought great happiness and friendship into a tiny schoolhouse in rural Duckwater, Nevada. We rise today to offer this tribute to Julian's life not only on our behalf, but on behalf of his teacher, Lynn Anderson, and all his friends and classmates at Duckwater Elementary School.

In conclusion, I submit to the RECORD a poem written in memory of Julian by his friend Amber Hoy.

I really didn't know Julian too well, but his beautiful smile that stretched across his rosy chubby cheeks was quite contagious to all of us.
I knew him just well enough to know he enjoyed his life and all of the wonders in it.
I am just deeply disappointed that I didn't get to know him as well as I would like to.
I find myself selfishly wishing Julian was back here with us now,
Although we think of his death as a tragedy,
Julian's future is much brighter in heaven with Jesus than it ever would have been here on Earth.
It was God's will to take Julian to a wonderful place where he can live the rest of his life safe in peace.
Secretly I ask myself what would Julian have been like in ten or maybe twenty years from now?
But I believe he will always be the small friendly boy, who attended the small friendly Duckwater School.
Even though Julian's body is gone, his spirit lives on in our hearts and the joyful sound of his happy laugh will forever ring in our ears.
At first I wished that I would have gotten to say good-bye to Julian, but maybe that last unforgettable smile and the last slight wave of his little hand as he stepped off the bus; was good-bye.
Good-bye, Julian. . .
Julian will always be in our thoughts and prayers.
Love always, Amber Hoy.

I add the thoughts and prayers of myself and Senator ENSIGN to those of Amber Hoy. Julian and his grandmother will be missed.●

WESTPORT VOLUNTEER EMERGENCY MEDICAL SERVICE

● Mr. DODD. Mr. President, I rise today to commend the Westport Volunteer Emergency Medical Service. Next week, the Westport Volunteer EMS will receive the EMS Magazine ''Gold Award'' in recognition of the extraordinary vision, professionalism, and dedication of Westport's volunteer emergency medical service providers.

By awarding WVEMS the ''Gold Award,'' EMS Magazine is confirming what many of us have long known: community spirit is alive and well in Connecticut and it still changes lives for the better. The men and women of the Westport Volunteer EMS are true heros—not only because they save lives—but because they are willing to do the yeomen's work that must be done to ensure that our communities are prepared to respond when the unthinkable happens.

More than 120 Westport volunteers respond to more than 2,000 9–1–1 calls each year. These volunteers make a huge difference in the lives of their fellow citizens. They respond to emergencies night and day. They provide comfort and assistance to people in distress and they save lives. But they also make an enormous difference in less dramatic ways. They teach safety and emergency preparedness classes to hundreds of school-aged children and adults. They host conferences. And nearly every weekend, somewhere in the community a volunteer EMS team provides coverage at a local school athletic event or community gathering. This is the true essence of community spirit—the willingness to spend time working with your neighbors to protect and service the greater good.

The Westport EMS was formally incorporated in 1979 and continues to serve the community as a division within the Westport Police Department, with on-site, standby crews 24 hours a day, 7 days a week, 52 weeks a year. Last year, Westport's volunteers logged 26,000 hours of community service.

The entire Northeast region recently had a chance to see the Westport EMS at work when Westport hosted a regional disaster drill in the form of a simulated Amtrak train wreck at the Westport train station. More than 400

EMS, fire, police, railroad, and National Guard personnel were joined by State officials in a realistic and successful event.

Recently, the Westport Volunteer Emergency Medical Service program was presented the ''Connecticut Treasures'' award in recognition of the agency's 20 years of service to the community. This same service and dedication are examples of one of America's greatest treasures—the goodness and charity of the American people. I commend the Westport EMS volunteers for their extraordinary service to their fellow citizens, and I congratulate them on receiving this much-deserved honor.●

TRIBUTE TO FRED HOLT

● Mr. FEINGOLD. Mr. President, a great educator and a dear friend of my family died earlier this month. Fred R. Holt was a school superintendent in my hometown of Janesville, Wisconsin from 1959 to 1978, and as the Janesville Gazette noted, his influence will echo in Janesville classrooms for years.

He oversaw the Janesville school system during one of its most challenging times, when the baby boom generation was rapidly increasing the school population. His gifted leadership helped to foster a climate that was supportive of students and teachers alike. As Fred's secretary for many years, Carol Smith, said, he cared for everyone on his staff as well as the students, and always did his best for them.

Fred was deeply committed to our schools. He attended school in Janesville, and was a teacher himself, in Edgerton, Wisconsin and in other districts before becoming Janesville's superintendent, and he knew how valuable a good teacher is. As a Janesville Gazette article recalled, Fred would send his administrators to teacher-training institutions across the Midwest to recruit top teaching prospects. As products of Fred Holt's Janesville schools, my brother, sisters, and I can attest to the success of his efforts. Thousands of Janesville families were the beneficiaries of Fred Holt's foresight and initiative.

I had the privilege of working with Fred after he retired when I served in the Wisconsin State Senate. He was an enormously effective advocate, and generously shared his time counseling troubled youth, heading a volunteer service bureau, and helping to renovate the Janesville Senior Center. In 1987, his work was recognized when he was named one of Wisconsin's 10 admired seniors.

Fred Holt's legacy is evident in Janesville and across the country. I am a part of that legacy. And so are tens of thousands of business people and auto workers, physicians and police officers, artists and plumbers, educators, machinists, farmers, and others who have become who they are in large part because of the education they received growing up in Janesville. We owe him an enormous debt.●

IN MEMORY OF RABBI YITSCHAK MEIR KAGAN

● Mr. LEVIN. Mr. President, Today I would like to commemorate the achievements of a beloved religious leader, dedicated father and husband and friend from my home state of Michigan, Rabbi Yitschak Meir Kagan. On June 3 of this year, people from around the world will be gathering in Southfield, MI, to honor the life and memory of Rabbi Kagan.

Through hard work and an unwavering commitment to the ideals of Chabad-Lubavitch, Rabbi Kagan's work has made an indelible mark upon countless individuals. His deep faith, keen intellect, and concern for others has led him to give generously of himself.

Born in England, Rabbi Kagan's extensive education assumed an international flavor. After early instruction in Great Britain, he studied at the Lubavitch Yeshiva in Israel, the Central Lubavitch Academy in New York and the Rabbinical College in Montreal where he received his ordination.

Central to Rabbi Kagan's life was the Chabad-Lubavitch movement. In 1966, Rabbi Kagan joined the Michigan Chabad-Lubavitch. For thirty-five years he worked tirelessly to expand the Lubavitch Foundation's presence in Michigan. Chabad-Lubavitch is a Hasidic sect that originated in Lubavitch, Russia. Lubavitch means ''brotherly love,'' and Chabad is an acronym for a philosophy that pursues wisdom, understanding and knowledge of God. Rabbi Kagan's life embodied the ideal of brotherly love as he sought ''to increase the knowledge of Judaism within every Jew'' by educating people about the Torah, providing worship services and performing charitable acts.

As Associate Director of the Lubavitch Foundation, Rabbi Kagan expanded the Foundation by establishing Chabad houses in Ann Arbor, Flint and Grand Rapids, developing ''the Campus of Living Judaism;'' counseling students and tending to the spiritual development of countless individuals.

Rabbi Kagan's work reached far beyond Michigan. The printed word enabled his thoughts and insights to span the globe. He published essays adapted from the works of Lubavitcher Rebbe that were read by a multitude each month. In addition, he edited and translated the Rebbe's classic text, Hayom Yom, edited philosophical texts and translated commentaries on the Torah.

Rabbi Kagan has been a community and spiritual leader for over three decades. I have been able to witness, firsthand, his enthusiastic commitment to helping others in need. Rabbi Kagan touched the lives of all who met him. He worked with and helped immigrants, prisoners, drug users, families in need and others with characteristic zeal, kindness and love. I know my Senate colleagues join me in commemorating the life of Rabbi Yitschak Meir Kagan, and in offering their condolences to Rochel Kagan, his wife, and his extended family.●

MESSAGES FROM THE PRESIDENT

Messages from the President of the United States were communicated to the Senate by Ms. Evans, 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 the Judiciary.

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

REPORT ON THE PROGRESS TOWARD ACHIEVING BENCHMARKS IN BOSNIA—MESSAGE FROM THE PRESIDENT—PM 25

The Presiding Officer laid before the Senate the following message from the President of the United States, together with an accompanying report; which was referred to the Committee on Armed Services.

To the Congress of the United States:

As required by the Levin Amendment to the 1998 Supplemental Appropriations and Rescissions Act (section 7(b) of Public Law 105–174) and section 1203(a) of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law 105–261), I transmit herewith a report on progress made toward achieving benchmarks for a sustainable peace process in Bosnia and Herzegovina.

In July 2000, the fourth semiannual report was sent to the Congress detailing progress towards achieving the ten benchmarks that were adopted by the Peace Implementation Council and the North Atlantic Council in order to evaluate implementation of the Dayton Accords. This fifth report, which also includes supplemental reporting as required by section 1203(a) of Public Law 105–261, provides an updated assessment of progress on the benchmarks covering the period July 1, 2000, to February 28, 2001.

GEORGE W. BUSH.

THE WHITE HOUSE, *May 25, 2001.*

MESSAGES FROM THE HOUSE

At 11:27 a.m., a message from the House of Representatives, delivered by Ms. Niland, one of its reading clerks, announced that the House agrees to the amendments of the Senate to the bill (H.R. 801) entitled ''An Act to amend title 38, United States Code, to improve programs of educational assistance, to expand programs of transition assistance and outreach to departing servicemembers, veterans, and dependents, to increase burial benefits, to

provide for family coverage under Servicemembers' Group Life Insurance, and for other purposes.''

ENROLLED BILL SIGNED

The message also announced that the Speaker has signed the following enrolled bill:

H.R. 801. An act to amend title 38, United States Code, to improve programs of educational assistance, to expand programs of transition assistance and outreach to departing servicemembers, veterans, and dependents, to increase burial benefits, to provide for family coverage under Servicemembers' Group Life Insurance, and for other purposes.

The enrolled bill was signed subsequently by the President pro tempore (Mr. THURMOND).

At 3:58 p.m., a message from the House of Representatives, delivered by Mr. Hayes, one of its reading clerks, announced that the House has passed the following bill, in which it requests the concurrence of the Senate:

H.R. 1. An act to close the achievement gap with accountability, flexibility, and choice, so that no child is left behind.

MEASURES PLACED ON THE CALENDAR

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

H.R. 1. An act to close the achievement gap with accountability, flexibility, and choice, so that no child is left behind.

EXECUTIVE AND OTHER COMMUNICATIONS

The following communications were laid before the Senate, together with accompanying papers, reports, and documents, which were referred as indicated:

EC–2047. A communication from the Acting Assistant Administrator of the Environmental Protection Agency, transmitting, pursuant to law, the report of a vacancy and the designation of acting officer for the position of Assistant Administrator for Prevention, Pesticides and Toxic Substances, received on May 17, 2001; to the Committee on Environment and Public Works.

EC–2048. A communication from the Administrator of the Food and Safety Service, Department of Agriculture, transmitting, pursuant to law, the report of a rule entitled ''Mandatory Inspection of Ratites and Squabs'' (RIN0583-AC84) received on May 23, 2001; to the Committee on Agriculture, Nutrition, and Forestry.

EC–2049. A communication from the Mayor of the District of Columbia, transmitting, the Supplemental Budget Request for Fiscal Year 2001; to the Committee on Governmental Affairs.

EC–2050. A communication from the Assistant Secretary of Lands and Minerals Management, Bureau of Land Management, Department of the Interior, transmitting, pursuant to law, the report of a rule entitled ''43 CFR 1820—Application Procedures'' (RIN1004–AD34) received on May 22, 2001; to the Committee on Energy and Natural Resources.

EC–2051. A communication from the Director of Regulations Policy and Management, Food and Drugs Administration, Department of Health and Human Services, transmitting, pursuant to law, the report of a rule entitled ''Gastroenterology-Urology Devices; Classification of Tissue Culture Media for Human Ex Vivo Tissue and Cell Culture Processing Applications'' (Doc. No. 01P-0087) received on May 23, 2001; to the Committee on Health, Education, Labor, and Pensions.

EC–2052. A communication from the Director of the Corporate Policy and Research Department, Pension Benefit Guaranty Corporation, transmitting, pursuant to law, the report of a rule entitled ''Benefits Payable in Terminated Single-Employer Plans; Allocation in Single-Employer Plans; Interest Assumption for Valuing and Paying Benefits'' received on May 22, 2001; to the Committee on Health, Education, Labor, and Pensions.

EC–2053. A communication from the Assistant Director for Executive and Political Personnel, Department of Defense, transmitting, pursuant to law, the report of a nomination for the position of Assistant Secretary of Defense, International Security Affairs, received on May 23, 2001; to the Committee on Armed Services.

EC–2054. A communication from the Chief of the Programs and Legislation Division, Office of Legislative Liaison, Department of the Air Force, transmitting, pursuant to law, a report relative to the cost comparison to reduce the cost of the Supply and Transportation functions; to the Committee on Armed Services.

EC–2055. A communication from the Assistant Secretary of Defense, Force Management Policy, transmitting, pursuant to law, the annual report relative to the number of waivers granted to aviators who fail to meet the operational flying duty requirements for Fiscal Year 2000; to the Committee on Armed Services.

EC–2056. A communication from the Under Secretary of the Department of Defense, transmitting, the report of a violation of the Antideficiency Act, case number 96–08; to the Committee on Appropriations.

EC–2057. A communication from the Under Secretary of Defense, transmitting, pursuant to law, the report of a violation of the Antideficiency Act, case number 98–04; to the Committee on Appropriations.

EC–2058. A communication from the Under Secretary of Defense, transmitting, pursuant to law, the report of a violation of the Antideficiency Act, case number F97–09; to the Committee on Appropriations.

EC–2059. A communication from the Secretary of the Treasury, transmitting, pursuant to law, the annual report on the operations of the Exchange Stabilization Fund for Fiscal Year 2000; to the Committee on Banking, Housing, and Urban Affairs.

EC–2060. A communication from the Acting Chief Counsel of the Office of Foreign Assets Control, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''Blocked Persons, Specially Designated Nationals, Specially Designated Terrorists, Foreign Terrorist Organizations, and Specially Designated Narcotics Traffickers: Additional Designations of Specially Designated Narcotics Traffickers and Removal of Specially Designated National of Cuba'' (31 CFR 5) received on May 23, 2001; to the Committee on Banking, Housing, and Urban Affairs.

EC–2061. A communication from the General Counsel of the Federal Emergency Management Agency, transmitting, pursuant to law, the report of a rule entitled ''Changes in Flood Elevation Determinations'' (66 FR 24280) received on May 23, 2001; to the Committee on Banking, Housing, and Urban Affairs.

EC–2062. A communication from the General Counsel of the Federal Emergency Management Agency, transmitting, pursuant to law, the report of a rule entitled ''Final Flood Elevation Determinations'' (66 FR 24284) received on May 23, 2001; to the Committee on Banking, Housing, and Urban Affairs.

EC–2063. A communication from the Acting Director of the Office of Sustainable Fisheries, National Marine Fisheries Service, Domestic Fisheries Division, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ''Inseason Adjustment of the 2000 Atlantic Herring Specifications; Closure of Area 1A'' (RIN0648–AI78) received on May 23, 2001; to the Committee on Commerce, Science, and Transportation.

EC–2064. A communication from the Director for Financial Management and Deputy Chief Financial Officer, Office of the Secretary, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ''Civil Monetary Penalties; Adjustment for Inflation'' (RIN0690–AA31) received on May 23, 2001; to the Committee on Commerce, Science, and Transportation.

EC–2065. A communication from the Acting Assistant Administrator for Fisheries, National Marine Fisheries Service, Office of Sustainable Fisheries, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ''Framework Adjustment 14 to the Atlantic Sea Scallop Fishery Management Plan'' (RIN0648–AO07) received on May 23, 2001; to the Committee on Commerce, Science, and Transportation.

EC–2066. A communication from the Acting Assistant Administrator for Fisheries, National Marine Fisheries Service, Office of Sustainable Fisheries, Department of Commerce, transmitting, pursuant to law, the report of a rule entitled ''Emergency Interim Rule for the Atlantic Deep-Sea Red Crab Fisheries'' (RIN0648–AP10) received on May 23, 2001; to the Committee on Commerce, Science, and Transportation.

EC–2067. A communication from the Chief of the Regulations Unit, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''Federal Employment Tax Deposits-De Minimis Rule'' (RIN1545–AY47) received on May 22, 2001; to the Committee on Finance.

EC–2068. A communication from the Chief of the Regulations Unit, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''Qualified Zone Academy Bonds'' (RIN1545–AY01) received on May 23, 2001; to the Committee on Finance.

EC–2069. A communication from the Chief of the Regulations Unit, Internal Revenue Service, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''Administrative Appeal of Dyed Fuel and Refusal Penalties'' (Rev. Procs. 2001–33, 2001–23) received on May 23, 2001; to the Committee on Finance.

EC–2070. A communication from the Regulations Officer of the Social Security Administration, transmitting, pursuant to law, the report of a rule entitled ''Coverage of Employees of State and Local Governments; Office of Management and Budget Control Number'' (RIN0960–AE69) received on May 23, 2001; to the Committee on Finance.

EC–2071. A communication from the Chief of the Regulations Division, Bureau of Alcohol, Tobacco and Firearms, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled ''Manufacturers Excise Taxes—Firearms and Ammunition; Delegation of Authority Part 53'' (RIN1512–AC18) received on May 24, 2001; to the Committee on Finance.

EC–2072. A communication from the Deputy Chief of the Regulations Division, Bureau of Alcohol, Tobacco and Firearms, Department of the Treasury, transmitting, pursuant to law, the report of a rule entitled

''Delegation of Authority for Part 250'' (RIN1512–AC38) received on May 24, 2001; to the Committee on Finance.

EC–2073. A communication from the Principal Deputy Associate Administrator of the Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ''Approval of Colorado Petition to Relax the Federal Gasoline Reid Vapor Pressure Volatility Standards for 2001'' (FRL6984–7) received on May 22, 2001; to the Committee on Environment and Public Works.

EC–2074. A communication from the Principal Deputy Associate Administrator of the Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ''Clean Air Act Promulgation of Attainment Date Extension for the Fairbanks North Star Borough Carbon Monoxide Nonattainment Area, Alaska'' (FRL6986–4) received on May 22, 2001; to the Committee on Environment and Public Works.

EC–2075. A communication from the Principal Deputy Associate Administrator of the Environmental Protection Agency, transmitting, pursuant to law, the report of a rule entitled ''Effluent Guidelines and New Source Performance Standards for the Oil and Gas Extraction Point Source Category, OMB Approval under the Paperwork Reduction Act; Technical Amendment; Correction'' (FRL6987–5) received on May 23, 2001; to the Committee on Environment and Public Works.

EC–2076. A communication from the Acting Assistant Administrator of the Environmental Protection Agency, transmitting, pursuant to law, the report of a nomination for the position of Assistant Administrator for Air and Radiation, received on May 23, 2001; to the Committee on Environment and Public Works.

EC–2077. A communication from the Acting Assistant Administrator of the Environmental Protection Agency, transmitting, pursuant to law, the report of a nomination for the position of Assistant Administrator of the Office of Prevention, Pesticides and Toxic Substances, received on May 23, 2001; to the Committee on Environment and Public Works.

EC–2078. A communication from the Acting Assistant Administrator of the Environmental Protection Agency, transmitting, pursuant to law, the report of a nomination for the position of Deputy Administrator, received on May 23, 2001; to the Committee on Environment and Public Works.

EC–2079. A communication from the Acting Director of the Fish and Wildlife Service, Department of the Interior, transmitting, pursuant to law, the report of a rule entitled ''Endangered and Threatened Wildlife and Plants; Final Designation of Critical Habitat for Riverside Fairy Shrimp'' (RIN1018–AG34) received on May 23, 2001; to the Committee on Environment and Public Works.

EC–2080. A communication from the Acting Secretary of the Army, Department of Defense, transmitting, pursuant to law, a report relative to the authorization and implementation of a navigation project for Jacksonville Harbor, Duval County, Florida; to the Committee on Environment and Public Works.

PETITIONS AND MEMORIALS

The following petitions and memorials were laid before the Senate and were referred or ordered to lie on the table as indicated:

POM–73. A joint resolution adopted by the Legislature of the State of Nevada relative to the approval of national monuments; to the Committee on Energy and Natural Resources.

SENATE JOINT RESOLUTION NO. 2

Whereas, The provisions of 16 U.S.C. §§431, 432, and 433, commonly referred to as the Antiquities Act of 1906, authorize the President of the United States to designate national monuments without the approval of Congress or any state or local government in which the national monument is located; and

Whereas, As part of designating a national monument pursuant to those provisions, the President of the United States may reserve parcels of public land to ensure the appropriate care and management of the national monument, and the reservation of that public land must be confined to the smallest area compatible with that care and management; and

Whereas, The designation of a national monument is often a subject of controversy because the public lands that are included within the designation are withdrawn from the public domain, thereby restricting activities such as mining, ranching and recreation which provide an economic benefit to state and local governments in which the national monument is located; and

Whereas, Decisions concerning the use and management of public lands within a state should be decided by the residents of that state acting through their state and local representatives; and

Whereas, The unilateral designation of a national monument by the President of the United States does not create beneficial partnerships between states and the Federal Government concerning the management of public lands within those states, instead, such a designation serves to create enmity and to limit the ability of a state to manage its water resources and the ability of state and local governments to develop plans for conservation or otherwise participate in managing those public lands; now, therefore, be it

Resolved by the Senate and Assembly of the State of Nevada, Jointly, That the Legislature of the State of Nevada hereby opposes the designation of a national monument by the President of the United States without obtaining the approval of each state and local government in which the national monument is located; and be it further

Resolved, That the President of the United States is hereby urged to refrain from designating a national monument or from withdrawing public lands from the public domain to create a national monument without obtaining such approval; and be it further

Resolved, That the Secretary of the Senate prepare and transmit a copy of this resolution to the President of the United States, the Vice President of the United States as the presiding officer of the Senate, the Speaker of the House of Representatives and each member of the Nevada Congressional Delegation; and be it further

Resolved, That this resolution becomes effective upon passage.

POM–74. A joint resolution adopted by the Legislature of the State of Nevada relative to the delegation of a National Historic Trail; to the Committee on Energy and Natural Resources.

SENATE JOINT RESOLUTION NO. 14

Whereas, The Old Spanish Trail, which ran between Santa Fe, New Mexico, and Los Angeles, California, was the first non-Native American trail to cross Nevada and remains the least known trail; and

Whereas, Traders, couriers and emigrants en route between Santa Fe and Los Angeles followed Indian trails in blazing the Spanish Trail through Clark County; and

Whereas, The journey of Antonio Armijo, a trader from New Mexico, through Nevada in 1829 and 1830 linked the historic 1776 routes of the Dominguez-Escalante expedition through Utah and the Garces' exploration into Southern California and used a portion of the 1826 and 1827 routes of Jedediah Smith to California; and

Whereas, Antonio Armijo was the first to link the interior of the southwest with the California coast successfully, thus opening a commercial trade route, approximately 1,121 miles long, that functioned between 1829 and 1848 as the main artery connecting the interior to the coast which later became known as the Old Spanish Trail and is so named in modern literature; and

Whereas, Captain John C. Fremont of the United States Corps of Topographic Engineers was commissioned in 1843 by the War Department to find and map the Oregon Trail, an assignment which he completed successfully; and

Whereas, After documenting the Oregon Trail, Captain Fremont, in an effort to expand his government's knowledge about California, pushed south through Northern Nevada into California; and

Whereas, In 1844, Fremont sought the Spanish Trail to guide his party eastward from California and followed the trail through California and Nevada to his point of departure from Utah Lake the previous year; and

Whereas, The route of the trail Fremont followed from California, which he named the Spanish Trail in the report of his expedition that he filed with the War Department, led him across Southern Nevada from Stump Spring to the Virgin River via Mountain Springs Pass, Blue Diamond, Las Vegas Springs and the Muddy River; and

Whereas, This route was previously pioneered by traders from New Mexico who spoke Spanish, a fact used by Captain Fremont in designating the ''Camino de California'' or ''Camino de Nuevo Mexico'' as the Spanish Trail; and

Whereas, Fremont's report and map were so important to the plans of the United States for Western expansion that the United States Senate and House of Representatives each printed 10,000 copies of the report and map; and

Whereas, Copies of the report and map were available to thousands of emigrants heading westward to California who came to know the route they followed as Fremont's Spanish Trail; and

Whereas, The pioneers who used Fremont's route became familiar with the promising potential of Southern Nevada for settlement which led specifically to the founding of Las Vegas or ''The Meadows,'' whose name reflects its importance as a major camp site along the Spanish Trail; and

Whereas, The Old Spanish Trail is the foundation of succeeding routes of transport and travel through Southern Nevada including the Mormon Road, portions of the routes of the San Pedro, Los Angeles and Salt Lake Railroad and the Union Pacific Railroad which succeeded it, and the Arrowhead Trail Highway and its successors U.S. Highway No. 91 and Interstate Highway No. 15; and

Whereas, This historic route for travelers facilitated expansion of the boundaries of the United States to include New Mexico, Colorado, Utah, Arizona, Nevada and California; and

Whereas, The Spanish Trail was preferred by Kit Carson when carrying military dispatches in 1848 to Washington, D.C., which first brought news of gold at Sutter's Fort and resulted in the Gold Rush of 1849; and

Whereas, Information about this ancient route of trade and commerce is still limited, and much more can be learned about the Old Spanish Trail; now, therefore, be it

Resolved by the Senate and Assembly of the State of Nevada, Jointly, That the members of

the Nevada Legislature do hereby urge the Congress of the United States to adopt legislation that dedicates the Old Spanish Trail and the Antonio Armijo Route of the Old Spanish Trail as a National Historic Trail; and be it further

Resolved, That such a designation would help ensure the protection and interpretation of the Old Spanish Trail in a more consistent and coordinated manner, would encourage tourists to visit the communities, landscape features and other resources along the trail, would help visitors gain a better understanding of how a journey along the trail might have been more than 100 years ago, and would enhance and promote knowledge concerning the early settlers and explorers who emigrated and led expeditions to the Western United States; and be it further

Resolved, That the Secretary of the Senate prepare and transmit a copy of this resolution to the Vice President of the United States as the presiding officer of the Senate, the Speaker of the House of Representatives and each member of the Nevada Congressional Delegation; and be it further

Resolved, That this resolution becomes effective upon passage.

POM–75. A joint resolution adopted by the Legislature of the State of Nevada relative to increasing federal funding for special education; to the Committee on Appropriations.

ASSEMBLY JOINT RESOLUTION NO. 1

Whereas, The Education for All Handicapped Children Act of 1975, now known as the Individuals with Disabilities Education Act (IDEA), was enacted by the Congress of the United States to ensure that all children with disabilities have available to them a free and appropriate public education; and

Whereas, In 1975, Congress promised state and local governments that it would fund 40 percent of the costs of providing special education and related services to children with disabilities; and

Whereas, Congress has never appropriated funds equivalent to the authorized level, has never exceeded the 15 percent level and has usually appropriated funding at only about the 8 percent level; and

Whereas, The State of Nevada is committed to providing a free and appropriate public education to children with disabilities to meet their unique needs; and

Whereas, The costs associated with serving children with disabilities continue to rise, and meeting those substantial costs requires a strong partnership between local, state and federal governmental agencies; and

Whereas, The failure of Congress to fund special education programs as it promised has forced the states to utilize funding from other necessary local and state programs to attempt to provide these special educational services; now, therefore, be it

Resolved by the Assembly and Senate of the State of Nevada, Jointly, That the Nevada Legislature hereby urges the President and Congress of the United States to increase federal funding for special education to the 40 percent level authorized by the Individuals with Disabilities Education Act so that the State of Nevada and other states can fully meet the needs of children with disabilities; and be it further

Resolved, That the Chief Clerk of the Assembly prepare and transmit a copy of this resolution to the President of the United States, the Vice President of the United States as the presiding officer of the Senate, the Speaker of the House of Representatives, each member of the Nevada Congressional Delegation and the Superintendent of Public Instruction for the State of Nevada; and be it further

Resolved, That this resolution becomes effective upon passage.

POM–76. A concurrent resolution adopted by the House of the Legislature of the State of Missouri relative to establishing a federal energy policy; to the Committee on Energy and Natural Resources.

RESOLUTION

Whereas, the recent dramatic increase in utility rates for utility companies providing heating fuels has had a devastating financial effect on many middle and low income Missourians who cannot afford to pay utility bills which have more than doubled in recent months; and

Whereas, many Missourians on fixed and limited incomes may be forced to eliminate other essential purchases, such as food and medicines, from their limited budgets in order to pay the exorbitant utility bills; and

Whereas, due to the extraordinary circumstances in which Missourians find themselves, members of Congress should consider taking extraordinary steps to protect the interests of all of the people of the United States: Now, therefore, be it

Resolved, That the members of the House of Representatives of the Ninety-first General Assembly, First Regular Session, the Senate concurring therein, hereby request that the United States Congress consider establishing a strong remedial federal energy policy that delegates emergency powers to individual states; and be it further

Resolved, That the Chief Clerk of the Missouri House of Representatives be instructed to prepare properly inscribed copies of this resolution for the President of the United States Senate, the Speaker of the United States House of Representatives and each member of the Missouri Congressional delegation.

EXECUTIVE REPORT OF COMMITTEE

The following executive report of committee was submitted on May 24, 2001:

By Mr. REED for the Committee on Armed Services.

The following named officer for appointment in the United States Navy to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be vice admiral

Vice Adm. Edmund P. Giambastiani Jr., 0000.

(The above nomination was reported with the recommendation that it be confirmed.)

The following executive report of committee was submitted on May 25, 2001:

By Mr. McCAIN for the Committee on Commerce, Science, and Transportation.

Timothy J. Muris, of Virginia, to be a Federal Trade Commissioner for the term of sever years from September 26, 2001.

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

NOMINATION DISCHARGED

The following nomination was discharged from the Committee on Health, Education, Labor, and Pensions pursuant to the order of May 25, 2001:

Donald Cameron Findlay, of Illinois, to be Deputy Secretary of Labor.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. KENNEDY (for himself, Mr. AKAKA, Mr. BINGAMAN, Mrs. BOXER, Mrs. CLINTON, Mr. CORZINE, Mr. DASCHLE, Mr. DODD, Mr. DURBIN, Mr. FEINGOLD, Mrs. FEINSTEIN, Mr. HARKIN, Mr. KERRY, Ms. LANDRIEU, Mr. LIEBERMAN, Mr. LEAHY, Mr. LEVIN, Ms. MIKULSKI, Mrs. MURRAY, Mr. REED, Mr. ROCKEFELLER, Mr. SARBANES, Mr. SCHUMER, Mr. WELLSTONE, and Mr. WYDEN):

S. 964. A bill to amend the Fair Labor Standards Act of 1938 to provide for an increase in the Federal minimum wage; read the first time.

By Mr. DORGAN (for himself and Mr. REID):

S. 965. A bill to impose limitations on the approval of applications by major carriers domiciled in Mexico until certain conditions are met; to the Committee on Commerce, Science, and Transportation.

By Mr. DORGAN (for himself, Mr. DASCHLE, Mr. JOHNSON, Mrs. MURRAY, and Mr. WELLSTONE):

S. 966. A bill to amend the National Telecommunications and Information Administration Organization Act to encourage deployment of broadband service to rural America; to the Committee on Commerce, Science, and Transportation.

By Mr. BOND:

S. 967. A bill to establish the Military Readiness Investigation Board, and for other purposes; to the Committee on Armed Services.

By Mrs. CLINTON:

S. 968. A bill to establish Healthy and High Performance Schools Program in the Department of Education and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

By Mr. DODD (for himself and Mr. SANTORUM):

S. 969. A bill to establish a Tick-Borne Disorders Advisory Committee, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

By Ms. COLLINS (for herself and Ms. SNOWE):

S. 970. A bill to designate the facility of the United States Postal Service located at 39 Tremont Street, Paris Hill, Maine, as the Horatio King Post Office Building; to the Committee on Governmental Affairs.

By Ms. COLLINS (for herself and Mr. FEINGOLD):

S. 971. A bill to expand the availability of oral health services by strengthening the dental workforce in designated underserved areas; to the Committee on Finance.

By Mr. MURKOWSKI (for himself, Mr. BREAUX, Mr. THOMPSON, and Mr. JEFFORDS):

S. 972. A bill to amend the Internal Revenue Code of 1986 to improve electric reliability, enhance transmission infrastructure, and to facilitate access to the electric transmission grid; to the Committee on Finance.

By Mr. WYDEN (for himself and Mr. SMITH of Oregon):

S. 973. A bill to expedite relief provided under the Magnuson-Stevens Fishery Conservation and Management Act for commercial fishery failure in the Pacific Coast Groundfish Fishery, to improve fishery management and enforcement in that fishery, and for other purposes; to the Committee on Commerce, Science, and Transportation.

By Mr. JOHNSON:

S. 974. A bill to amend title XVIII of the Social Security Act to provide for coverage

of pharmacist services under part B of the medicare program; to the Committee on Finance.

By Mr. CHAFEE (for himself, Mr. BENNETT, Mr. JEFFORDS, Mr. LEVIN, Mr. SPECTER, Mr. BINGAMAN, Mr. CLELAND, and Mr. LIEBERMAN):

S. 975. A bill to improve environmental policy by providing assistance for State and tribal land use planning, to promote improved quality of life, regionalism, and sustainable economic development, and for other purposes; to the Committee on Environment and Public Works.

By Mrs. FEINSTEIN:

S. 976. A bill to provide authorization and funding for the enhancement of ecosystems, water supply, and water quality of the State of California; to the Committee on Energy and Natural Resources.

By Mr. CRAIG (for himself, Mr. BURNS, Mr. BAUCUS, Ms. CANTWELL, Mr. CONRAD, Mr. CRAPO, Mr. DASCHLE, Mr. DORGAN, Mr. JOHNSON, and Mrs. MURRAY):

S. 977. A bill to amend the Agricultural Market Transition Act to require the Secretary of Agriculture to make nonrecourse marketing assistance loans and loan deficiency payments available to producers of dry peas, lentils, and chickpeas; to the Committee on Agriculture, Nutrition, and Forestry.

By Mr. CRAIG (for himself, Mr. MURKOWSKI, Mr. ALLARD, Mr. BENNETT, Mr. CAMPBELL, Mr. CRAPO, Mr. HATCH, Mr. SMITH of Oregon, and Mr. THOMAS):

S. 978. A bill to provide for improved management of, and increased accountability for, outfitted activities by which the public gains access to and occupancy and use of Federal land, and for other purposes; to the Committee on Energy and Natural Resources.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

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

By Mr. BREAUX:

S. Res. 95. A resolution designating August 3, 2001, as ''National Court Reporting and Captioning Day''; to the Committee on the Judiciary.

By Mr. KERRY (for himself, Mr. LUGAR, Mr. DURBIN, Mr. KENNEDY, and Ms. SNOWE):

S. Res. 96. A resolution expressing the sense of the Senate that a commemorative postage stamp should be issued to honor Dr. Edgar J. Helms; to the Committee on Governmental Affairs.

By Mr. DEWINE:

S. Res. 97. A resolution honoring the Buffalo Soldiers and Colonel Charles Young; to the Committee on the Judiciary.

By Mr. BOND:

S. Res. 98. A resolution designating the period beginning on June 11 and ending on June 15, 2001 as ''National Work Safe Week''; to the Committee on the Judiciary.

By Mr. CAMPBELL:

S. Res. 99. A resolution supporting the goals and ideals of the Olympics; to the Committee on the Judiciary.

By Mr. FITZGERALD (for himself and Mr. SMITH of New Hampshire):

S. Con. Res. 44. A concurrent resolution expressing the sense of the Congress regarding National Pearl Harbor Remembrance Day; to the Committee on the Judiciary.

ADDITIONAL COSPONSORS

S. 170

At the request of Mrs. CLINTON, her name was added as a cosponsor of S. 170, a bill to amend title 10, United States Code, to permit retired members of the Armed Forces who have a service-connected disability to receive both military retired pay by reason of their years of military service and disability compensation from the Department of Veterans Affairs for their disability.

S. 293

At the request of Mr. HARKIN, the name of the Senator from Minnesota (Mr. DAYTON) was added as a cosponsor of S. 293, a bill to amend the Internal Revenue Code of 1986 to provide a refundable tax credit against increased residential energy costs and for other purposes.

S. 472

At the request of Mr. DOMENICI, the name of the Senator from Wyoming (Mr. ENZI) was added as a cosponsor of S. 472, a bill to ensure that nuclear energy continues to contribute to the supply of electricity in the United States.

S. 512

At the request of Mr. DORGAN, the name of the Senator from Nebraska (Mr. NELSON) was added as a cosponsor of S. 512, a bill to foster innovation and technological advancement in the development of the Internet and electronic commerce, and to assist the States in simplifying their sales and use taxes.

S. 538

At the request of Mrs. FEINSTEIN, the name of the Senator from New Jersey (Mr. CORZINE) was added as a cosponsor of S. 538, a bill to provide for infant crib safety, and for other purposes.

S. 662

At the request of Mr. JOHNSON, his name was added as a cosponsor of S. 662, a bill to amend title 38, United States Code, to authorize the Secretary of Veterans Affairs to furnish headstones or markers for marked graves of, or to other wise commemorate, certain individuals.

S. 670

At the request of Mr. DASCHLE, the name of the Senator from Minnesota (Mr. DAYTON) was added as a cosponsor of S. 670, a bill to amend the Clean Air Act to eliminate methyl tertiary butyl ether from the United States fuel supply and to increase production and use of ethanol, and for other purposes.

S. 781

At the request of Mr. JOHNSON, his name was added as a cosponsor of S. 781, a bill to amend section 3702 of title 38, United States Code, to extend the authority for housing loans for members of the Selected Reserve.

S. 808

At the request of Mr. BAUCUS, the name of the Senator from Pennsylvania (Mr. SANTORUM) was added as a cosponsor of S. 808, a bill to amend the Internal Revenue Code of 1986 to repeal the occupational taxes relating to distilled spirits, wine, and beer.

S. 860

At the request of Mr. GRASSLEY, the names of the Senator from Louisiana (Ms. LANDRIEU) and the Senator from New Jersey (Mr. TORRICELLI) were added as cosponsors of S. 860, a bill to amend the Internal Revenue Code of 1986 to provide for the treatment of certain expenses of rural letter carriers.

S. 885

At the request of Mr. HUTCHINSON, the name of the Senator from Pennsylvania (Mr. SANTORUM) was added as a cosponsor of S. 885, a bill to amend title XVIII of the Social Security Act to provide for national standardized payment amounts for inpatient hospital services furnished under the medicare program.

S. 892

At the request of Mr. HARKIN, the name of the Senator from Minnesota (Mr. DAYTON) was added as a cosponsor of S. 892, a bill to amend the Clean Air Act to phase out the use of methyl tertiary butyl ether in fuels or fuel additives, to promote the use of renewable fuels, and for other purposes.

S. 924

At the request of Mr. BIDEN, the name of the Senator from Oregon (Mr. SMITH) was added as a cosponsor of S. 924, a bill to provide reliable officers, technology, education, community prosecutors, and training in our neighborhoods.

S. RES. 92

At the request of Mrs. FEINSTEIN, the name of the Senator from North Carolina (Mr. EDWARDS) was added as a cosponsor of S. Res. 92, a resolution to designate the week begining June 3, 2001, as ''National Correctional Officers and Employees Week.''

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. DORGAN (for himself, Mr. DASCHLE, Mr. JOHNSON, Mrs. MURRAY, and Mr.WELLSTONE):

S. 966. A bill to amend the National Telecommunications and Information Administration Organization Act to encourage deployment of broadband service to rural America; to the Committee on Commerce, Science, and Transportation.

Mr. DORGAN. Mr. President, today I rise, along with Senator DASCHLE, Senator JOHNSON, Senator MURRAY, and Senator WELLSTONE to introduce the Rural Broadband Enhancement Act to deploy broadband technology to rural America. As the demand for high speed Internet access grows, numerous companies are responding in areas of dense population. While urban America is quickly gaining high speed access, rural America is, once again, being left behind. Ensuring that all Americans have the technological capability is essential in this digital age. It is not

only an issue of fairness, but it is also an issue of economic survival.

To remedy the gap between urban and rural America, this legislation gives new authority to the Rural Utilities Service in consultation with NTIA to make low interest loans to companies that are deploying broadband technology to rural America. Loans are made on a company neutral and a technology neutral basis so that companies that want to serve these areas can do so by employing technology that is best suited to a particular area. Without this program, market forces will pass by much of America, and that is unacceptable.

This issue is not a new one. When we were faced with electrifying all of the country, we enacted the Rural Electrification Act. When telephone service was only being provided to well-populated communities, we expanded the Rural Electrification Act and created the Rural Utilities Service to oversee rural telephone deployment. The equitable deployment of broadband services is only the next step in keeping America connected, and our legislation would ensure that.

If we fail to act, rural America will be left behind once again. As the economy moves further and further towards online transactions and communications, rural America must be able to participate. Historically, our economy has been defined by geography, and we in Congress were powerless to do anything about it. Where there were ports, towns and businesses got their start. Where there were railroad tracks, towns and businesses grew up around them. The highway system brought the same evolution.

But the Internet is changing all of that. No longer must economic growth be defined by geographic fiat. Telecommunications industries and policymakers are proclaiming, ''Distance is dead!'' But, that's not quite right: Distance will be dead, only as long as Congress ensures that broadband services are available to all parts of America, urban and rural.

I look forward to working with my colleagues colleagues to pass this legislation and give rural America a fair chance to survive.

By Mr. BOND.

S. 967. A bill to establish the Military Readiness Investigation Board, and for other purposes; to the Committee on Armed Services.

Mr. BOND. Mr. President, I rise today to discuss a very important matter of national security.

Today many thousands of Americans are spread across the globe defending our national interest and those of our close friends and allies.

While risking their lives to keep America safe, American soldiers sailors, airmen and marines are not as ready for combat as they should be.

History has taught us that the more prepared we are for war, the less likely potential enemies will be to risk war in pursuit of their own national objectives.

Our ability to prevail in war is, therefore, one of the most critical elements of our deterrence strategy.

That is why I rise today to introduce legislation that I believe will help us improve the combat readiness of our armed forces. Doing so will strengthen America's standing and security in the world and contribute to global stability.

In recent years the topic of military readiness has received far more words than deeds. In all candor, we have talked this issue to death without being able to deliver for the troops who need our help.

I think I know why. Words are far cheaper than the actions needed to restore a sharp edge to our combat forces.

We know that we have problem with military readiness. It seems that every time we peel back the cheery assessments and closely examine the issue, we find that our military readiness is worse than advertised.

Let me offer just a few examples.

Today, the readiness level of too many of our aviation combat units is being maintained through cannibalization. One plane is striped of parts to keep others flying. The only problem with that is the practice actually accelerates the destruction of our combat readiness. A recent Navy investigation stated ''current readiness levels are being achieved through extensive cannibalization and the rates are increasing in every community we visited.''

In other words, we have a bunch of hangar queens that have been robbed of parts and are not able to fly to provide the practice or to carry out the missions for which they were intended. Because of a shortage in money, our fliers are going into harm's way with outdated electronic intelligence files. The Navy E-2C Hawkeyes carry intelligence files that, in some case, are between 5 and 9 years old. The electronic intelligence files aboard the EA–6B Prowler planes, our jammers, are updated only on a 2-to-6-year cycle. The missiles we use to kill enemy radars are not being updated with new electronic intelligence parametric files.

The Army's Third Infantry Division based at Fort Stewart Georgia was recently dropped to the second lowest readiness rating. Just over a year ago, two other Army divisions, the 10th Mountain and First Mechanized Division were briefly dropped to the lowest readiness rating—meaning they were unready for war. These are three of the Army's ten active duty divisions.

The Marine Corps cannot replace its antiquated equipment because it has to steal money from its modernization account to keep its combat edge sharp.

Sadly, there is an endless parade of anecdotal evidence. And too often, the anecdotal reports that leak to the press are far more accurate indictors of the true state of military readiness than the Pentagon's own internal reporting system.

The evidence strongly suggests we have not kept faith with our troops who risk their lives for us. And that is our top obligation—to keep up our part of the social compact with our servicemen and women, in exchange for their willingness to risk their lives we promise to equip and train our troops so they may quickly prevail in combat with as few casualties as possible.

While we know all to well the problem we face, we have yet to build a national consensus of the solution. And make no mistake, that is what a problem of this scale requires—a national consensus.

To do that, we need an objective assessment of military readiness conducted by non-partisan, military experts. It would measure the current state of our U.S. military readiness and also examine the effectiveness of the Pentagon's current readiness reporting system.

Much like the CIA required an outside panel of ''Team B'' experts during the 1970s, I believe the Pentagon desperately needs an outside group of experts to look at the readiness books.

I believe that this review will help senior Pentagon officials obtain the most accurate picture possible of the true state of military readiness today.

Such a measurement will also help Congress build a baseline understanding of military readiness that we must have if we are to begin funding the military's operations and maintenance accounts at a sufficient level.

Let me just say this: Secretary Rumsfeld's decision to reexamine our national military strategy, force structure and procurement strategy is the right thing to do. Indeed, it is long overdue and I commend the administration for its commitment to this effort.

This is very important, but we cannot overlook combat readiness as the most critical index of our Nation's ability to defend itself, our interests and our allies' interests. Strategic competitors pay close attention to reports of deteriorating U.S. military readiness and we must not embolden them by ignoring these reports ourselves.

Many military experts have also contended that many of the military's readiness problems would disappear if the Pentagon dropped its plans to fight and win two major regional wars at one time. However, some say that the Nation's ability to wage major wars on two fronts acts as an important deterrent to potentially hostile states like North Korea. Secretary Rumsfelds' review coupled with a military readiness review panel should enable us for once to answer effectively and address these issues—to come up with the right balance and solutions for our troops and for our Nation.

The readiness system is intended to pinpoint war-fighting deficiencies in every unit's equipment, transportation system, personnel and training. By many accounts this system is arcane

and inflexible and does not accurately depict the true state of readiness. It is time we reviewed this system and developed means to keep it the predictive and useful tool it was designed and intended to be.

While we await the results of Secretary Rumsfeld's reviews, we already know that we have a persistent readiness problem that exacerbates other problems within the U.S. military, like manpower levels and morale.

In a monthly readiness report the defense department sent to Congress in March, there was a list of ''strategic concerns'' about military readiness. This report indicated that despite some leveling off of declines in wartime preparedness, there is still an uphill battle to be fought to ensure U.S. Forces are ready for major operations. This report states that aviation readiness remains challenged by ''reduced aircraft mission-capable rates, parts shortages, and technical surprises and maintenance issues.''

Readiness involves very many distinct issues. First, it's making sure that we're providing the resources needed to maintain readiness. Second, it's making sure that we are gathering the right data and information so that we've got true pictures of readiness. Third, it's dealing quickly and effectively with readiness issues when they're detected.

Several weeks ago I released an article describing the legislation I am proposing here. As a result, I have received numerous letters from constituents reiterating the need for this review board and citing examples of why it should be done. One letter was sent by a women who has a daughter and two friends who are serving on various Navy bases. In her letter she describes a situation where there are not enough spare parts to go around. Nothing new—except this effects her personally and causes her to worry constantly about her family and friends because they are spread too thin and lack the spare parts to do their job, thereby endangering them needlessly.

At the end of the cold war, force structure and personnel end strength were drastically cut in all the services. At the same time, the Nation discovered that the post-cold war world is a complex, dangerous place. As a result, deployments for contingency operations, peacekeeping missions, humanitarian assistance, disaster relief and counter-terrorism operations increased dramatically and our dependence on the armed services for their deployments continues to grow.

While our military forces got smaller, they did not become more ready for combat. In fact, our peak military readiness was reached immediately following Desert Storm in 1991 and has slowly and steadily declined since.

And that is inexcusable for a superpower. We have a responsibility to our citizens and to countless millions around the world whose physical safety and economic and political stability is guaranteed because of our military strength.

The world looks to us, and so as I review this military readiness problem and search for a solution I am guided by the simple notion that our strength guarantees global peace. Our military strength provides the foundation for the global economy and provides the economic and political stability for so many parts of the world. This understanding must guide our efforts as we seek to rebuild our military to prevail in our next war.

Our own history during this century has shown us that when we try to judge our military by its cost-efficiency during peacetime we invite disaster. This happened at the outset of the Second World War in North Africa. And we saw it again when Task Force Smith was shredded by the North Koreans in 1950.

How may times must we relearn the lesson that the only true measure of military effectiveness is performance in wartime?

I commend to my colleagues a brilliant editorial in the Wall Street Journal by Mark Helprin. He writes of the myopic view of peacetime civilians charged with budgeting their militaries. ''God save the American soldier from those who believe that his life can be protected and his mission accomplished on the cheap,'' wrote Mr. Helprin. ''For what they perceive as extravagance is always less costly in lives and treasure than the long drawn-out wars it deters or shortens with quick victories.''

I should explain that the bill I have introduced establishes a commission to be appointed by the Secretary of Defense with the concurrence of the chairs and ranking members of the authorizing appropriations committees to look at the issues of readiness and to be sure that they report to the Congress and to the United States, No. 1, on the status of readiness and, No. 2, on the reliability, or lack thereof, in the system set up to determine readiness.

I respect the great work being done by the Readiness Subcommittee of the Armed Services Committee. I have spoken with the chair and ranking members. We want to be a supplement to and a sounding board, perhaps, to provide a louder microphone or megaphone for the information determined in that Readiness Subcommittee.

I hope my colleagues will look at this measure and join me in sponsoring it. I am pleased to ask unanimous consent that the distinguished occupant of the chair, the Senator from Kansas, Mr. ROBERTS, be listed as a cosponsor.

I invite other colleagues who have an interest in this to look at it and join with me. I hope and trust we can have a strong bipartisan effort to achieve something which should be the goal and the objective of all of us.

I ask unanimous consent that two articles be printed in the RECORD.

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

[From the Wall Street Journal, April 24, 2001]

THE FIRE NEXT TIME

(By Mark Helprin)

From Alexandria in July of 1941, Randolph Churchill reported to his father as the British waited for Rommel to attack Egypt. In the midst of a peril that famously concentrated mind and spirit, he wrote, ''You can see generals wandering around GHQ looking for bits of string.''

Apparently these generals were not, like their prime minister, devoted to Napoleon's maxim, ''Frappez la masse, et le reste vient par surcroit,'' which, vis-a-vis strategic or other problems, bids one to concentrate upon the essence, with assurance that all else will follow in train, even bits of string.

Those with more than a superficial view of American national security, who would defend and preserve it from the fire next time, have by necessity divided their forces in advocacy of its various elements, but they have neglected its essence. For the cardinal issue of national security is not China, is not Russia, is not weapons of mass destruction, or missile defense, the revolution in military affairs, terrorism, training, or readiness. It is, rather, that the general consensus in regard to defense since Pearl Harbor—that doing too much is more prudent than doing too little—has been destroyed. The last time we devoted a lesser proportion of our resources to defense, we were well protected by the oceans, in the midst of a depression, and without major international responsibilities, and even then it was a dereliction of duty.

The destruction is so influential that traditional supporters of high defense spending, bent to the will of their detractors, shrink from argument, choosing rather to negotiate among themselves so as to prepare painstakingly crafted instruments of surrender.

A leader of defense reform, whose life mission is to defend the United States, writes to me: ''Please do not quote me under any circumstances by name. . . . Bush has no chance of winning the argument that more money must be spent on defense. Very few Americans feel that more money needs to be spent on defense and they are right. The amount of money being spent is already more than sufficient.''

More than sufficient to fight China? It is hard to think of anything less appealing than war with China, but if we don't want that we must be able to deter China, and to deter China we must have the ability to fight China. More than sufficient to deal with simultaneous invasions of Kuwait, South Korea, and Taiwan? More than sufficient to stop even one incoming ballistic missile? Not yet, not now, and, until we spend the money, not ever.

For someone of the all-too-common opinion that a strong defense is the cause of war, a favorite trick is to advance a wholesale revision of strategy, so that he may accomplish his depredations while looking like a reformer. This pattern is followed instinctively by the French when they are in alliance and by the left when it is trapped within the democratic order. But to do so one need be neither French nor on the left.

Neville Chamberlain, who was neither, starved the army and navy on the theory that the revolution in military affairs of his time made the only defense feasible that a ''Fortress Britain'' protected by the Royal Air Force—and then failed in building up the air force. Bill Clinton, who is not French, and who came into office calling for the discontinuance of heavy echelons in favor of power projection, simultaneously pressed for a severe reduction in aircraft carriers, the sine qua non of power projection. Later, he and his strategical toadies embraced the revolution in military affairs not for its virtues

but because even the Clinton-ravished military ''may be unaffordable,'' and ''advanced technology offers much greater military efficiency.''

This potential efficiency is largely unfamiliar to the general public. For example, current miniaturized weapons may seem elephantine after advances in extreme ultraviolet lithography equip guidance and control systems with circuitry not 0.25 microns but 0.007 microns wide, a 35-fold reduction that will make possible the robotization of arms, from terminally guided and target-identifying bullets to autonomous tank killers that fly hundreds of miles, burrow into the ground, and sleep like locusts until they are awakened by the seismic signature of enemy armor.

Lead-magnesium-niobate transducers in broadband sonars are likely to make the seas perfectly transparent, eliminating for the first time the presumed invulnerability of submarine-launched ballistic missiles, the anchor of strategic nuclear stability. The steady perfection of missile guidance has long made nearly everything the left says about nuclear disarmament disingenuous or uninformed, and the advent of metastable explosives creates the prospect of a single B–1 bomber carrying the non-nuclear weapons load of 450 B–17s, the equivalent of 26,800 100-pound bombs. Someday, we will have these things, or, if we abstain, or potential enemies will have them and we will not.

To field them will be more expensive then fielding less miraculous weapons, which cannot simply be abandoned lest an enemy exploit the transition, and which will remain as indispensable as the rifleman holding his ground, because the nature of war is countermiraculous. And yet, when the revolution in military affairs is still mainly academic, we have cut recklessly into the staple forces.

God save the American soldier from those who believe that his life can be protected and his mission accomplished on the cheap. For what they perceive as extravagance is always less costly in lives and treasure than the long drawn-out wars it deters altogether or shortens with quick victories. In the name of their misplaced frugality we have transformed our richly competitive process of acquiring weapons into the single-supplier model of the command economies that we defeated in the Cold War, largely with the superior weapons that the idea of free and competitive markets allowed us to produce.

Though initially more expensive, producing half a dozen different combat aircraft and seeing which are best is better than decreeing that one will do the job and praying that it may. Among other things, strike aircraft have many different roles, and relying upon just one would be the same sort of economy as having Clark Gable play both Rhett Butler and Scarlett O'Hara.

Having relinquished or abandoned many foreign bases, the United States requires its warships to go quickly from place to place so as to compensate for their inadequate number, and has built them light using a lot of aluminum, which, because it can burn in air at 3,000 degrees Celsius, is used in incendiary bombs and blast furnaces. (Join the navy and see the world. You won't need to bring a toaster.)

And aluminum or not, there are too few ships, During the EP–3 incident various pinheads furthered the impression of an American naval cordon off the Chinese coast. Though in 1944 the navy kept 17 major carriers in the central Pacific alone, not long ago its assets were so attenuated by the destruction of a few Yugos disguised as tanks that for three months there was not in the vast western Pacific even a single American aircraft carrier.

What remains of the order of battle is crippled by a lack of the unglamorous, costly supports that are the first to go when there isn't enough money. Consider the floating dry dock. By putting ships back into action with minimal transit time, floating dry docks are force preservers and multipliers. In 1972, the United States had 94. Now it has 14. Though history is bitter and clear, this kind of mistake persists.

Had the allies of World War II been prepared with a sufficient number of so pedestrian a thing as landing craft, the war might have been cheated of a year and a half and many millions of lives. In 1940, the French army disposed of 530 artillery pieces, 830 antitank guns, and 235 (almost half) of its best tanks, because in 1940 the French did not think much of the Wehrmacht—until May.

How shall the United States avoid similar misjudgments? Who shall stand against the common wisdom when it is wrong about deterrence, wrong about the causes of war, wrong about the state of the world, wrong about the ambitions of ascendant nations, wrong about history, and wrong about human nature?

In the defense of the United States, doing too much is more prudent than doing too little. Though many in Congress argue this and argue it well, Congress will not follow one of its own. Though the president's appointees also argue it well, the public will wait only upon the president himself. Only he can sway a timid Congress, clear the way for his appointees, and move the country toward the restoration of its military power.

The president himself must make the argument, or all else is in vain. If he is unwilling to risk his political capital and his presidency to undo the damage of the past eight years, then in the fire next time his name will be linked with that of his predecessor, and there it will stay forever.

[From the Washington Post, May 20, 2001]

RUMSFELD ON HIGH WIRE OF DEFENSE REFORM

(By Thomas E. Ricks)

In his first four months at the Pentagon, Defense Secretary Donald H. Rumsfeld has launched a score of secretive studies and posed hundreds of tough questions as he has tried to create a new vision for the American military, looking at everything from missile defenses and global strategy to the flaws of a Truman-vintage personnel system.

Yet, in that short span, he has also rallied an unlikely collection of critics, ranging from conservative members of Congress and his predecessor as defense secretary to some of the generals who work for him. In dozens of interviews, those people expressed deep concern that Rumsfeld has acted imperiously, kept some of the top brass in the dark and failed to maintain adequate communications with Capitol Hill.

''He's blown off the Hill, he's blown off the senior leaders in the military, and he's blown off the media,'' said Thomas Donnelly, a defense expert at the conservative Project for the New American Century. ''Is there a single group he's reached out to?''

The criticism has focused on Rumsfeld's score of study groups, staffed by retired generals and admirals and other experts who are probing everything from weapons programs to military retirement policies. In Pentagon hallways, ''the Rumsfeld review,'' as the studies are collectively called, is mocked by some as a martial version of Hillary Rodham Clinton's health care plan, which failed spectacularly in 1994 when it was offered up to Congress.

''It's arrogant theorists behind closed doors,'' said one person offering the Clinton analogy, retired Army Lt. Col. Ralph Peters, now a prominent writer on military strategy.

The military is already responding in significant and striking ways. On Thursday, the Joint Chiefs of Staff held a closed-door meeting in the ''Tank,'' their secure conference room at the Pentagon, where they posed scathing questions about Rumsfeld's intentions on strategy and possible cuts to the Army, defense officials said. Yesterday, retired Gen. Gordon Sullivan, a former Army chief of staff, delivered an angry speech assailing the apparent direction of Rumsfeld's reforms as ''imprudent.''

One point on which both Rumsfeld and his critics agree is the gravity of his reform effort. Reshaping the military to meet the new threats of the 21st century—and to keep the U.S. armed forces by far the stongest in the world—was a key campaign pledge of President Bush. To be successful, Rumsfeld must not only come up with specific answers but also find enough support in Congress and across the military to fund them and carry them out. The job will be made all the more difficult because the reforms could anger members of Congress by closing bases, terminating major weapons programs and shifting some spending from tanks, ships and aircraft into newer areas such as space and missile defenses.

In an extensive interview in his Pentagon office last week, Rumsfeld argued that his review has been necessary, rational and inclusive, involving more than 170 meetings with 44 generals and admirals. ''Everyone who wants to be briefed I think has been briefed,'' he said. ''Everyone cannot be involved in everything.''

Far from reaching concrete conclusions behind closed doors, he said, he simply has been posing questions about how to change the military to deal with a world where even Third World nations can buy long-range missiles, terrorists have attacked sites inside the United States, and the American economy is increasingly reliant on vulnerable satellites. ''I've got a lot of thoughts, but I don't have a lot of answers,'' he said.

Overall, Rumsfeld swung in the interview between being conciliatory toward his critics and being dismissive of them. ''Is change hard for people? Yeah,'' he said sympathetically. ''Is the anticipation of change even harder? Yeah.''

But a moment later he added: ''The people it shakes up may very well be people who don't have enough to do. They're too busy getting shook up. They should get out there and get to work.''

BRUSQUE STYLE

Rumsfeld, a bright, impatient man who is not a schmoozer by nature, spent years as an executive in the pharmaceutical industry and honed a top-down management style. That approach may be the only way to overhaul America's huge and conservative military establishment. But his brusque manner has exacerbated anxiety about change in the Pentagon and could, in the end, undercut his effort.

Generals who have met with him report that communications tend to be one way. ''He takes a lot in, but he doesn't give anything back,'' one said. ''You go and brief him, and it's just blank.''

Neither that general nor any other Pentagon official critical of Rumsfeld would agree to be quoted by name. Indeed, one said Rumsfeld's aides would ''have my tongue'' were it known that he had talked to a reporter.

Many of those interviewed said they are worried that the future of the institution to which they have devoted their adult lives is being decided without them. One senior general unfavorably compared Rumsfeld's stewardship of the Pentagon with Colin L. Powell's performance as secretary of state. ''Mr.

Powell is very inclusive, and Mr. Rumsfeld is the opposite,'' said the general, who knows both men. ''We've been kept out of the loop.''

Added another senior officer: ''The fact is, he is disenfranchising people.''

Some noted that the Bush administration came into office vowing to restore the military's trust in its civilian overseers. ''Everyone in the military voted for these guys, and now they feel like they aren't being trusted,'' a Pentagon official said.

The Army, which has the reputation of being the most doggedly obedient of all the services, appears to be closest to going into opposition against the new regime. Army generals are especially alarmed by rumors that they could lose one or two of their 10 active divisions under the new Pacific-oriented strategy that Rumsfeld appears to be moving toward but has not yet unveiled.

At the Joint Chiefs' ''Tank'' session on Thursday, one defense official said, the Army led the charge against the conclusions of a Rumsfeld study group on conventional weapons that suggested big cuts in Army troops. The service chiefs told their chairman, Gen. Henry H. Shelton, that they could not make sense of that recommendation without knowing precisely what strategy Rumsfeld wants to pursue. ''It wasn't just the Army, but [Army officers] took the lead'' in the criticism, the official added.

Retired generals often say in public what the active-duty leadership is thinking but can't utter. Sullivan, the former Army chief, appeared to play that role yesterday in a speech to a conference of Army reservists. He said he is worried that Rumsfeld would ''propose a world in which we will be able to hide behind our missile defense,'' which he went on to liken to the expensive but useless Maginot Line that France erected against Germany after World War I.

In another recent talk, Sullivan referred to Rumsfeld's new emphasis on space as a ''rathole'' for defense spending. He also sent an e-mail criticizing Rumsfeld, and that message has circulated widely inside the Army.

WARY GENERALS

The military now appears so wary of Rumsfeld that officers perceive slights where none may have been intended. The generals are especially peeved by what they believe is a pattern of moves by Rumsfeld to reallocate power from the military to himself.

Earlier this month, for example, Rumsfeld dumped his military assistant, a one-star admiral who had been picked for the job just four months earlier, and replaced him with a three-star admiral. ''It turned out I made a mistake, just to be blunt about it, thinking that a one-star could, simply because he was in the secretary's office, get the place to move at the same pace that a three-star could or a two-star,'' Rumsfeld explained. In other words, one flag officer commented, Rumsfeld felt he needed someone who could crack the whip over the top brass.

Rumsfeld also caused a stir in the services by bringing in retired Vice Adm. Staser Holcomb, who was his military assistant during his first term as secretary of defense, under President Gerald R. Ford, to look over the current crop of generals and admirals. Holcomb's queries may indicate that Rumsfeld wants to take over the selection of top generals—one of the last prerogatives left to the service chiefs. The chiefs generally have little say about operational matters, which are the province of the regional commanders, or ''CinCs,'' and they don't have much sway over weapons acquisition, which is a civilian responsibility. But they do get to pick who joins the club of top generals.

Rumsfeld said Holcomb is working on military personnel matters, especially in helping him look at who should become the next chairman of the Joint Chiefs of Staff when Shelton steps down later this year. Asked whether he is stepping on the toes of the service chiefs by getting involved in the selection of two- and three-star generals, Rumsfeld grinned and laughed, but said nothing.

Rumsfeld has also been planning to start a new ''Crisis Coordination Center'' to be overseen by his office, defense officials said. They report that Rumsfeld believes that communications and responsibilities during crises have been handled hazily. Creating such a center—a move that has not previously been reported—almost certainly would diminish the power of the staff of the Joint Chiefs, which oversees operations.

Rumsfeld's views on crisis communications may have been crystallized by an undisclosed foul-up that occurred during the Feb. 16 air strikes against Iraq, the Bush administration's first use of military force. At the last minute, military commanders moved up the timing of the strikes by six hours.

But word somehow didn't get to Bush, said several defense officials. The president had expected the bombs to begin dropping as he headed home from a summit meeting in Mexico. Instead, the strikes started just as he arrived for that meeting, overshadowing his first foreign trip as president and infuriating him, officials said.

Rumsfeld declined to comment on that incident. But he said that, generally speaking, miscommunications are ''inevitable when people are new on the job.''

TENSIONS WITH CONGRESS

If anything, Rumsfeld's relations with Capitol Hill have been even more tumultuous. The military, after all, ultimately will follow orders. But Congress expects to have a big say in the orders.

''There really could be a huge collision between Rumsfeld, the services and Congress,'' predicted Harlan Ullman, a defense analyst at the Center for Strategic and International Studies. ''There's an iceberg out there, and there's a Titanic.''

Ullman said he thinks Rumsfeld has done a fairly good job, considering how understaffed the top of the Pentagon has been, with only a few senior officials in place.

But he also said that the Bush White House has badly miscalculated on the politics of defense. ''I don't think the administration understands how much political capital it will take to change the U.S. military,'' he said. He and others warn that defense isn't a major issue on the Hill, and that no clear constituency exists for military reform. At the same time, there is a clear bloc against change, consisting of members of Congress who worry that bases and weapons plants in their districts could be closed.

Rumsfeld said he has devoted enormous effort to congressional relations, holding about 70 meetings with 115 lawmakers over the past four months. ''I am on the hill frequently,'' he said. ''I frequently have breakfasts and lunches down here that include members.''

But the view from the Hill appears to be different. ''There are lots of members concerned about the lack of communications,'' a Senate staffer said last week.

One warning sign has been a spate of ''holds'' placed on Rumsfeld's nominees by angry senators. These holds, which prevent a confirmation vote from taking place, aren't made public. But it is striking that Republican senators appear to have held up some of the nominees of a Republican administration. The Senate majority leader, Trent Lott (R-Miss.), controlled two of the holds—on the nominees to be the Pentagon's general counsel and assistant secretary for public affairs—that were lifted late Thursday.

Rumsfeld's predecessor as defense secretary, William S. Cohen, took the unusual step last week of publicly criticizing Rumsfeld's handling of Congress. ''However brilliant the strategy may be, you cannot formulate a strategy and mandate that Congress implement it,'' Cohen, a former Republican senator, told a group of reporters.

''The less they're involved in the beginning,'' Cohen warned, ''the more they'll be involved in the end, and not necessarily in a positive way.''

Rumsfeld appears to have strong backing not only from Bush but also from Vice President Cheney, his former protégé when Rumsfeld was a White House counselor and then chief of staff in the Ford administration. Earlier this month, a senior White House official said: ''The vice president indicated to the secretary that he would be as helpful as he could. As a former defense secretary, he has a special interest in the Pentagon.''

Where the White house stands on Rumsfeld's efforts should become clearer this Friday, when Bush is scheduled to speak about U.S. military strategy in a commencement address at Annapolis.

In the following weeks, Rumsfeld will engage Congress in hearings, then will begin making critical decisions on high-profile weapons systems and on whether to cut the size of the military to pay for new weapons. Every one of those decisions could antagonize members of Congress.

Rumsfeld said he looks forward to working with lawmakers to find the right answers. ''Hell, I know what I can do and I can't do,'' he said. ''I can do some things, but I can't simply stick a computer chip in my head and come out with a perfect answer to big, tough important questions like that for the country. Even if you could, change imposed is change opposed.''

By Mrs. CLINTON:

S. 968. A bill to establish Healthy and High Performance Schools Program in the Department of Education and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

Mrs. CLINTON. Mr. President, today, I introduce legislation to help our schools become more energy efficient.

Each year, America's schools spend more on energy costs than they do on books and computers combined.

As we continue to debate education spending, there is at least one way to save on education costs: energy efficiency measures could save America's schools $1.5 billion. And we can reinvest those dollars into educational resources—like books, computers or more training for our teachers—that can make a real difference for our children's futures.

Typically, nearly one-third of the energy used in a U.S. school goes to waste because of outdated technology, old equipment and poor insulation. The least energy-efficient schools, many of which are in desperate need of upgrades and repair, use almost four times as much energy per square foot as the most energy-efficient ones.

Over half of our the country's K–12 schools are more than 40 years old and in need of renovation to reach standards of efficiency and comfort. And it's estimated that 6,000 new schools will be needed in the next 10 years because of the growing student population.

The U.S. Department of Energy estimates that schools could save 25 to 30 percent of the money they spend on energy—$1.5 billion—through better building design, use of energy-efficient and renewable energy technologies and improvements to operations and maintenance.

Unfortunately, school districts may not be aware of the things they can do to be more energy efficient, improve indoor environments, and save money. That is why the legislation that I am introducing today is so important. The Healthy and High Performance Schools Act of 2001 would create a program within the Department of Education to provide grants to states to help school districts make their buildings healthier and more energy efficient. It will help our schools improve the indoor air quality, make smart energy efficient upgrades and take advantage of new, energy efficient technology. And this will save our schools money.

There are some basic things that every school can do to reduce energy use. If schools adopt energy management systems to coordinate heating, ventilation and air conditioning they can help ensure rooms are heated and cooled only while being used.

And simply closing doors to keep heated or cooled air from escaping can save money. Schools can add insulation to walls, floors, attics and ceilings or use shades, films and screens to better secure windows. Using some type of window treatment in the summer can greatly reduce the need for air conditioning. Energy-efficient fixtures, bulbs and lamps can make a big difference too. And installing occupancy sensors to control lighting when rooms are empty is smart and efficient.

So much of the energy used by schools—approximately fifteen percent—is for cooking, refrigeration, and heating hot water. Simply maintaining food service equipment in schools can mean large energy savings.

Energy use by computers and office equipment is one of the fastest-growing sources of electricity consumption in schools, businesses and homes. And it is expected to grow by as much as 500 percent in the next decade. If schools use products with an ENERGY STAR label—the U.S. Environmental Protection Agency's, EPA, label for energy efficient appliances—they can save as much as 50 percent in energy costs.

And I'm proud to report that many schools in New York are already leading the way.

The Smithtown School District on Long Island recently became the first school district in New York State to receive the Energy Star label. The District completed an extensive lighting modification project using the latest energy-efficient technologies in three of its elementary schools. Three schools, Smithtown Elementary, Mount Pleasant Elementary and Dogwood Elementary, will display the bronze plaque with the Energy Star logo in their buildings. The district now uses more than five million kilowatts less than it did in the 1970's.

The Kingston School District in Ulster County, New York, made drastic improvements in the energy performance of all the schools in the district by replacing many of the windows, installing new boilers, and making other energy efficient upgrades. In 2000, the school district saved more than $395,000 through its energy-efficiency upgrades and in 2001, received an Energy Star Partner of the Year Award.

Sachem Central School District on Long Island was awarded the Energy Start Partner of the Year Award in 2000. The District installed energy-efficient lighting fixtures and new boilers that resulted in savings of almost 300,000 gallons of oil and more than 2.9 million kWh. Special building automation system helps measure, monitor and manage energy use.

Other New York Energy Star School Partners are Connetquot Central School District, East Rockaway Public Schools, Fordham Preparatory School, Patchogue Medford Schools, Rochester City School District, Rye City School District and Wantagh Union Free School District.

I am pleased to join my colleague in the House of Representatives, MARK UDALL from Colorado, the sponsor of the High Performance Schools Act of 2001, H.R. 1129, as well as the co-sponsors, including my fellow New Yorkers, SHERWOOD BOEHLERT and MAURICE HINCHEY.

I hope that my colleagues in the Senate will join me in supporting this legislation, which has bipartisan support in the House, so that we can provide our schools with the tools that they need to save money on their energy costs, and reinvest that money into much-needed education resources that can help our children reach their goals.

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

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

S. 968

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Healthy and High Performance Schools Act of 2001''.

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress finds the following:

(1) American kindergarten through grade 12 schools spend over $6,000,000,000 annually on energy costs, which is more than is spent on books and computers combined.

(2) Approximately 25,000,000 students are attending schools with at least 1 unsatisfactory environmental condition.

(3) Educators teach and students learn best in an environment that is comfortable, healthy, naturally lit where possible, and in good repair, and studies have indicated that student achievement is greater and attendance higher when those conditions are met.

(4) Over half of our Nation's kindergarten through grade 12 schools are more than 40 years old and in need of renovation to reach such standard of efficiency and comfort, and 6,000 new schools will be required over the next 10 years to accommodate the growing number of students.

(5) Inadequate ventilation in school buildings, poor lighting and acoustical quality, and uncomfortable temperatures can cause poor health and diminish students' capacity to concentrate and excel.

(6) Inefficient use of water, either in consumption or from poorly maintained systems, is prevalent in older schools.

(7) Using a whole building approach in the design of new schools and the renovation of existing schools (considering how materials, systems, and products connect and overlap and also how a school is integrated on its site and within the surrounding community) will result in healthy and high performance school buildings.

(8) Adoption of whole building concepts has been shown to result in dramatic improvements in student and teacher performance.

(9) Adopting a whole building approach usually results in a lower life cycle cost for the school building than for a conventionally designed and built building.

(10) Systematic use of energy conservation in school construction and renovation projects can save at least one quarter of current energy costs, leaving more money for teachers and educational materials.

(11) The use of renewable energy sources such as daylighting, solar, wind, geothermal, hydropower, and biomass power in a building already designed to be energy-efficient can help meet the building's energy needs without added emissions.

(12) Using environmentally preferable products and providing for adequate supplies of fresh air will improve indoor air quality and provide healthful school buildings.

(13) Most school districts do not have the knowledge of cutting-edge design and technologies to integrate optimum efficiency and environmentally healthy designs into new school construction or into school renovations.

(b) PURPOSE.—It is the purpose of this Act to assist local educational agencies in the production of high performance elementary school and secondary school buildings that are healthful, productive, energy-efficient, and environmentally sound.

SEC. 3. PROGRAM ESTABLISHMENT AND ADMINISTRATION.

(a) PROGRAM.—There is established in the Department of Education the High Performance Schools Program (in this Act referred to as the ''Program'').

(b) GRANTS.—The Secretary, in consultation with the Secretary of Energy and the Administrator of the Environmental Protection Agency, may, through the Program, award grants to State educational agencies to permit such State educational agencies to carry out subsection (c).

(c) STATE USE OF FUNDS.—

(1) SUBGRANTS.—

(A) IN GENERAL.—A State educational agency receiving a grant under this Act shall use the grant funds made available under section 4(a)(1) to award subgrants to local educational agencies to permit such local educational agencies to carry out the activities described in subsection (d).

(B) LIMITATION.—A State educational agency shall award subgrants under subparagraph (A) to local educational agencies that have made a commitment to use the subgrant funds to develop healthy, high performance school buildings in accordance with the plan developed and approved pursuant to subparagraph (C)(i).

(C) IMPLEMENTATION.—

(i) PLANS.—A State educational agency shall award subgrants under paragraph (1) only to local educational agencies that, in

consultation with the State educational agency and State offices with responsibilities relating to energy and health, have developed plans that the State educational agency determines to be feasible and appropriate in order to achieve the purposes for which such subgrants are made.

(ii) SUPPLEMENTING GRANT FUNDS.—The State educational agency shall encourage qualifying local educational agencies to supplement their subgrant funds with funds from other sources in the implementation of their plans.

(2) ADMINISTRATION.—A State educational agency receiving a grant under this Act shall use the grant funds made available under section 4(a)(2)—

(A) to evaluate compliance by local educational agencies with the requirements of this Act;

(B) to distribute information and materials to clearly define and promote the development of healthy, high performance school buildings for both new and existing facilities;

(C) to organize and conduct programs for school board members, school district personnel, architects, engineers, and others to advance the concepts of healthy, high performance school buildings;

(D) to obtain technical services and assistance in planning and designing high performance school buildings; and

(E) to collect and monitor information pertaining to the high performance school building projects funded under this Act.

(3) PROMOTION.—Subject to section 4(a), a State educational agency receiving a grant under this Act may use grant funds for promotional and marketing activities, including facilitating private and public financing, working with school administrations, students, and communities, and coordinating public benefit programs.

(d) LOCAL USE OF FUNDS.—

(1) IN GENERAL.—A local educational agency receiving a subgrant under subsection (c)(1) shall use such subgrant funds for new school building projects and renovation projects that—

(A) achieve energy-efficiency performance that reduces energy use to at least 30 percent below that of a school constructed in compliance with standards prescribed in Chapter 8 of the 2000 International Energy Conservation Code, or a similar State code intended to achieve substantially equivalent results; and

(B) achieve environmentally healthy schools in compliance with Federal and State codes intended to achieve healthy and safe school environments.

(2) EXISTING BUILDINGS.—A local educational agency receiving a subgrant under subsection (c)(1) for renovation of existing school buildings shall use such subgrant funds to achieve energy efficiency performance that reduces energy use below the school's baseline consumption, assuming a 3-year, weather-normalized average for calculating such baseline and to help bring schools into compliance with health and safety standards.

SEC. 4. ALLOCATION OF FUNDS.

(a) IN GENERAL.—A State receiving a grant under this Act shall use—

(1) not less than 70 percent of such grant funds to carry out section 3(c)(1); and

(2) not less than 15 percent of such grant funds to carry out section 3(c)(2).

(b) RESERVATION.—The Secretary may reserve an amount not to exceed $300,000 per year from amounts appropriated under section 6 to assist State educational agencies in coordinating and implementing the Program. Such funds may be used to develop reference materials to further define the principles and criteria to achieve healthy, high performance school buildings.

SEC. 5. REPORT TO CONGRESS.

(a) IN GENERAL.—The Secretary shall conduct a biennial review of State actions implementing this Act, and shall report to Congress on the results of such reviews.

(b) REVIEWS.—In conducting such reviews, the Secretary shall assess the effectiveness of the calculation procedures used by State educational agencies in establishing eligibility of local educational agencies for subgrants under this Act, and may assess other aspects of the Program to determine whether the aspects have been effectively implemented.

SEC. 6. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to the Secretary to carry out this Act—

(1) $250,000,000 for each of fiscal years 2002 through 2005; and

(2) such sums as may be necessary for each of fiscal years 2006 through 2011.

SEC. 7. DEFINITIONS.

In this Act:

(1) ELEMENTARY SCHOOL AND SECONDARY SCHOOL.—The terms ''elementary school'' and ''secondary school'' have the same meanings given such terms in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

(2) HEALTHY, HIGH PERFORMANCE SCHOOL BUILDING.—The term ''healthy, high performance school building'' means a school building which, in its design, construction, operation, and maintenance, maximizes use of renewable energy and energy-efficient practices, is cost-effective on a life cycle basis, uses affordable, environmentally preferable, durable materials, enhances indoor environmental quality, protects and conserves water, and optimizes site potential.

(3) LOCAL EDUCATIONAL AGENCY.—The term ''local educational agency'' has the same meaning given such term in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

(4) RENEWABLE ENERGY.—The term ''renewable energy'' means energy produced by solar, wind, geothermal, hydroelectric, or biomass power.

(5) SECRETARY.—The term ''Secretary'' means the Secretary of Education.

(6) STATE EDUCATIONAL AGENCY.—The term ''State educational agency'' has the same meaning given such term in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

By Ms. COLLINS (for herself and Ms. SNOWE):

S. 970. A bill to designate the facility of the United States Postal Service located at 39 Tremont Street, Paris Hill, Maine, as the Horatio King Post Office Building; to the Committee on Governmental Affairs.

Ms. COLLINS. Mr. President, I am pleased to introduce legislation to honor one of the great contributors to our national postal system, Horatio King, by naming after him the Paris Hill Post Office in Paris, ME, the town of his birth. My colleague from Maine, Senator SNOWE, joins me in this effort.

Horatio King had a long career serving the public as a newspaper publisher and postal employee, eventually working his way through the ranks to become Postmaster General under President Buchanan. All told, he served under three Presidents.

His career with the Postal Service began in 1839, when he was appointed by then Postmaster General Kendall to a postal position that required him to leave Maine and reside in Washington, DC. In 1850, he became affiliated with the foreign mail service and was instrumental in developing this aspect of our postal system. His efforts were recognized in 1854 when he was appointed first assistant Postmaster General, a post he would hold until becoming Postmaster General in 1861, shortly before the outbreak of the Civil War.

Horatio King did not end his service, however, after reaching this pinnacle. In 1863, President Lincoln recognized his steadfast devotion to the Union and, although King was of the opposite political party, named him to a commission charged with carrying out the Emancipation Proclamation in the District of Columbia.

King was also a man of letters, and was well known for his literary evenings which did much to elevate the culture in Washington at a time when it was a much smaller and less diverse town than the one of today. He would frequently publish newspaper and magazine articles and lectures, and even published a book of travel sketches upon returning from a tour of Europe.

Today, the birthplace of Horatio King remains well preserved and cared for by my constituents, Janice and Glenn Davis, as the lovely King's Hill Inn.

Horatio King served Maine well by serving America well. It is appropriate that Congress recognize his contributions by naming the Post Office in the town of his birth for him and, along with Senator SNOWE, I am delighted to have the opportunity to introduce legislation to accomplish this.

By Ms. COLLINS (for herself and Mr. FEINGOLD):

S. 971. A bill to expand the availability of oral health services by strengthening the dental workforce in designated underserved areas; to the Committee on Finance.

Ms. COLLINS. Mr. President, I am pleased to join my good friend and colleague from Wisconsin, Senator RUSS FEINGOLD, in introducing legislation to improve access to oral health care by strengthening the dental workforce in our nation's rural and underserved communities.

Oral and general health are inseparable, and good dental care is critical to our overall physical health and well-being. Dental health encompasses far more than cavities and gum disease. The recent U.S. Surgeon General report Oral Health in America states that ''the mouth acts as a mirror of health and disease'' that can help diagnose disorders such as diabetes, leukemia, heart disease, or anemia.

While oral health in America has improved dramatically over the last 50 years, these improvements have not occurred evenly across all sectors of our population, particularly among low-income individuals and families. Too many Americans today lack access to dental care. While there are clinically proven techniques to prevent or delay

the progression of dental health problems, an estimated 25 million Americans live in areas lacking adequate dental services. As a consequence, these effective treatment and prevention programs are not available in too many of our communities. Astoundingly, as many as eleven percent of our nation's rural population has never been to a dentist.

This situation is exacerbated by the fact that our dental workforce is graying and the overall ratio of dentists to population is declining. In Maine, for example, there currently are 393 active dentists, 241 of whom are 45 or older. More than 20 percent of dentists nationwide will retire in the next ten years, and the number of dental graduates by 2015 may not be enough to replace these retirees.

As a consequence, Maine, like many States, is currently facing a serious shortage of dentists, particularly in rural areas. While there is one general practice dentist for every 2,286 people in the Portland area, the numbers drop off dramatically in western and northern Maine. In Aroostook County, where I am from, there's only one dentist for every 5,507 people. Moreover, at a time when tooth decay is the most prevalent childhood disease in America, Maine has fewer than ten specialists in pediatric dentistry, and most of these are located in the southern part of the state.

This dental workforce shortage is exacerbated by the fact that Maine currently does not have a dental school or even a dental residency program. Dental schools can provide a critical safety net for the oral health needs of a state, and dental education clinics can provide the surrounding communities with care that otherwise would be unavailable to disadvantaged and underinsured populations. Maine is just one of a number of predominantly rural states that lacks this important component of a dental safety net.

Maine, like many States, is exploring a number of innovative ideas for increasing access to dental care in underseved areas. In an effort to supplement and encourage these efforts, we are introducing legislation today to establish a new State grant program designed to improve access to oral health services in rural and underserved areas. The legislation authorizes $50 million over 5 years for grants to States to help them develop innovative dental workforce development programs specific to their individual needs.

States could use these grants to fund a wide variety of programs. For example, they could use the funds for loan forgiveness and repayment programs for dentists practicing in underserved areas. They could also use them to provide grants and low- or no-interest loans to help practitioners to establish or expand practices in these underserved areas. States, like Maine, that do not have a dental school could use the funds to establish a dental residency program. Other States might want to use the grant funding to establish or expand community or school-based dental facilities or to set up mobile or portable dental clinics.

To assist in their recruitment and retention efforts, States could also use the funds for placement and support of dental students, residents, and advanced dentistry trainees. Or, they could use the grant funds for continuing dental education, including distance-based education, and practice support through teledentistry.

Other programs that could be funded through the grants include: community-based prevention services such as water fluoridation and dental sealant programs; school programs to encourage children to go into oral health or science professions; the establishment or expansion of a State dental office to coordinate oral health and access issues; and any other activities that are determined to be appropriate by the Secretary of Health and Human Services.

The National Health Service Corps is helping to meet the oral health needs of underserved communities by placing dentists and dental hygienists in some of America's most difficult-to-place inner city, rural, and frontier areas. Unfortunately, however, the number of dentists and dental hygienists with obligations to serve in the National Health Service Corps falls far short of meeting the total identified need. According to the Surgeon General, only about 6 percent of the dental need in America's rural and underserved communities is currently being met by the National Health Service Corps.

In my State, approximately 173,000 Mainers live in designated dental health professional shortage areas. While the National Health Service Corps estimates that it will take 33 dental clinicians to meet this need, it currently has only three serving in my State.

The bill we are introducing today would make some needed improvements in this critically important program so that it can better respond to our nation's oral health needs.

First, it would direct the Secretary of Health and Human Services to develop and implement a plan for increasing the participation of dentists and dental hygienists in the National Health Service Corps scholarship and loan repayment programs.

It would also allow National Health Service Corps scholarship and loan repayment program recipients to fulfill their commitment on a part-time basis. Some small rural communities may not have sufficient populations to support a full-time dentist or dental hygienist. This would give the National Health Service Corps additional flexibility to meet the needs of these communities. Moreover, some practitioners may find part-time service more attractive to them. This particularly may be the case for a retired dentist who may want to practice only part-time, allowing this feasibility could in turn improve both recruitment and retention in these communities.

Last year, after a 6-year hiatus, the National Health Service Corps began a two-year pilot program to award scholarships to dental students.

This is a step in the right direction, however, these scholarships are only being awarded to students attending certain dental schools, not one of which is located in New England. Moreover, the pilot project requires the participating dental schools to encourage Corps dental scholars to practice in communities near their educational institutions. The problem is obvious. If none of these programs are in New England, and yet there is a requirement that the dentists participating in these programs practice in the surrounding communities, this is of no benefit to a State such as Maine that does not have a dental school and does not have a qualifying program. As a consequence, this program will do nothing at all to help relieve the dental shortage in Maine and other areas of New England.

The legislation we are introducing today would address this problem by expanding the National Health Service Corps Pilot Scholarship Program so that dental students attending any of the 55 American dental schools can apply and require that placements for these scholars be based strictly on community need, not on whether or not they surround the dental school.

It would also improve the process for designating dental health professional shortage areas and ensure that the criteria for making such designations provide a more accurate reflection of oral health needs, particularly in our rural areas where the problem is most acute.

And finally, taxing the scholarships and stipends of students adversely affects their financial incentive to participate in the National Health Service Corps and to provide health care services in underserved communities. Our legislation would, therefore, exclude from Federal income tax the fees and related educational expenses to individuals who are participating in the National Health Service Corps scholarship and loan repayment programs.

The Dental Health Improvement Act will make critically important oral health care services more accessible in our Nation's rural and underserved communities. I urge all of my colleagues to join me in supportin this legislation. I ask unanimous consent that letters endorsing my bill from the American Dental Association and the American Dental Education Association be printed in the RECORD.

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

AMERICAN DENTAL ASSOCIATION,
Washington, DC, May 25, 2001.

Hon. SUSAN COLLINS,
Russell Senate Office Building,
Washington, DC.

DEAR SENATOR COLLINS: On behalf of the American Dental Association and our 144,000 member dentists, I am delighted to endorse

the ''Dental Health Improvement Act,'' which you introduced today. The Association is proud that the oral health of Americans continues to improve, and that Americans have access to the best oral health care in the world.

Having said that, we agree that dental care has not reached every corner of American society to the extent it has reached the majority of Americans. For those Americans who are unable to pay for care, and those with special needs, such as disabled individuals, those with congenital conditions, and non-ambulatory patients, obtaining dental care can be difficult.

Your legislation recognizes several of these problems and goes a long way towards addressing them in a targeted and meaningful way. The section on grant proposals offers states the opportunity to be innovative in their approaches to address specific geographical dental workforce issues. You recognize the need to provide incentives to increase faculty recruitment in accredited dental training institutions, and your support for increasing loan repayment and scholarship programs will provide the appropriate incentives to increase the dental workforce in ''safety net'' organizations.

The ADA is very grateful for your leadership on these issues. Thank you for introducing this legislation. We want to continue to work with you on dental access issues in general and on this legislation as it moves through the Congress.

Sincerely,

ROBERT M. ANDERTON,
D.D.S., J.D., LL.M., President.

AMERICAN DENTAL
EDUCATION ASSOCIATION,
Washington, DC, May 23, 2001.

Hon. SUSAN COLLINS,
U.S. Senate,
Washington, DC.

DEAR SENATOR COLLINS, I am writing on behalf of the dental education community to commend you for developing and introducing the Dental Health Improvement Act. This legislation, when enacted into law, will expand the availability of oral health care services for the nation's underserved populations, strengthen the dental workforce, as well as maintain the ability of dental schools to produce the necessary manpower to provide oral health care to all Americans.

The American Dental Education Association (ADEA) represents the nation's 55 dental schools, as well as hospital-based dental and advanced dental education programs, allied dental programs and schools, dental research institutions, and the faculty and students at these institutions. ADEA's member schools are dedicated to providing the highest quality education to their students, conducting research and providing oral health care services to Americans from medically unserved and underserved areas, the majority of whom are uninsured or who are from low-income families. Recent downward trends in student enrollment and a growing shortage in dental faculty have caused ADEA serious concern about our ability to fully and competently address these responsibilities.

Therefore, I was delighted to see that the Dental Health Improvement Act directly responds to many of these concerns. If implemented, the Act would expand access to oral health care to thousands of Americans for the first time. When enacted, the provisions of the bill can be instrumental in helping the more than 31 million Americans living in ares that lack access to adequate oral health care services. It can provide much needed help to dental education institutions as we seek to address faculty shortages.

As you know, dental education institutions face a major crisis in the graying of its faculty which threatens the quality of dental education, oral, dental and craniofacial research, and ultimately will adversely impact the health of all Americans. Currently, there are approximately 400 faculty vacancies. Retirements are expected to accelerate in both private practice as well as teaching faculties in the nation's 55 dental schools. There is a significant decrease in the number of men and women choosing careers in dentistry, teaching and research. Your personal experience in Maine is a perfect example.

Educational debt has increased, affecting both career choices and practice location. Your bill will provide funds to help with recruitment and retention efforts and helps expand dental residency training programs to the 27 states that do not currently have dental schools.

Also important are the incentives you have proposed to expand or establish community-based dental facilities linked with dental education institutions. The need for this is obvious. More than two-thirds of patients visiting dental school clinics are members of families whose annual income is estimated to be $15,000 or below. About half of these patients are on Medicare or Medicaid, while more than a third have no insurance coverage or government assistance program to help them pay for their dental care.

Dental academic institutions are committed to their patient care mission, not only by improving the management and efficiency of patient centered care delivery at the dental school, but through increasing affiliations with and use of satellite clinics. All dental schools maintain at least one dental clinic on-site, and approximately 70% of U.S. dental schools have school-sponsored satellite clinics. Delivering patient care in diverse settings demonstrates professional responsibility to the oral health of the public.

Dental schools and other academic dental institutions provide oral health to underserved and disadvantaged populations. Yet more than 11 percent of the nation's rural population has never been to see a dentist. This bill can have a positive impact on this population by establishing access to oral health care at community-based dental facilities and consolidated health centers that are linked to dental schools. 100 million Americans presently do not have access to fluoridated water. The bill provides for community-based prevention services such as fluoride and sealants that can cause a dramatic change for nearly a third of the nation's population.

Thank you again for taking such a leadership role in the area of oral health. Please be assured that ADEA looks forward to working closely with you to bring the far-reaching potential of the Dental Health Improvement Act to fruition.

Sincerely,

RICHARD W. VALACHOVIC,
D.M.D., M.P.H., Executive Director.

Ms. COLLINS. Finally, Mr. President, I thank my principal cosponsor of this legislation, Senator FEINGOLD of Wisconsin, for his contributions to this bill. We found that Maine and Wisconsin have many similar problems in ensuring that there is an adequate supply of dentists in our more rural parts of our State.

It is our hope that this legislation will be considered and enacted this year.

Mr. FEINGOLD. Mr. President, I rise today to join my friend from Maine, Senator COLLINS, to introduce the Dental Health Improvement Act. This legislation will improve access to dental services by strengthening the deal workforce in under-served areas.

While the scope of the dental access problem is very wide reaching, this legislation takes an important step in the right direction by improving the dental workforce in under-served areas.

According to the Surgeon General, an estimated 25 million Americans live in areas lacking adequate dental care services, and as many as 11 percent of our Nation's rural population have never been to a dentist.

This problem will only get worse since more than 20 percent of dentists will retire in the next 10 years, and the number of dental graduates by 2015 may not be enough to replace these retirees. While dentists have increased their productivity, they are still distribution problems in specific geographic areas.

For too long, oral health has been overlooked and excluded from important public policy discussions of how to improve health and health care around the country. Some contend that oral health care has been a lower priority because advances in dentistry—most notably the expanded use of sealants and fluoridated water—are such that we are nearly a ''cavity free society.'' Yet the truth is that while oral health has certainly improved dramatically among those who are insured, and those who have reliable access to a dentist, there is a tragic disparity in health status between the haves and the have nots.

This disparity between the poor and everyone else exists in general medical health measures, such as infant mortality, low birth weight, blood lead levels and so on. But what I have learned since I first became interested in this issue is that the disparity is disturbingly stark in oral health.

Surgeon General David Satcher framed this issue well at his May 2000 release of his report, Oral Health in America, that ''Tooth decay remains the single most common chronic disease of childhood—five times more common than asthma.''

While this fact is certainly true—that the prevalence of dental disease remains high among children—its burden within the population of US children has shifted dramatically.

I would like to make sure that my colleagues are aware of this horrifying statistic that helps to outline the scope of the problem: 80 percent of dental disease is found in the poorest 25 percent of children.

This figure helps to illustrate the broad scope of the problem. And we all know that the problem is even more disturbing when we look at the ways these vulnerable children suffer from lack of dental care.

Preschoolers living in poverty have twice the odds of having decaying teeth, twice the extent of decay when they have disease, and twice the pain experience of their most affluent peers.

These children are already at a disadvantage in so many ways. And just

the most basic dental care could make a difference in their lives. But our health care system allows this problem to fall through the cracks.

Over the past few years these and similar statistics have been chronicled by numerous entities including the Surgeon General, the General Accounting Office, and the National Institutes of Health.

This legislation will help strengthen the dental workforce that delivers vital oral health care services by improving the workforce in under-served areas. By providing States and communities with sufficient flexibility to address the unique needs of their under-served areas, I believe that this legislation will take an effective approach to meeting the needs of communities in Wisconsin and across the Nation.

The first part of this legislation would establish a new State-based grant program to help states explore innovative ideas for increasing access to dental care in under-served areas.

This grant program would be directed through the Health Resources and Services Administration at the Department of Health and Human Services and support the efforts of States to develop and implement innovative programs to address the dental workforce shortage that are appropriate to their individual needs.

For example, States could tailor loan forgiveness and repayment programs for dentists practicing in areas designated as dental health professional shortage areas by either the Federal Government or the State.

This program could also help with recruitment and retention efforts by providing grants or low interest loans to help practitioners in designated dental health professional shortage areas equip a dental office or share in the overhead costs of an operation.

The second component of our legislation would increase participation of the dental workforce in the National Health Service Corps.

According to the U.S. Surgeon General, the number of dentists and dental hygienists with obligations to serve in the National Health Service Corps falls far short of meeting the total identified need: only about 6 percent of the dental need is currently being met by this program, and outreach and development are critical to future opportunities for strengthening the dental workforce in designated under-served areas.

Our legislation would develop and implement a plan for increasing the participation of dentists and dental hygienists in the National Health Service Corps scholarship and loan repayment programs and report back to Congress on their progress after three years.

This legislation follows a series of recommendations by the American Dental Association and the American Dental Educators Association, who both strongly support this legislation.

I hope my colleagues will join the Senator from Maine and me in our ongoing efforts to increase access to dental care and promote greater oral health.

We must change America's approach to oral health, especially when it comes to some of the most vulnerable members of our communities—low income children. These kids deserve quality dental care. Right now, too many kids are suffering. It is my hope that Congress will work on a bipartisan basis to promote greater oral health.

By Mr. MURKOWSKI (for himself, Mr. BREAUX, Mr. THOMPSON, and Mr. JEFFORDS):

S. 972. A bill to amend the Internal Revenue Code of 1986 to improve electric reliability, enhance transmission infrastructure, and to facilitate access to the electric transmission grid; to the Committee on Finance.

Mr. MURKOWSKI. Mr. President, I rise to introduce legislation that will add stability to the Nation's electric power grid. I am pleased to be joined by Senators, BREAUX, THOMPSON, and JEFFORDS in this effort that reflects a comprise that was reached last year by the investor owned and municipal electric power generators. Identical legislation has been introduced in the House, H.R. 1459.

In the past year, there has been a great deal of controversy over the concept of electric deregulation because of the chaos that has occurred in California. Unfortunately, California is not a useful model of a deregulated environment because California only deregulated the wholesale part of the industry while retaining price controls at the retail level. Coupled with the State's failure to build new generation in more than 10 years, the California model was bound to collapse.

However, I believe that the successes we have seen in deregulating electricity, most notably in states like Pennsylvania, suggest that ultimately the entire industry will be deregulated and consumers of electric power will see significant benefits from such deregulation. In order to facilitate the day when competition comes to the industry, we must update the tax laws that were written in day when electricity was a regulated utility.

One of the major problems that the current tax rules create is to undermine the efficiency of the entire electric system in a deregulated environment because these rules effectively preclude public power entities from participating in State open access restructuring plans, without jeopardizing the exempt status of their bonds.

No one wants to see bonds issued to finance public power become retroactively taxable because a municipality chooses to participate in a state open access plan. That would cause havoc in the financial markets and could undermine the financial stability of many municipalities.

Our legislation resolves this problem by allowing municipal systems to elect to terminate the issuance of new tax exempt bonds for generation facilities in return for grandfathering existing bonds.

Our bill also modifies current rules regarding the treatment of nuclear decommissioning costs to make certain that utilities will have the resources to meet future costs and clarifies the tax treatment of the funds, if a nuclear facility is sold. The bill also provides tax relief for utilities that spin off or sell transmission facilities to independent participants in FERC approved regional transmission organizations.

This bill will not resolve all of the tax issues surrounding the deregulation of the industry. One participant in the industry, the tax-exempt cooperatives also have tax problems associated with deregulation—they may not participate in wheeling power through their lines because of concern that they will violate the so-called 85–15 test which could endanger their tax exempt status. It is my hope that the coops will sit down with the other utilities and reach an accord so that when we consider this legislation, the coops will be included in the tax bill.

By Mr. WYDEN (for himself and Mr. SMITH of Oregon):

S. 973. A bill to expedite relief provided under the Magnuson-Stevens Fishery Conservation and Management Act for commercial fishery failure in the Pacific Coast Groundfish Fishery, to improve fishery management and enforcement in that fishery, and for other purposes; to the Committee on Commerce, Science, and Transportation.

Mr. WYDEN. Mr. President, I am pleased to be joined today by my good friend and colleague from Oregon, Senator SMITH, in introducing the Pacific Coast Commercial Fishery Preservation Act of 2001.

The West Coast groundfish fishery is in crisis, and many fishermen are facing bankruptcy. This legislation will help fishermen get through the crisis, and move the fishery toward a more sustainable future.

Sustainable management of this resource is long overdue and in January 2000, the Secretary of Commerce declared the West Coast groundfish fishery a disaster. This bill will put the right number of fishers out there, at the right time, catching the right number of fish.

Catching the right number of fish should mean using the fish that are caught. Fish that are caught in excess of a fisher's trip limit are called ''regulatory discards'' or ''overages,'' and thousands of pounds of fish are wasted every year when they are thrown overboard. This bill authorizes fishermen to retain those extra fish and donate them to charitable organizations.

The right number of fishers is key to a sustainable fishery. There are currently too many fishers in the West Coast groundfish fishery to sustain the resource. This bill authorizes the Secretary to administer and implement a

capacity reduction or ''buyback'' plan to ease the transition to the right number of fishers. In a survey distributed by the author of the buyback plan, 70 percent of recipients completed and returned their survey and a majority of them were interested in participating in the buyback program. A buyback plan has been developed by Oregonians, in consultation with the National Marine Fisheries Service and the Pacific Fishery Management Council, and this bill incorporates key elements of it.

This is not a Federal handout. Half the funding will come from the industry and half from the Federal government. The industry portion will be a government-backed loan which will be repaid by the fishers who stay. The Secretary is authorized to enter into agreements in California, Washington and Oregon to collect the fees that will be used to repay the industry portion of the buyback fund.

Another way we seek to ease the transition away from fishing is through reform of the Capital Construction Fund. Currently, the fund allows fishers to put pre-tax funds aside for the construction of a new boat, or for upgrading their old one. It was effective in building America's fishing fleets, but in these days of dwindling stocks and fisheries disasters it is crucial that the fisheries have an alternative use for their money, such as retirement. This bill amends the Merchant Marine Act and the Internal Revenue Code to allow funds currently trapped in the Capital Construction Fund to be rolled over into a retirement account without adverse consequences to either taxpayers or the account holders.

Ultimately, sustainable fisheries are a result of government regulation and management. When federal management fails, the government has a responsibility to help fishers and their families in a timely fashion. It has taken 18 months for the recent fishery disaster funding to hit Oregon. When you are an out-of-work groundfisher, 18 months is way too long to wait. This bill requires the Secretary of Commerce to recommend legislative or administrative changes to the existing law that would enable disaster funding to reach fishers more expeditiously.

This plan is supported by the West Coast Seafood Processors, the Fishermen's Marketing Association, the Pacific Federation of Fishermen, the Pacific Conservation Council, and the Pacific States Marine Fisheries Commission.

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

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

S. 973

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Pacific Coast Groundfish Fishery Preservation Act''.

SEC. 2 PILOT PROJECT FOR CHARITABLE DONATION OF BYCATCH.

(a) IN GENERAL.—The Secretary of Commerce shall initiate a pilot project under which fishermen in a commercial fishery covered by the West Coast groundfish fishery are permitted to donate bycatch, or regulatory discards, of fish to charitable organizations rather than discard them. The pilot project shall incorporate a means, through the requirement of on-vessel observers or other safeguards, of ensuring that the opportunity to donate such fish does not encourage or permit the evasion of pre-vessel trip limits, total allowable catch limits, or other fishery management plan measures.

(b) REPORTS.—

(1) INITIATION.—The Secretary shall notify the Senate Committee on Commerce, Science, and Transportation, within 90 days after the date of enactment of this Act and before the pilot project is implemented, of—

(A) the fishing season in which the pilot project will be conducted; and

(B) the period during which the pilot project will be conducted.

(2) FOLLOW-UP.—Within 90 days after the pilot project terminates the Secretary shall submit to the Committee a report containing findings with respect to the pilot project and the Secretary's analysis of the ramifications of the pilot project based on those findings.

SEC. 3. REPORT ON DISASTER ASSISTANCE FOR PACIFIC COAST GROUNDFISH FISHERY.

The Secretary shall report to the Senate Committee on Commerce, Science, and Transportation no later than 45 days after the date of enactment of this Act the action or actions taken under section 312(a) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a(a)) to provide disaster relief to fishing communities affected by the commercial fishery failure in the Pacific Coast groundfish fishery. The Secretary shall include in the report any recommendations the Secretary deems appropriate for additional legislation or changes in existing law that would enable the Department of Commerce to respond more expeditiously in the future to fisheries disasters resulting from commercial fishery failures.

SEC. 4. CAPACITY REDUCTION IN THE PACIFIC COAST GROUNDFISH FISHERY.

(a) IN GENERAL.—The Secretary of Commerce shall, after notice and an opportunity for public comment, adopt regulations to implement a fishing capacity reduction plan for the Pacific Coast Groundfish fishery under section 312(b) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a(b)) that—

(1) has been developed in consultation with affected parties whose participation in the plan is required for its successful implementation;

(2) will obtain the maximum sustained reduction in fishing capacity at the least cost through the use of a reverse auction process in which vessels and permits are purchased;

(3) will not expand the size or scope of the commercial fishery failure in that fishery or into other fisheries or other geographic regions;

(4) except as otherwise specifically provided in this section, meets the requirements of that section; and

(5) incorporates the components described in subsection (c) of this section.

(b) EXPEDITED ADOPTION OF PLAN.—In carrying out subsection (a), the Secretary—

(1) shall publish notice in the Federal Register within 30 days after the date of enactment of this Act of implementation of the fishing capacity reduction plan;

(2) provide for public comment for a period of 60 days after publication; and

(3) adopt final regulations to implement the plan within 45 days after the close of the public comment period under paragraph (2).

(c) PLAN COMPONENTS.—The fishery capacity reduction plan shall—

(1) provide for a significant reduction in the fishing capacity in the Pacific Coast groundfish fisheries;

(2) permanently revoke all State and Federal fishery licenses, fishery permits, area and species endorsements, and any other fishery privileges for West Coast groundfish, Pacific pink shrimp, Dungeness crab, and Pacific salmon (troll permits only) issued to a vessel or vessels (or to persons on the basis of their operation or ownership of that vessel or vessels) for which a Pacific Coast groundfish fisheries reduction permit is issued under section 600.1011(b) of title 50, Code of Federal Regulations;

(3) ensure that the Secretary of Transportation is notified of each vessel for which a reduction permit is surrendered and revoked under the program, with a request that such Secretary permanently revoke the fishery endorsement of each such vessel and refuse permission to transfer any such vessel to a foreign flag under subsection (f) of this section;

(4) ensure that vessels removed from the Pacific Coast groundfish fisheries under the program are made permanently ineligible to participate in any fishery worldwide, and that the owners of such vessels contractually agree that such vessels will operate only under the United States flag or be scrapped as a reduction vessel pursuant to section 600.1011(c) of title 50, Code of Federal Regulations;

(5) ensure that vessels removed from the Pacific Coast groundfish fisheries, the owners of such vessels, and the holders of fishery permits for such vessels forever relinquish any claim associated with such vessel, permits, and any catch history associated with such vessel or permits that could qualify such vessel, vessel owner, or permit holder for any present or future limited access system fishing permits in the United States fisheries based on such vessel, permits, or catch history; and

(6) notwithstanding section 1111(b) of the Merchant Marine Act, 1936 (46 U.S.C. App. 1279f(b)(4)), establish a repayment period for the reduction loan of not less than 30 years.

(d) FUNDING FOR BUYBACK OF VESSELS AND PERMITS.—

(1) IN GENERAL.—There shall be available to the Secretary to complete the purchase of vessels and permits under the fishery capacity reduction plan the sum of $50,000,000, of which—

(A) $25,000,000 shall be from amounts appropriated to the Secretary for this purpose (the appropriation of which is hereby authorized for fiscal year 2002, with any amounts not expended in fiscal year 2002 to remain available until expended); and

(B) $25,000,000 shall be from an industry fee system established under subsection (e).

(2) ADVANCE OF INDUSTRY FEE PORTION.—The industry fee portion under paragraph (1)(B) for fiscal year 2002 and thereafter shall be financed by a reduction loan under sections 1111 and 1112 of title XI of the Merchant Marine Act, 1936 (46 U.S.C. App. 1279f and 1279g).

(e) INDUSTRY FEES.—

(1) IN GENERAL.—As part of the fishery capacity reduction plan, the Secretary shall establish an industry fee system under section 312(d) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a(d)) to generate revenue to repay the loan provided under subsection (d)(2).

(2) ALLOCATION OF FEES.—The Secretary shall allocate the fees payable under the industry fee system among—

(A) holders of Pacific Coast groundfish permits,

(B) holders of Washington, Oregon, and California pink shrimp fishing permits,

(C) holders of Washington, Oregon, and California salmon trolling permits, and

(D) holders of Washington, Oregon, and California Dungeness crab fishing permits,

so that the percentage of the revenue generated by the fee system from holders of each kind of permit will correspond to the percentage of the total amount paid under buyback program for that kind of permit.

(f) DUTIES OF SECRETARY OF TRANSPORTATION.—

(1) The Secretary of Transportation shall, upon notification and request by the Secretary, for each vessel identified in such notification and request—

(A) permanently revoke any fishery endorsement issued to such vessel under section 12108 of title 46, United States Code; and

(B) refuse to grant the approval required under section 9(c)(2) of the Shipping Act, 1916 (46 U.S.C. App. 808(c)(2)) for the placement of such vessel under foreign registry or the operation of such vessel under the authority of a foreign country.

(2) The Secretary shall, after notice and opportunity for public comment, adopt final regulations not later than 6 months after the date of enactment of this Act, to prohibit any vessel for which a reduction permit is surrendered and revoked under the fishing capacity reduction program required by this section from engaging in fishing activities on the high seas or under the jurisdiction of any foreign country while operating under the United States flag.

(g) REGULATORY FLEXIBILITY.—Any requirements of the Paperwork Reduction Act, the Regulatory Flexibility Act, or any Executive order that would, in the opinion of the Secretary, prevent the Secretary from meeting the deadlines set forth in this section shall not apply to the fishing capacity reduction program or the promulgation of regulations to implement such program required by this section.

SEC. 5. COLLECTION OF INDUSTRY FEES.

(a) IN GENERAL.—The Secretary shall enter into an agreement with the States of California, Oregon, and Washington to collect program fees paid under the system established under section 4(e).

(b) WITHHOLDING FEE FROM PURCHASE PRICE.—The fee for each vessel required to pay a program fee under that system shall be deducted by the first ex-vessel fish purchaser from the proceeds otherwise payable to the seller and forwarded to the appropriate State at the same time and in the same manner as other fees or taxes are forwarded to that State.

(c) STATE TO COLLECT AND FORWARD FEES.—Upon receipt of program fees forwarded by fish purchasers under subsection (b), the State shall forward the fees to the Secretary in the manner provided for in the agreement established under subsection (a).

(d) FISH-PROCESSING VESSELS TREATED AS PURCHASERS.—A vessel which—

(1) both harvests and processes fish; or

(2) receives fish from a harvesting vessel and processes that fish on board, shall be considered to be the first ex-vessel fish purchaser with respect to the fish processed on the vessel and shall forward the appropriate fees to the appropriate State at the same time and in the same manner as other fees or taxes are forwarded to that State.

SEC. 6 AMENDMENT OF THE MERCHANT MARINE ACT, 1936, TO EXPAND PURPOSES OF CAPITAL CONSTRUCTION FUND.

(a) IN GENERAL.—Section 607(a) of the Merchant Marine Act, 1936 (46 U.S.C. App. 1177(a)) is amended by striking ''of this section.'' and inserting ''of this section. Any agreement entered into under this section may be modified for the purpose of encouraging the sustainability of the fisheries of the United States by making the termination and withdrawal of a capital construction fund a qualified withdrawal if done in exchange for the retirement of the related commercial fishing vessel and related commercial fishing permits.''.

(b) NEW QUALIFIED WITHDRAWALS.—

(1) AMENDMENTS TO MERCHANT MARINE ACT, 1936.—Section 607(f)(1) of the Merchant Marine Act, 1936 (46 U.S.C. App. 1177(f)(1)) is amended—

(A) by striking ''for:'' and inserting ''for—'';

(B) by striking ''vessel,'' in subparagraph (A) and inserting ''vessel;'';

(C) by striking ''vessel, or'' in subparagraph (B) and inserting ''vessel;'';

(D) by striking ''vessel.'' in subparagraph (C) and inserting ''vessel;''; and

(E) by inserting after subparagraph (C) the following:

''(D) the payment of an industry fee authorized by the fishing capacity reduction program under section 312(b) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a(b));

''(E) in the case of any such person or shareholder for whose benefit such fund was established or any shareholder of such person, a rollover contribution (within the meaning of section 408(d)(3) of the Internal Revenue Code of 1986) to such person's or shareholder's individual retirement plan (as defined in section 7701(a)(37) of such Code); or

''(F) the payment to a person or corporation terminating a capital construction fund for whose benefit the fund was established and retiring related commercial fishing vessels and permits; and

(F) by adding at the end the following:

''(ii) The Secretary by regulation shall establish procedures to ensure that any person making a qualified withdrawal authorized under subparagraph (F) retires the related commercial use of fishing vessels and commercial fishery permits.''.

(2) AMENDMENTS TO INTERNAL REVENUE CODE OF 1986.—Section 7518(e)(1) of the Internal Revenue Code of 1986 (relating to purposes of qualified withdrawals) is amended—

(A) by striking ''for:'' and inserting ''for—'';

(B) by striking ''vessel, or'' in subparagraph (B) and inserting ''vessel;'';

(C) by striking ''vessel.'' in subparagraph (C) and inserting ''vessel;'';

(D) by inserting after subparagraph (C) the following:

''(D) the payment of an industry fee authorized by the fishing capacity reduction program under section 312 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1861a);

''(E) in the case of any person or shareholder for whose benefit such fund was established or any shareholder of such person, a rollover contribution (within the meaning of section 408(d)(3)) to such person's or shareholder's individual retirement plan (as defined in section 7701(a)(37)); or

''(F) the payment to a person terminating a capital construction fund for whose benefit the fund was established and retiring related commercial fishing vessels and permits.''; and

(E) by adding at the end the following:

''The Secretary by regulation shall establish procedures to ensure that any person making a qualified withdrawal authorized by subparagraph (F) retires the related commercial use of fishing vessels and commercial fishery permits.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to withdrawals made after the date of enactment of this Act.

By Mr. JOHNSON:

S. 974. A bill to amend title XVIII of the Social Security Act to provide for coverage of pharmacist services under part B of the Medicare program; to the Committee on Finance.

Mr. JOHNSON. Mr. President, I am pleased to be able to introduce legislation, known as the Medicare Pharmacist Services Coverage Act, that will provide for important patient safety and health care quality improvements in the Medicare program. This legislation will reform Medicare by recognizing qualified pharmacists as health care providers within the Medicare program and make available to beneficiaries important drug therapy management services that these valuable health professionals can and do provide. These services, which are coordinated in direct collaboration with physicians and other health care professionals as authorized by State law, help patients make the best possible use of their medications.

The members of this body know very well the vital role that today's powerful and effective medications play in the maintenance of health and well-being of our nation's seniors. The substantial and important discussion now underway on how best to craft and implement a prescription drug benefit for Medicare beneficiaries is an explicit recognition of this vital role. But access to the medications, even at the most affordable prices possible, is only one part of the equation in achieving the kinds of health care outcomes that patients and their health care providers desire. That is where today's pharmacists play a pivotal role.

But members of this body may not be as aware of the tremendous changes in pharmacy practice and education that have taken place in the past decade that have resulted in an expansion of pharmacists' capabilities and responsibilities. Fortunately for my office Dr. Brian Kaatz, a clinical pharmacist and faculty member of the College of Pharmacy at South Dakota State University was able to spend 6 months with us here in Washington last year as we studied and evaluated the many policy issues and concerns related to a Medicare prescription drug benefit. In the course of that time it became clear to me and to members of my staff that pharmacists are critical in assuring safer and more effective medication use by our nation's seniors.

In addition to the important and continuing responsibility for assuring accurate, safe medication dispensing, compounding, and counseling, pharmacists now provide a much more comprehensive range of clinical, consultative, and educational services. Thirty States, the Veterans Administration, and the Indian Health Service, among others, all recognize the value of collaborative drug therapy management services as a way to provide optimal

patient care using the specialized education and training of pharmacists. Unfortunately, Medicare does not.

Indeed, payment for prescription drugs in almost all types of health plans and programs focuses on payment for the product and the associated costs of its distribution to patients. The logical financial incentive therefore is to dispense more medications, not fewer. Payment to the pharmacist for time spent in reducing the number of medications the patient is taking or enhancing the patient's ability to understand and more properly use the medications they do need is provided only by some forward-thinking payers and programs. Unfortunately, Medicare is not among them.

Access to pharmacists' collaborative drug therapy management services is particularly important right now, while many Medicare beneficiaries are struggling to pay substantial out-of-pocket costs for their prescription medications. On average, persons aged 65 and older currently take 5 or more medications each day. These medications are often prescribed by several different physicians for concurrent chronic and acute conditions. Recently published research has indicated that drug-related problems cost the U.S. health care system as much as $177 billion each year, an amount equal to the ten-year cost projections for some of the more modest Medicare prescription drug coverage proposals now being discussed. A substantial portion of this expense is preventable through collaborative patient care services provided by pharmacists working with patients and their physicians.

With careful examination of a patient's total drug regimen, pharmacists can eliminate unnecessary or counterproductive treatments. For example, pharmacists working closely with the health care team can identify or prevent duplicate medications, drugs that cancel each other out, or combinations that can damage hearts or kidneys. Pharmacists may also find that a newer multi-action drug may be exchanged for two older drugs or a slightly more expensive drug may be substituted for a less expensive alternative that causes side effects and results in the patient either taking additional medication or stopping their medication with the result that their medical condition worsens.

The overuse of medications is particularly common in the elderly, who tend to have more chronic conditions that call for drug treatment. In addition, physiological changes that occur naturally in the aging process diminish the body's ability to process medications, increasing the likelihood of medication-related complications.

The pharmacist's specialized training in drug therapy management has been demonstrated repeatedly to improve the quality of care patients receive and to control health care costs associated with medication complications. As a precursor to a prescription drug benefit, it makes sense to take this proven initial step to improve the medication use process. This will help Medicare beneficiaries immediately by ensuring that each precious dollar spent out-of-pocket is spent wisely on a streamlined and effective drug therapy regimen. This is an important benefit that we can deliver now while Congress works to address the more difficult economic and political issues impacting a prescription drug benefit.

In addition, the quality improvement and cost-control resulting from this benefit establishes a critical infrastructure element for whatever Medicare prescription drug benefit is ultimately put in place. By supporting pharmacists who are working to improve the efficacy and cost-effectiveness of medication regimens, as well as reducing preventable medication-related complications and adverse drug events that result in unnecessary health care expenditures, we can enhance the prospects of achieving an affordable Medicare drug benefit that will bring real value to beneficiaries and taxpayers alike.

Recognition of qualified pharmacists as providers within the Medicare program is the logical and very affordable first step in establishing the essential infrastructure of a Medicare prescription drug benefit. As the Institute of Medicine report ''To Err is Human: Building a Safer Health System'' stated: ''Because of the immense variety and complexity of medications now available, it is impossible for nurses and doctors to keep up with all of the information required for safe medication use. The pharmacist has become an essential resource . . . and thus access to his or her expertise must be possible at all times.'' This legislation will empower Medicare to catch up on this important health care quality issue. Pharmacists' collaborative drug therapy management services can and will make a real difference in the lives of Medicare beneficiaries. I encourage my colleagues on both sides of the aisle to give this proposal their serious consideration.

By Mr. CHAFEE (for himself, Mr. BENNETT, Mr. JEFFORDS, Mr. LEVIN, Mr. SPECTER, Mr. BINGAMAN, Mr. CLELAND, and Mr. LIEBERMAN):

S. 975. A bill to improve environmental policy by providing assistance for State and tribal land use planning, to promote improved quality of life, regionalism, and sustainable economic development, and for other purposes; to the Committee on Environment and Public Works.

Mr. CHAFEE. Mr. President, today I am introducing the Community Character Act of 2001, together with Senators BENNETT, SPECTER, JEFFORDS, CLELAND, LEVIN, BINGAMAN, and LIEBERMAN. This legislation provides Federal assistance to States and Indian tribes to create or update statewide or tribal land use planning legislation. Up-to-date planning legislation empowers States and local governments to spur economic development, protect the environment, coordinate transportation and infrastructure needs, and preserve our communities.

America has grown from East to West, as well as from an urban setting to suburban one. The Nation's sweeping growth can be attributed to many things, including a strong economy and transportation and technology advancements that allow people to live greater distances from work. Due in part to inadequate planning, strip malls and retail development catering to the automobile have become the trademark of the American landscape.

In the wake of the post-World War II building boom, my hometown of Warwick, RI had experienced the type of development that too often offends the eye and saps our economic strength. Due to a lack of planning, incremental and haphazard development occurred through a mixture of incompatible zoning decisions. Industrial and commercial facilities and residential homes were frequently and inappropriately sited next to each other. The local newspaper described the city as a ''suburban nightmare''. However, we learned that proper approaches to planning would help every state meet its challenges, whether it is preserving limited open space in the East or protecting precious drinking water supplies in the West.

The Community Character Act will benefit each community and neighborhood by providing $25 million per year to States and tribes for the purpose of land use planning. The bill recognizes that land use planning is appropriately vested at the state and local levels, and accords States and tribes flexibility in using their money. Importantly, the legislation also recognizes that the Federal Government should play a role in financing these activities. Through enactment of transportation, housing, environmental, energy, and economic development laws and requirements, Congress has created a demand for state and local planning. In fact, the Community Character Act should be viewed as providing the federal payment for an unfunded mandate whose account is overdue.

The Senators who have sponsored this bill represent geographically diverse states, from Rhode Island to New Mexico and from Georgia to Utah. This bipartisan bill represents a small investment in our communities, but one that will yield large dividends to communities in each corner of the nation.

I ask unanimous consent that the text of the bill, a summary of the bill, and letters of support for the bill be printed in the RECORD.

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

S. 975

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Community Character Act of 2001''.

SEC. 2. FINDINGS.

Congress finds that—

(1) inadequate land use planning at the State and tribal levels contributes to—

(A) increased public and private capital costs for public works infrastructure development;

(B) environmental degradation;

(C) weakened regional economic development; and

(D) loss of community character;

(2) land use planning is rightfully within the jurisdiction of State, tribal, and local governments;

(3) comprehensive land use planning and community development should be supported by Federal, State, and tribal governments;

(4) States and tribal governments should provide a proper climate and context through legislation in order for comprehensive land use planning, community development, and environmental protection to occur;

(5)(A) many States and tribal governments have outmoded land use planning legislation; and

(B) many States and tribal governments are undertaking efforts to update and reform land use planning legislation;

(6) the Federal Government and States should support the efforts of tribal governments to develop and implement land use plans to improve environmental protection, housing opportunities, and socioeconomic conditions for Indian tribes; and

(7) the coordination of use of State and tribal resources with local land use plans requires additional planning at the State and tribal levels.

SEC. 3. DEFINITIONS.

In this Act:

(1) LAND USE PLAN.—The term ''land use plan'' means a plan for development of an area that recognizes the physical, environmental, economic, social, political, aesthetic, and related factors of the area.

(2) LAND USE PLANNING LEGISLATION.—The term ''land use planning legislation'' means a statute, regulation, executive order, or other action taken by a State or tribal government to guide, regulate, or assist in the planning, regulation, and management of—

(A) environmental resources;

(B) public works infrastructure;

(C) regional economic development;

(D) current and future development practices; and

(E) other activities related to the pattern and scope of future land use.

(3) SECRETARY.—The term ''Secretary'' means the Secretary of Commerce, acting through the Assistant Secretary of Commerce for Economic Development.

(4) STATE.—The term ''State'' means a State, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

(5) TRIBAL GOVERNMENT.—The term ''tribal government'' means the tribal government of an Indian tribe (as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b)).

SEC. 4. GRANTS TO STATES AND TRIBAL GOVERNMENTS TO UPDATE LAND USE PLANNING LEGISLATION.

(a) ESTABLISHMENT OF PROGRAM.—

(1) IN GENERAL.—The Secretary shall establish a program to award grants to States and tribal governments eligible for funding under subsection (b) to promote comprehensive land use planning at the State, tribal, and local levels.

(2) GRANT APPLICATIONS.—

(A) SUBMISSION.—A State or tribal government may submit to the Secretary, in such form as the Secretary may require, an application for a grant under this section to be used for 1 or more of the types of projects authorized by subsection (c).

(B) APPROVAL.—The Secretary shall—

(i) not less often than annually, complete a review of the applications for grants that are received under this section; and

(ii) award grants to States and tribal governments that the Secretary determines rank the highest using the ranking criteria specified in paragraph (3).

(3) RANKING CRITERIA.—In evaluating applications for grants from eligible States and tribal governments under this section, the Secretary shall consider the following criteria:

(A) As a fundamental priority, the extent to which a State or tribal government has in effect inadequate or outmoded land use planning legislation.

(B) The extent to which a grant will facilitate development or revision of land use plans consistent with updated land use planning legislation.

(C) The extent to which development or revision of land use plans will facilitate multistate land use planning.

(D) The extent to which the area under the jurisdiction of a State or tribal government is experiencing significant growth.

(E) The extent to which the project to be funded using a grant will protect the environment and promote economic development.

(F) The extent to which a State or tribal government has committed financial resources to comprehensive land use planning.

(b) ELIGIBILITY.—A State or tribal government shall be eligible to receive a grant under subsection (a) if the State or tribal government demonstrates that the project, or the goal of the project, to be funded by the grant promotes land use planning activities that—

(1) are comprehensive in nature and, to the maximum extent practicable—

(A) promote environmental protection (including air and water quality);

(B) take into consideration—

(i) public works infrastructure in existence at the time at which the grant is to be made; and

(ii) future infrastructure needs, such as needs identified in—

(I) the needs assessments required under sections 516(2) and 518(b) of the Federal Water Pollution Control Act (33 U.S.C. 1375(2), 1377(b)) and subsections (h) and (i)(4) of section 1452 of the Safe Drinking Water Act (42 U.S.C. 300j–12); and

(II) the State long-range transportation plan developed under section 135(e) of title 23, United States Code;

(C) promote sustainable economic development (including regional economic development) and social equity;

(D) enhance community character;

(E) conserve historic, scenic, natural, and cultural resources; and

(F) provide for a range of affordable housing options;

(2) promote land use plans that contain an implementation element that—

(A) includes a timetable for action and a definition of the respective roles and responsibilities of agencies, local governments, and other stakeholders;

(B) is consistent with the capital budget objectives of the State or tribal government; and

(C) provides a framework for decisions relating to the siting of infrastructure development, including development of utilities and utility distribution systems;

(3) result in multijurisdictional governmental cooperation, to the maximum extent practicable, particularly in the case of land use plans based on watershed boundaries;

(4) encourage the participation of the public in the development, adoption, and updating of land use plans;

(5) provide for the periodic updating of land use plans; and

(6) include approaches to land use planning that are consistent with established professional land use planning standards.

(c) USE OF GRANT FUNDS.—Grant funds received by a State or tribal government under subsection (a) may be used for a project—

(1) to carry out, or obtain technical assistance with which to carry out—

(A) development or revision of land use planning legislation;

(B) research and development relating to land use plans, and other activities relating to the development of State, tribal, or local land use plans, that result in long-term policy guidelines for growth and development;

(C) workshops, education of and consultation with policymakers, and participation of the public in the land use planning process; and

(D) integration of State, regional, tribal, or local land use plans with Federal land use plans;

(2) to provide funding to units of general purpose local government to carry out land use planning activities consistent with land use planning legislation; or

(3) to acquire equipment or information technology to facilitate State, tribal, or local land use planning.

(d) PILOT PROJECTS FOR LOCAL GOVERNMENTS.—A State may include in its application for a grant under this section a request for additional grant funds with which to assist units of general purpose local government in carrying out pilot projects to carry out land use planning activities consistent with land use planning legislation.

(e) AMOUNT OF GRANTS.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amount of a grant to a State or tribal government under subsection (a) shall not exceed $1,000,000.

(2) ADDITIONAL AMOUNT.—The Secretary may award a State up to an additional $100,000 to fund pilot projects under subsection (d).

(f) COST SHARING.—

(1) IN GENERAL.—The Federal share of the cost of a project funded with a grant under subsection (a) shall not exceed 90 percent.

(2) GRANTS TO TRIBAL GOVERNMENTS.—The Secretary may increase the Federal share in the case of a grant to a tribal government if the Secretary determines that the tribal government does not have sufficient funds to pay the non-Federal share of the cost of the project.

(g) AUDITS.—

(1) IN GENERAL.—The Inspector General of the Department of Commerce may conduct an audit of a portion of the grants awarded under this section to ensure that the grant funds are used for the purposes specified in this section.

(2) USE OF AUDIT RESULTS.—The results of an audit conducted under paragraph (1) and any recommendations made in connection with the audit shall be taken into consideration in awarding any future grant under this section to a State or tribal government.

(3) REPORT TO CONGRESS.—Not later than 3 years after the date of enactment of this Act, the Inspector General of the Department of Commerce shall submit to Congress a report that provides a description of the management of the program established under this section (including a description of the allocation of grant funds awarded under this section).

(h) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There is authorized to be appropriated to carry out this section $25,000,000 for each of fiscal years 2002 through 2006.

(2) AVAILABILITY FOR TRIBAL GOVERNMENTS.—Of the amount made available under paragraph (1) for a fiscal year, not less than 5 percent shall be available to make grants to tribal governments to the extent that there are sufficient tribal governments that are eligible for funding under subsection (b) and that submit applications.

SEC. 5. ECONOMIC DEVELOPMENT ADMINISTRATION TECHNICAL ASSISTANCE.

(a) IN GENERAL.—The Secretary may develop voluntary educational and informational programs for the use of State, tribal, and local land use planning and zoning officials.

(b) TYPES OF PROGRAMS.—Programs developed under subsection (a) may include—

(1) exchange of technical land use planning information;

(2) electronic databases containing data relevant to land use planning;

(3) other technical land use planning assistance to facilitate access to, and use of, techniques and principles of land use planning; and

(4) such other types of programs as the Secretary determines to be appropriate.

(c) CONSULTATION AND COOPERATION.—The Secretary shall carry out subsection (a) in consultation and cooperation with—

(1) the Administrator of the Environmental Protection Agency;

(2) the Secretary of Transportation;

(3) the Secretary of Agriculture;

(4) the heads of other Federal agencies;

(5) State, tribal, and local governments; and

(6) nonprofit organizations that promote land use planning at the State, tribal, and local levels.

(d) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $1,000,000 for each of fiscal years 2002 through 2006.

COMMUNITY CHARACTER ACT OF 2001—SECTION-BY-SECTION SUMMARY

SUMMARY

The Community Character Act of 2001 seeks to provide much needed funding to State and tribal governments for the development and revision of land use planning tools. Up-to-date statewide planning statutes and guidelines will allow state and local governments to meet future growth demands while preserving the economic, natural, cultural, and historic resources of our communities.

SECTION BY SECTION

Section 1

Short Title.—the Community Character Act of 2001.

Section 2

Provides Congressional findings regarding the benefits of planning at the State, local, and tribal levels.

Section 3

Provides definitions of key terms in the legislation. ''Land use planning legislation'' is defined as a statute, regulation, executive order or other action taken by a State or tribal government to guide, regulate, or assist in the planning, regulation, and management of environmental resources, public works infrastructure, regional economic development, and development practices and other activities related to the pattern and scope of future land use.

Section 4

This section authorizes the Economic Development Administration to establish a program to provide grants to States and tribal governments on a competitive basis for the development or revision of land use planning legislation. States and tribal governments are eligible for grants if their land use planning activities promotes certain elements, such as environmental protection, public works infrastructure, and sustainable economic development.

States and tribes that receive these grants may use them to develop or revise land use planning legislation, conduct research and development relating to land use plans, or funding to local governments to carry out land use planning activities consistent with state planning legislation. This section also provides for local government pilot projects related to land use planning.

The bill provides $25 million each year for fiscal years 2002–2006 and caps grants at $ 1 million ($1.1 million if funding local pilot projects), subject to a 10 percent match. Five percent of the annual authorization is set aside for tribal governments to the extent that there are sufficient eligible applications.

Section 5

This section authorizes the Economic Development Administration to provide voluntary educational and informational programs for the use of State, local, and tribal land use planning and zoning officials. The bill authorizes $1 million per year for five years for this purpose.

AMERICAN PLANNING ASSOCIATION,
Washington, DC, May 24, 2001.

Hon. LINCOLN CHAFEE,
U.S. Senate,
Washington, DC.

DEAR SENATOR CHAFEE: The American Planning Association is pleased to endorse the Community Character Act of 2001. APA is heartened by the introduction of this legislation and the assistance it would provide to the numerous states and communities struggling with the consequences of change, whether it be growth and development or economic decline. This legislation recognizes that the federal government can, and should, be a constructive partner with those communities seeking innovative solutions to improving local quality of life through better planning and land use. APA, with more than 30,000 members, is the largest private organization working to promote planning for communities that effectively meets the needs of our people, now and in the future.

Planning is the single most effective way to deal with growth issues facing states and communities. Passage of the Community Character Act is among the most important and beneficial things Congress could do to help promote local solutions to such pressing issues as downtown revitalization, traffic congestion, urban sprawl and open space protection.

This legislation responds to widespread citizen interest in smart growth by providing critical resources to help state and local political leaders, business and environmental interests, and others manage change. In a recent national voter survey, APA found that an overwhelming majority of Americans, regardless of political affiliation, geographic locale, or demographic group, believe Congress should take action to support state and local smart growth initiatives. Seventy-eight percent of those surveyed believe it is important for the 107th Congress to help communities solve problems associated with urban growth. Moreover, three-quarters of voters also support providing incentives to help promote smart growth and improve planning.

The Community Character Act provides vital assistance to meet the serious challenge of reforming outdated planning statutes and supporting planning as the basis for smart growth. Currently, more than half the states are still operating under planning statutes devised in the 1920s. And, even in those states with updated planning laws, communities are struggling to find and implement tools to grow smarter and in ways consistent with the values and vision of the citizens. Thus far in 2001, twenty-seven governors have initiated some type smart growth proposals and there is pending legislative or executive activity related to planning, growth and land use in twenty-two states. This if happening in states as diverse as Oklahoma and New York, Montana and Massachusetts.

We believe this bill will support an array of state, regional and local efforts to promote improved quality of life, economic development and community livability through better planning. Grants could be used to obtain technical assistance and support for a state's review and implementation of growth and planning laws. Activities such as researching and drafting state policies, conducting workshops, holding public forums, promoting regional cooperation and supporting state planning initiatives would qualify for federal assistance. We also believe provisions allowing grants for acquiring new information technology to facilitate planning, pilot projects to support innovative planning at the local level and the development of technical assistance programs through the Economic Development Administration would provide important and needed assistance for local governments and communities.

This legislation promotes smart growth principles and encourages states to create or update the framework necessary for good planning. It creates a federal partnership with communities through incentives, not mandates. The bill does not mandate that states implement specific changes but rather seeks to support and inform that process once it is underway. This program is a modest investment that will bring substantial dividends in improving the livability of cities, towns, and neighborhoods throughout the nation.

The American Planning Association applauds your outstanding leadership and vision in introducing the Community Character Act and urges the Senate to enact this legislation.

Sincerely,

BRUCE MCCLENDON,
President.

NATIONAL ASSOCIATION OF REALTORS®,
Washington, DC, May 24, 2001.

Hon. LINCOLN D. CHAFEE,
Russell Senate Office Building,
Washington, DC.

DEAR SENATOR CHAFEE: On behalf of its more than 760,000 members, the NATIONAL ASSOCIATION OF REALTORS® (NAR) supports your introduction of the Community Character Act, which provide grants to assist state governments in developing or updating their land use planning legislation.

NAR supports this bill because it:

Recognizes that land use planning is rightfully a State and local government function;

Provides needed assistance to states and localities to better plan for inevitable growth;

Requires that planning performed under this Act must provide for housing opportunity and choice and promote affordable housing;

Promotes improved quality of life, sustainable economic development, and protection of the environment.

In adopting our Smart Growth principles, NAR recognized that property owners, homebuyers, and REALTORS® have a great deal

at stake in the debate over livability and growth. REALTORS® are outspoken advocates for policies that preserve housing choice and affordability while protecting and improving the quality of the life of our communities.

It is our experience that when communities have not planned for growth, they may overreact to growth pressures by adopting excessive regulations that distort real estate markets and make homeownership less attainable. Planning in advance to accommodate growth and protect the quality of life is the better approach, and the Community Character Act would promote this needed planning.

We commend your efforts in introducing the Community Character Act and we look forward to working with you toward its adoption.

Sincerely,

LEE L. VERSTANDIG,
Senior Vice President.

THE TRUST FOR PUBLIC LAND,
Washington, DC, May 24, 2001.

Hon. LINCOLN D. CHAFEE,
Chair Subcommittee on Superfund, Waste Control, and Risk Assessment, Committee on Environment and Public Works,
Senate Dirksen Office Building, Washington, DC.

DEAR SENATOR CHAFEE: I am writing to advise you of the Trust for Public Land's unqualified support for the Community Character Act of 2001.

The legislation you are introducing today will provide communities across the nation with an important and adaptive new tool to address the land-use challenges they face. More than ever, states and localities are seeking innovative ways to balance their economic development and environmental protection needs. The Community Character Act will provide much-needed support to the many state and local jurisdictions working to craft this vital balance through their land-use planning processes. This visionary bill aptly recognizes the inextricable links between public infrastructure, private development, and open space preservation, and its competitive-grant approach will allow for appropriate incentive-based federal assistance to state and local planning efforts. The Trust for Public Land particularly appreciates the on-the-ground successes your legislation will spawn through local pilot projects; the inclusion of tribal governments as eligible grant recipients, and the benefits these funds will afford to Indian land management; and the broader effects that enhanced land-use planning will bring to the American landscape.

We look forward to timely enactment of the Community Character Act, and to hearing from you as to how we might be of assistance in your efforts.

Sincerely,

ALAN FRONT,
Senior Vice President.

SMART GROWTH AMERICA,
Washington, DC, May 24, 2001.

Hon. LINCOLN CHAFEE,
U.S. Senate,
Washington, DC.

DEAR SENATOR CHAFEE: Smart Growth America would like to commend you on the introduction of the Community Character Act of 2001. We support both the bill and your efforts to assist states, multi-state regions and tribal governments in their efforts to revise their land use planning legislation and develop comprehensive plans.

Planning for future growth and directing development so that it strengthens existing communities while building upon their physical, cultural and historical assets is integral to smart growth. We applaud your foresight and willingness to help these entities in their ongoing efforts to achieve smart growth by coordinating transportation, housing and education infrastructure investments while conserving historic, scenic and natural resources.

The Community Character Act makes the federal government a partner with states, regions and tribal governments that want to plan for future growth. We thank you for your leadership and look forward to working with you to pass this timely legislation.

Sincerely,

DON CHEN,
Director.

By Mrs. FEINSTEIN:

S. 976. A bill to provide authorization and funding for the enhancement of ecosystems, water supply, and water quality of the State of California, to the Committee on Energy and Natural Resources.

Mrs. FEINSTEIN. Mr. President, yesterday Congressman KEN CALVERT from Riverside, CA, and I held a press conference so each of us could introduce a bill, Mr. CALVERT in the House and I in the Senate.

This bill I am going to introduce today for reference to committee addresses a very complicated and complex problem in California, and that is water. It is my very strong belief that the energy crisis that we see taking place in California is a forerunner of what is going to happen with water.

The only question is when. California has a population of 34 million people. It is bigger than 21 other States and the District of Columbia put together. It is expected to grow to 50 million in 20 years.

Our State has the same water infrastructure that it had in 1970 when we were about 16 million people, and every year California grows from 700,000 to 1 million people. It was 800,000 this past year.

We are the sixth largest economy, not in the Nation, but in the world. We are the No. 1 agricultural producing State in the Nation. We are the leading producer of dairy products, wine and grapes, strawberries, almonds, lettuce, tomatoes, and the list goes on and on. All of these need water.

We are a growing high-tech State with an increasing need for access to high-quality water. We have more endangered species than any other State except Hawaii. And, of course, California, again, has this large population. Our water needs are tremendous. So we need to get ready for the future, and we need to do this in an environmentally sensitive way.

If there is one lesson we can learn from California's energy crisis, it is that the time to address a crisis is not while it is happening but before it happens. California is now struggling to build more powerplants while also doing everything possible to reduce demand through increased efficiency and conservation. But because we started so late, we are likely going to have some serious problems this summer, and that is why it is even more important that we fix the water problem before it, too, becomes a crisis.

Ecosystem restoration, water conservation, and improved efficiency can be combined with new environmentally responsible off-stream storage. This would allow us to improve the ecosystem and store water from the wet years and use it in the dry years to benefit people, the environment, and farmers.

I began writing this bill last December with the aim of finding something to which all of the major stakeholders could agree—the large urban water users, the city of San Jose, the city of Los Angeles, San Diego, San Francisco, all of the agricultural water contractors, and a myriad of environmental leaders.

I have come to the conclusion that it is impossible, after 7 years of trying, to get them all on the same page, let alone the same line. So either we do nothing and sit back and wait for a water crisis or we try to do the moderate, the prudent, and the effective thing.

The bill I am sending to the desk for reference to committee is a 7-year authorization bill. It essentially authorizes the record of decision of a program known as CALFED. In California, there are two big water projects. One is the Central Valley Water Project owned by the Federal Government. That is the Federal interest. The Federal Government built it and owns it. The other is the California Water Project owned by the State of California, built by Governor Pat Brown back in the 1960s.

This is, in essence, a State-Federal effort to improve the water infrastructure, to clean up the ecosystems, and to begin to build an infrastructure that can handle the demands of the next 50 years.

The bill authorizes the ecosystem restoration program, and it fully authorizes all of the environmental projects listed in the record of decision. This includes improving fish passages, restoring streams, rivers, and habitats, and improving water quality.

The bill authorizes 580,000 acre feet of water in the first year through the environmental water account, and the bill essentially authorizes the first three storage projects, off-stream water storage, listed in stage 1 of the record of decision: Enlarging the Los Vaqueros Reservoir, subject to a vote of the people of Contra Costa County; raising Shasta Dam; and constructing the delta wetlands project which involves flooding two delta islands for storage and using the other two islands for ecosystem protection. The end result of these three storage projects will be 2.3 million acre feet of new water storage.

Some reporting and financial analysis must still be completed. CALFED expects these projects will have no adverse impacts, so we need to get started to make sure they can get in the line and get going.

I do not believe we can meet all of our future water needs without increased water storage, water storage that is environmentally benign, that is off stream, and that provides flexibility in the system for us to increase water supply, improve water quality, and enhance ecosystem restoration.

Recharging groundwater, water recycling and reuse, conservation, and smarter use of the big pumps in the system are all tools we can use to help us meet our water needs.

I am concerned this may not even be enough. We live in an area, though, where large new dams are extraordinarily controversial. So there is one thing left, and that is to take water from the wet years and store it in an environmentally sound way to use during the dry years.

The bill I am presenting is balanced. It says, in essence, that the storage projects go ahead at the same time as the environmental projects. I believe very strongly that we are not going to be able to solve the problem just with environmental measures, that we need additional water storage as well.

This is not a flash in the pan. I did not just arrive at this. A native-born Californian, I have watched this for years and years, and for the last 7 years in the Senate I have spent an enormous amount of time—probably 50, 60 meetings—with the stakeholders on all sides of this issue. It is my judgment that we must have this additional storage in addition to the ecosystems work.

It is not going to be a perfect bill. It is a big bill. It is a State-Federal partnership. In my view, water and energy are the two essentials that can keep the California economy alive and keep its people flourishing. I hope it will have a favorable response in the committee and in this Chamber.

By Mr. CRAIG (for himself, Mr. BURNS, Mr. BAUCUS, Ms. CANTWELL, Mr. CONRAD, Mr. CRAPO, Mr. DASCHLE, Mr. DORGAN, Mr. JOHNSON, and Mrs. MURRAY):

S. 977. A bill to amend the Agricultural Market Transition Act to require the Secretary of Agriculture to make nonrecourse marketing assistance loans and loan deficiency payments available to producers of dry peas, lentils, and chickpeas; to the Committee on Agriculture, Nutrition, and Forestry.

Mr. CRAIG. Mr. President, I rise today to introduce the ''Dry Pea, Lentil, and Chickpea Marketing Assistance Loan Act,'' a bill to authorize a marketing loan program and loan deficiency payments, or LDPs, for pulse crops which include peas, lentils, and chickpeas. I am pleased that Senators BURNS, BAUCUS, CANTWELL, CONRAD, CRAPO, DASCHLE, DORGAN, JOHNSON and MURRAY have joined as original cosponsors.

Pulses are grown across the northern tier of the United States. Traditionally pulses have been grown as a rotation crop that provides benefit to the soil, by fixing nitrogen, breaking weed and disease cycles, and reducing the need for field burning. Dryland farmers in northern Idaho for years have rotated wheat, canola, and dry peas, lentils or chickpeas. As prices have dropped for all commodities, including pulses, we have seen a shift in production patterns which have decreased the production of dry peas and lentils.

Current wheat prices are no better than dry pea prices, pound for pound, but a banker will lend money to a grower of wheat and oilseeds because there is a loan program and LDP. The depressed markets have forced dryland farmers across the northen tier of the United States to abandon pulses in favor of traditional farm program crops like wheat, oilseeds, and barley.

This bill attempts to remedy this situation by creating a loan rate for dry peas, lentils, and chickpeas with support equivalent to the loan programs for spring wheat and canola. The bill mirrors existing statutory authority for the loan programs established for other crops by creating floor prices based from 85 percent of a five-year Olympic average. The approximate cost of the bill, and benefits to pulse growers, would be about $8.5 million annually.

When we passed the last farm bill, the goal was to have farmers farm the land and not the programs. As prices have dropped, we are again seeing planting decisions made based on the programs available, which has made pulse crops less attractive in a rotation. As we begin the process of reauthorizing the farm bill, we will work to make sure that pulses are included so that farmers will be competitive with other crops grown in the area.

Mr. BURNS. Mr. President, I rise today as a proud cosponsor of this amendment to the Agricultural Market Transition Act. It would require the Secretary of Agriculture to make nonrecourse marketing assistance loans and loan deficiency payments available to producers of dry peas, lentils, and chickpeas.

This amendment will go a long way toward giving producers of these commodities an equal opportunity to obtain the same financial opportunities as other producers now receive.

We encourage our producers to grow what is often referred to as alternative crops. Producers have listened and they are successfully marketing these crops. The actions of this bill will now provide these innovative producers with the same economic benefits as producers of other crops. These farmers have dared to try something different and the least we can do is support them for they're daring.

I look forward to working with my colleagues on this legislation.

By Mr. CRAIG (for himself, Mr. MURKOWSKI, Mr. ALLARD, Mr. BENNETT, Mr. CAMPBELL, Mr. CRAPO, Mr. HATCH, Mr. SMITH of Oregon, and Mr. THOMAS):

S. 978. A bill to provide for improved management of, and increased accountability for, outfitted activities by which the public gains access to and occupancy and use of Federal land, and for other purposes; to the Committee on Energy and Natural Resources.

Mr. CRAIG. Mr. President, I am pleased to introduce today in conjunction with my colleagues, Mr. MURKOWSKI, Mr. ALLARD, Mr. BENNETT, Mr. CAMPBELL, Mr. CRAPO, Mr. HATCH, Mr. SMITH of Oregon, Mr. STEVENS, and Mr. THOMAS, the Outfitter Policy Act of 2001.

This legislation is very similar to legislation I introduced in past congresses. As that legislation did, this bill would put into law many of the management practices by which Federal land management agencies have successfully managed the outfitter and guide industry on National Forests, National Parks and other Federal lands over many decades.

The bill recognizes that many Americans want and seek out the skills and experience of commercial outfitters and guides to help them enjoy a safe and pleasant journey.

The Outfitter Policy Act's primary purpose is to ensure accessibility to public lands by all segments of the population and maintain the availability of quality recreation services to the public. Outfitters and guides across the nation provide opportunities for outdoor recreation for many families and groups who would otherwise find the backcountry inaccessible.

Previous hearings and discussions on prior versions of this legislation helped to refine the bill I am introducing today. This process provided the intended opportunity for discussion. As well as it allowed for the examination of the historical practices that have offered consistent, reliable outfitter services to the public.

Congress has twice addressed this issue with respect to the National Park System permits, originally establishing standards for Park Service administration of guide/outfitter permits on their lands in 1965 and amending that system in 1998. Therefore, it is appropriate to set similar legislative standards for other public land systems such as Forest Service and Bureau of Land Management lands. However, these and other land management agencies are now without Congressional guidance, and instead rules, permit terms and conditions and other intricacies are often left to local agency personnel. The Outfitter Policy Act would alleviate the discord involved in land management permitting, providing consistent guidance on the administration of guide/outfitter permits for the other Federal land management agencies.

The Outfitter Policy Act provides the basic terms and conditions necessary to sustain the substantial investment often needed to provide the level of service demanded by the public. However, the bill provides the agencies

ample flexibility to adjust use, conditions, and permit terms. All of which must be consistent with agency management plans and policies for resource conservation. The Outfitter Policy Act strives to provide a stable, consistent regulatory climate which encourages qualified entrants to the guide/outfitting business, while giving the agencies and operators clear directions.

The Outfitter Policy Act is a measure that will facilitate access to public lands by the outfitted public, while providing incentives to outfitters to provide the high quality services over time. It is necessary to ensure that members of the public who need and rely on guides and outfitters for recreational access to public lands will continue to receive safe, quality services. I look forward to considering this legislation in the coming session of the 107th Congress.

STATEMENTS ON SUBMITTED RESOLUTIONS

SENATE RESOLUTION 95—DESIGNATING AUGUST 3, 2001, AS ''NATIONAL COURT REPORTING AND CAPTIONING DAY''

Mr. BREAUX submitted the following resolution; which was referred to the Committee on the Judiciary:

S. RES. 95

Whereas for millennia, individuals have wanted the spoken word translated into text to record history and to accomplish this task have relied on scribes;

Whereas the profession of scribe was born with the rise of civilization;

Whereas in Ancient Egypt, scribes were considered to be the literate elite, recording laws and other important documents and since that time, have served as impartial witnesses to history;

Whereas scribes were present with our Nation's founding fathers as the Declaration of Independence and Bill of Rights were drafted;

Whereas President Lincoln entrusted scribes to record the Emancipation Proclamation;

Whereas since the advent of shorthand machines, these scribes have been known as ''court reporters'' and have had a permanent place in courtrooms;

Whereas court reporters are present in Congress, preserving Members' words and actions;

Whereas court reporters are responsible for the closed captioning seen scrolling across television screens, bringing information to more than 28,000,000 hearing impaired Americans every day;

Whereas court reporters and captioners translate the spoken word into text and preserve our history; and

Whereas whether called the scribes of yesterday, court reporters of today, or real time captioners of tomorrow, the individuals that preserve our Nation's history are truly the guardians of the record: Now, therefore, be it

Resolved, That the Senate—

(1) designates August 3, 2001, as ''National Court Reporting and Captioning Day''; and

(2) requests that the President issue a proclamation calling on the people of the United States to observe the day with appropriate programs, ceremonies, and activities.

SENATE RESOLUTION 96—EXPRESSING THE SENSE OF THE SENATE THAT A COMMEMORATIVE POSTAGE STAMP SHOULD BE ISSUED TO HONOR DR. EDGAR J. HELMS

Mr. KERRY (for himself, Mr. LUGAR, Mr. DURBIN, Mr. KENNEDY, and Ms. SNOWE) submitted the following resolution; which was referred to the Committee on Governmental Affairs:

S. RES. 96

Resolved,

SECTION 1. SENSE OF THE SENATE THAT A COMMEMORATIVE POSTAGE STAMP SHOULD BE ISSUED TO HONOR DR. EDGAR J. HELMS.

(a) FINDINGS.—The Senate finds the following:

(1) Dr. Helms was born in a wilderness lumber camp in upstate New York on January 19, 1863, and passed away on December 23, 1942, at the age of 79.

(2) Dr. Helms established the Church of All Nations in Boston's troubled South End to provide a spiritual haven and a center for job training for the poor and destitute.

(3) In 1902, Dr. Helms founded Goodwill Industries, Inc. (in this section referred to as ''Goodwill''), a nonprofit organization established to collect unwanted clothing and household goods from Boston's wealthy citizens to allow poor immigrants to repair them for resale, thereby giving employment to relatively unskilled people as well as giving them a source of inexpensive clothing and other goods.

(4) Dr. Helms often denied himself basic comforts to save money for larger purposes.

(5) In the mid-1930's, Goodwill changed from a work relief organization to one that primarily served people with disabilities.

(6) Goodwill played a key role during World War II by providing workers who produced many basic necessities for the war effort.

(7) Goodwill serves people with physical, mental, and emotional disabilities, and those who face extraordinary barriers to employment such as those who are in poverty, including those who receive public assistance or who are homeless, and those without any work experience.

(8) Goodwill provided services for more than 440,000 people in 2000, and more than 77,000 of them became employed as a result of the assistance Goodwill provided.

(9) For almost 100 years, Goodwill has benefited millions of Americans by fulfilling the mission set out by Dr. Helms in his message of ''Not Charity But a Chance''.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that the Citizens' Stamp Advisory Committee should recommend to the Postmaster General that a commemorative postage stamp be issued in 2002 to honor Dr. Edgar J. Helms.

SEC. 2. TRANSMITTAL TO CITIZENS' STAMP ADVISORY COMMITTEE.

The Secretary of the Senate shall transmit a copy of this resolution to the chairperson of the Citizens' Stamp Advisory Committee.

Mr. KERRY. Mr. President, I introduce today a resolution proposing a commemorative stamp honoring Dr. Edgar J. Helms and the 100th anniversary of the founding of Goodwill Industries. I am pleased to be joined in this effort by my good friends Senators LUGAR, DURBIN, KENNEDY, and SNOWE.

Next year marks the 100th anniversary of the founding of Goodwill Industries. This non-profit organization was founded in Boston's South End by Dr. Edgar Helms who began Goodwill to provide ''Not a charity, But a Chance'' for those in need. Goodwill began by collection donated clothing and household goods and having them repaired by the disabled and the extremely poor. This work is still central to Goodwill's operations. For four decades, Dr. Helms labored to provide opportunities for those in need, telling his employees to ''be dissatisfied with [their] work until every handicapped and unfortunate person in [their communities had] an opportunity to develop to his fullest usefulness and to enjoy a maximum of abundant living.''

Today, Goodwill is an international movement, providing services for over 440,000 people each year in almost every state in the nation, as well as more than 50 countries. In 2000, more than 77,000 people found employment as a result of the assistance provided by Goodwill. Goodwill has been commended by every U.S. President since Truman, and the first full week of May is traditionally proclaimed ''Goodwill Industries Week.'' Dr. Helms's foundation remains an exceptional example of how capitalism and community activism can work together to improve life for all segments of society. In honor of the 100th anniversary of Goodwill in 2002 and of Dr. Helms's long-lasting contributions to the nation's poor and disabled, I am proud to offer this resolution expressing the sense of the Senate that the United States Postal Service issue a commemorative Stamp honoring Dr. Edgar J. Helms.

SENATE RESOLUTION 97—HONORING THE BUFFALO SOLDIERS AND COLONEL CHARLES YOUNG

Mr. DEWINE submitted the following resolution; which was referred to the Committee on the Judiciary:

S. RES. 97

Whereas the 9th and 10th Horse Cavalry Units, (in this resolution referred to as the 'Buffalo Soldiers') have made key contributions to the history of the United States by fighting to defend and protect our Nation;

Whereas the Buffalo Soldiers maintained the trails and protected the settler communities during the period of westward expansion;

Whereas the Buffalo Soldiers were among Theodore Roosevelt's Rough Riders in Cuba during the Spanish-American War, and crossed into Mexico in 1916 under General John J. Pershing;

Whereas African-American men were drafted into the Buffalo Soldiers to serve on harsh terrain and protect the Mexican Border;

Whereas the Buffalo Soldiers went to North Africa, Iran, and Italy during World War II and served in many positions, including as paratroopers and combat engineers;

Whereas in the face of fear of a Japanese invasion, the Buffalo Soldiers were placed along the rugged border terrain of the Baja Peninsula and protected dams, power stations, and rail lines that were crucial to San Diego's war industries;

Whereas among these American heroes, Colonel Charles Young, of Ripley, Ohio, stands out as a shining example of the dedication, service, and commitment of the Buffalo Soldiers;

Whereas Colonel Charles Young, the third African-American to graduate from the

United States Military Academy at West Point, served his distinguished career as a member of the Buffalo Soldiers throughout the world, traveling to the Philippines during the Spanish-American War, Haiti as the first African-American military attache for the United States, Liberia and Mexico as a military attache, Monrovia as advisor to the Liberian government, and several other stations within the borders of the United States, holding commands during most of these tours;

Whereas Colonel Charles Young took a vested interest in the development of African-American youth by serving as an educator, teaching in local high schools and at Wilberforce University in Ohio, and developing a military training ground for African-American enlisted men to help them achieve officer status for World War I at Fort Huachucha;

Whereas Colonel Charles Young achieved so much in the face of race-based adversity and while he fought a fatal disease, Bright's Disease, which eventually took his life; and

Whereas there are currently 21 existing chapters of the 9th and 10th Cavalry Association, with 20 domestic chapters and 1 in Germany: Now, therefore, be it

Resolved, That the Senate—

(1) honors the bravery and dedication of the Buffalo Soldiers throughout United States and world history;

(2) honors 1 of the Buffalo Soldiers' most distinguished heroes, Colonel Charles Young, for his lifetime achievements; and

(3) recognizes the continuing legacy of the Buffalo Soldiers throughout the world.

SENATE RESOLUTION 98—DESIGNATING THE PERIOD BEGINNING ON JUNE 11 AND ENDING ON JUNE 15, 2001 AS ''NATIONAL WORK SAFE WEEK''

Mr. BOND submitted the following resolution; which was referred to the Committee on the Judiciary:

S. RES. 98

Whereas Congress believes that 100 percent of workplace injuries are preventable when employers and employees work together;

Whereas both employer and employee attitudes and awareness are essential to maintain an injury-free workplace;

Whereas the total nationwide workplace accident costs in 1998 were $122,600,000,000, with a national average of $28,000 per disabling injury and $940,000 per work-related death;

Whereas workplace injuries also carry indirect or hidden costs that cannot be calculated, such as property damage, lost production, and modified duty; and

Whereas the period beginning on June 11 and ending on June 15, 2001 will be declared Work Safe Week in the State of Missouri: Now, therefore, be it

Resolved, That the Senate—

(1) designates the period beginning on June 11 and ending on June 15, 2001 as ''National Work Safe Week'' to be recognized by employers and employees committing themselves to creating an injury-free workplace; by employers and employees taking all necessary steps to achieve this goal; and by employers and employees developing the habits and approaches that will lead to injury-free workplaces throughout the entire year; and

(2) requests the President to issue a proclamation calling on the people of the United States to observe the week with appropriate activities.

SENATE RESOLUTION 99—SUPPORTING THE GOALS AND IDEALS OF THE OLYMPICS

Mr. CAMPBELL submitted the following resolution; which was referred to the Committee on the Judiciary:

S. RES. 99

Whereas for over 100 years, the Olympic movement has built a more peaceful and better world by educating young people through amateur athletics, by bringing together athletes from many countries in friendly competition, and by forging new relationships bound by friendship, solidarity, and fair play;

Whereas the United States Olympic Committee is dedicated to coordinating and developing amateur athletic activity in the United States to foster productive working relationships among sports-related organizations;

Whereas the United States Olympic Committee promotes and supports amateur athletic activities involving the United States and foreign nations;

Whereas the United States Olympic Committee promotes and encourages physical fitness and public participation in amateur athletic activities;

Whereas the United States Olympic Committee assists organizations and persons concerned with sports in the development of athletic programs for amateur athletes;

Whereas the United States Olympic Committee protects the opportunity of each amateur athlete, coach, trainer, manager, administrator, and official to participate in amateur athletic competition;

Whereas athletes representing the United States at the Olympic Games have achieved great success personally and for the Nation;

Whereas thousands of men and women of the United States are focusing their energy and skill on becoming part of the United States Olympic Team and aspire to compete in the 2002 Olympic Winter Games in Salt Lake City, Utah;

Whereas the Nation takes great pride in the qualities of commitment to excellence, grace under pressure, and good will toward other competitors exhibited by the athletes of the United States Olympic Team; and

Whereas June 23, 2001 is the anniversary of the founding of the modern Olympic movement, representing the date on which the Congress of Paris approved the proposal of Pierre de Coubertin to found the modern Olympics: Now, therefore, be it

Resolved, That the Senate—

(1) supports the goals and ideals of the Olympics;

(2) calls upon the President to issue a proclamation recognizing the anniversary of the founding of the modern Olympic movement; and

(3) calls upon the people of the United States to observe such anniversary with appropriate ceremonies and activities.

Mr. CAMPBELL. Mr. President. Today I submit a resolution to recognize and support the United States Olympic Committee and the 2002 Olympic Games.

There are several reasons why I have a particular interest in the Olympic Movement and the U.S. Olympic Committee. I am the only Olympian in the United States Senate and Congressman JIM RYAN and I are the only two current Members of Congress to have been members of an Olympic Team.

Years ago, I founded the U.S. Olympic Caucus with former Senator Bill Bradley and former Congressman Tom McMillan. In addition, the United States Olympic Committee is headquartered in Colorado Springs, CO, along with the Olympic Training Center. Many athletes are currently training at that facility for future Olympic Games and especially in preparation for the 2002 Olympic Games in Salt Lake City, UT.

As I look back on the 1964 Olympic Games in Tokyo, Japan, I remember how proud I was to be on the U.S. Olympic Team. Carrying the United States flag in the closing ceremonies was one of the greatest experiences of my life. I remember how proud I was to be an American and an Olympian. I hold that moment in my heart and relive it at each new Olympic Games to this day.

The Olympic motto is ''Swifter, Higher, Stronger'' and with that ideal, the Olympic Movement brings out the very best in all of us, athletes and spectators alike. I believe, along with the United States Olympic Committee, that competition and the athletes are the heart and soul of the Olympic Movement. This is the reason that I offer this resolution today.

The United States Olympic Committee is to be highly commended for the prompt and decisive action it took after accusations of inappropriate solicitations surfaced. It is also to be commended for establishing the fully independent, United States Anti Doping Agency, USADA, to address the important issues of athlete doping detection, prevention and education. USADA is also headquartered in Colorado Springs and is leading the way for world anti-doping measures.

I know how much good the games do for young men and women and for our country. I am convinced the United States Olympic Committee has done everything in its power to get to the bottom of allegations, punish those who deserve it, and return the focus of the Olympic Movement back where it should be, with the athletes.

Most people don't realize that unlike many of the world's Olympic teams, the U.S. Olympic Team gets not one dime of Federal money to subsidize its sports operations. Our Olympic Team is solely supported by the contributions of millions of Americans and American businesses and corporations which are dedicated to the Olympic Movement.

The Olympic Movement will endure and prosper only by the continued vigilance and the ongoing commitment of organizers and supporters, and by our unwavering support of the athletes who are the future of the modern Olympic Games.

As we begin the countdown towards the 2002 Olympic Games, my resolution would designate June 23, 2000, as Olympic Day in recognition of the anniversary of the founding of the modern Olympic Movement. I urge my colleagues to support prompt passage of this resolution.

SENATE CONCURRENT RESOLUTION 44—EXPRESSING THE SENSE OF THE CONGRESS REGARDING NATIONAL PEARL HARBOR REMEMBRANCE DAY

Mr. FITZGERALD (for himself, and Mr. SMITH of New Hampshire) submitted the following concurrent resolution; which was referred to the Committee on the Judiciary:

S. CON. RES. 44

Whereas on December 7, 1941, the Imperial Japanese Navy and Air Force attacked units of the Armed Forces of the United States stationed at Pearl Harbor, Hawaii;

Whereas 2,403 members of the Armed Forces of the United States were killed in the attack on Pearl Harbor;

Whereas there are more than 12,000 members of the Pearl Harbor Survivors Association;

Whereas the 60th anniversary of the attack on Pearl Harbor will be December 7, 2001;

Whereas on August 23, 1994, Public Law 103–308 was enacted, designating December 7 of each year as National Pearl Harbor Remembrance Day; and

Whereas Public Law 103–308, reenacted as section 129 of title 36, United States Code, requests the President to issue each year a proclamation calling on the people of the United States to observe National Pearl Harbor Remembrance Day with appropriate ceremonies and activities, and all departments, agencies, and instrumentalities of the Federal Government, and interested organizations, groups, and individuals, to fly the flag of the United States at half-staff each December 7 in honor of the individuals who died as a result of their service at Pearl Harbor: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That the Congress, on the occasion of the 60th anniversary of the December 7, 1941, attack on Pearl Harbor, Hawaii, pays tribute to—

(1) the United States citizens who died in the attack; and

(2) the members of the Pearl Harbor Survivors Association.

Mr. FITZGERALD. Madam President, I rise today, with my colleague Senator SMITH of New Hampshire, to submit a concurrent resolution honoring the American servicemen who were attacked by the Japanese Imperial Forces at Pearl Harbor on December 7, 1941. Senator SMITH submitted a parallel resolution last year but has allowed me to take the lead on this matter this year in light of the special significance of Pearl Harbor remembrance day to my family.

My uncle, Navy Ensign Edward Webb Gosselin, was among the 1,102 American seamen killed aboard the battleship U.S.S. *Arizona* on December 7, 1941.

Edward had enlisted in the Navy in September of 1940 and reported to his first duty station, the Arizona, in May of 1941. He was 24 years old when he died. Edward had just graduated from Yale University and was, in fact, the first Yale graduate to die in World War II.

The Navy later named a destroyer escort after Edward, and it was named the U.S.S. *Gosselin*.

Fittingly, after participating in the invasion of Okinawa, the *Gosselin* had the honor of being the first American warship to enter Japanese waters upon that nation's surrender. The *Gosselin* also was the first ship to bring home American prisoners of war held in Japan. Many years later, Edward's father, my grandfather, recounted the tremendous pride he felt upon hearing the ships's name mentioned during radio broadcasts of the surrender.

The resolution that Senator SMITH and I introduce today reminds federal departments and agencies to fly the United States flag at half/mast on December 7, and pays tribute to the United States citizens who died in the Japanese raid on Pearl Harbor, and to the members of the Pearl Harbor Survivors Association. I conclude by asking all of my colleagues to join me this Memorial Day in remembering and honoring the 2,403 American sailors and soldiers who were killed at Pearl Harbor, and all other Americans in uniform who have died serving their country.

NOTICE OF HEARING

SUBCOMMITTEE ON NATIONAL PARKS, HISTORIC PRESERVATION, AND RECREATION

Mr. THOMAS. Mr. President, I would like to announce for the information of the Senate and the public that the scheduled oversight hearing before the Subcommittee on National Parks, Historic Preservation, and Recreation of the Committee on Energy and Natural Resources to be held on Thursday, June 14, 2001 at 2:30 p.m. in room SD–366 of the Dirksen Senate Office Building in Washington, DC has been cancelled. The purpose of this hearing had been to review the implementation of the Recreation Fee Demonstration Program and to review efforts to extend or make the program permanent.

For further information, please contact Jim O'Toole or Shane Perkins of the committee staff at (202) 224–1219.

RESTORING EARNINGS TO LIFT INDIVIDUAL AND EMPOWER FAMILIES (RELIEF) ACT OF 2001

On May 23, 2001, the Senate amended and passed H.R. 1836, as follows:

Resolved, That the bill from the House of Representatives (H.R. 1836) entitled ''An Act to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.'', do pass with the following amendment:

Strike out all after the enacting clause and insert:

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the ''Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) SECTION 15 NOT TO APPLY.—No amendment made by this Act shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

(d) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. Short title; etc.

TITLE I—INDIVIDUAL INCOME TAX RATE REDUCTIONS

Subtitle A—In General

Sec. 101. Reduction in income tax rates for individuals.

Sec. 102. Increase in amount of income required before phaseout of itemized deductions begins.

Sec. 103. Repeal of phaseout of deduction for personal exemptions.

Subtitle B—Compliance With Congressional Budget Act

Sec. 111. Sunset of provisions of title.

TITLE II—CHILD TAX CREDIT

Subtitle A—In General

Sec. 201. Modifications to child tax credit.

Sec. 202. Sense of the Senate on the modifications to the child tax credit.

Sec. 203. Expansion of adoption credit and adoption assistance programs.

Sec. 204. Refunds disregarded in the administration of Federal programs and federally assisted programs.

Sec. 205. Dependent care credit.

Sec. 206. Allowance of credit for employer expenses for child care assistance.

Sec. 207. Allowance of credit for employer expenses for child care assistance.

Subtitle B—Compliance With Congressional Budget Act

Sec. 211. Sunset of provisions of title.

TITLE III—MARRIAGE PENALTY RELIEF

Subtitle A—In General

Sec. 301. Elimination of marriage penalty in standard deduction.

Sec. 302. Phaseout of marriage penalty in 15-percent bracket.

Sec. 303. Marriage penalty relief for earned income credit; earned income to include only amounts includible in gross income; simplification of earned income credit.

Subtitle B—Compliance With Congressional Budget Act

Sec. 311. Sunset of provisions of title.

TITLE IV—AFFORDABLE EDUCATION PROVISIONS

Subtitle A—Education Savings Incentives

Sec. 401. Modifications to education individual retirement accounts.

Sec. 402. Modifications to qualified tuition programs.

Subtitle B—Educational Assistance

Sec. 411. Permanent extension of exclusion for employer-provided educational assistance.

Sec. 412. Elimination of 60-month limit and increase in income limitation on student loan interest deduction.

Sec. 413. Exclusion of certain amounts received under the National Health Service Corps Scholarship Program and the F. Edward Hebert Armed Forces Health Professions Scholarship and Financial Assistance Program.

Sec. 414. Exclusion from income of certain amounts contributed to Coverdell education savings accounts.

Subtitle C—Liberalization of Tax-Exempt Financing Rules for Public School Construction

Sec. 421. Additional increase in arbitrage rebate exception for governmental bonds used to finance educational facilities.

Sec. 422. Treatment of qualified public educational facility bonds as exempt facility bonds.

Sec. 423. Treatment of bonds issued to acquire renewable resources on land subject to conservation easement.

Subtitle D—Other Provisions

Sec. 431. Deduction for higher education expenses.
Sec. 432. Credit for interest on higher education loans.
Sec. 433. Above-the-line deduction for qualified emergency response expenses of eligible emergency response professionals.
Sec. 434. Contributions of book inventory.

Subtitle E—Miscellaneous Education Provisions

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Subtitle A—Repeal of Estate and Generation-Skipping Transfer Taxes

Sec. 501. Repeal of estate and generation-skipping transfer taxes.

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Sec. 511. Additional reductions of estate and gift tax rates.

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Sec. 521. Increase in exemption equivalent of unified credit, lifetime gifts exemption, and GST exemption amounts.

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Subtitle E—Carryover Basis at Death; Other Changes Taking Effect With Repeal

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Sec. 551. Expansion of estate tax rule for conservation easements.

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Sec. 561. Deemed allocation of GST exemption to lifetime transfers to trusts; retroactive allocations.
Sec. 562. Severing of trusts.
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TITLE VII—ALTERNATIVE MINIMUM TAX

Subtitle A—In General

Sec. 701. Increase in alternative minimum tax exemption.

Subtitle B—Compliance With Congressional Budget Act

Sec. 711. Sunset of provisions of title.

TITLE VIII—OTHER PROVISIONS

Subtitle A—In General

Sec. 801. Time for payment of corporate estimated taxes.
Sec. 802. Expansion of authority to postpone certain tax-related deadlines by reason of presidentially declared disaster.
Sec. 803. No Federal income tax on restitution received by victims of the Nazi regime or their heirs or estates.
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Sec. 806. Deduction for health insurance costs of self-employed individuals increased.
Sec. 807. Deduction for health insurance costs of self-employed individuals increased.
Sec. 808. Charitable contributions of certain items created by the taxpayer.
Sec. 809. Waiver of statute of limitation for taxes on certain farm valuations.
Sec. 810. Research credit.
Sec. 811. Credit for medical research related to developing vaccines against widespread diseases.
Sec. 812. Acceleration of benefits of wage tax credits for empowerment zones.
Sec. 813. Treatment of certain hospital support organizations as qualified organizations for purposes of determining acquisition indebtedness.

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Sec. 901. Exemption for State and local candidate committees from notification requirements.
Sec. 902. Exemption for certain State and local political committees from reporting and annual return requirements.
Sec. 903. Notification of interaction of reporting requirements.
Sec. 904. Waiver of penalties.

TITLE I—INDIVIDUAL INCOME TAX RATE REDUCTIONS

Subtitle A—In General

SEC. 101. REDUCTION IN INCOME TAX RATES FOR INDIVIDUALS.

(a) IN GENERAL.—Section 1 is amended by adding at the end the following new subsection:

''(i) RATE REDUCTIONS AFTER 2000.—

''(1) 10-PERCENT RATE BRACKET.—

''(A) IN GENERAL.—In the case of taxable years beginning after December 31, 2000—

''(i) the rate of tax under subsections (a), (b), (c), and (d) on taxable income not over the initial bracket amount shall be 10 percent, and

''(ii) the 15 percent rate of tax shall apply only to taxable income over the initial bracket amount but not over the maximum dollar amount for the 15-percent rate bracket.

''(B) INITIAL BRACKET AMOUNT.—For purposes of this subsection, the initial bracket amount is—

''(i) $12,000 in the case of subsection (a),

''(ii) $10,000 in the case of subsection (b), and

''(iii) ½ the amount applicable under clause (i) (after adjustment, if any, under subparagraph (C)) in the case of subsections (c) and (d).

''(C) INFLATION ADJUSTMENT.—In prescribing the tables under subsection (f) which apply with respect to taxable years beginning in calendar years after 2001—

''(i) the Secretary shall make no adjustment to the initial bracket amount for any taxable year beginning before January 1, 2007,

''(ii) the cost-of-living adjustment used in making adjustments to the initial bracket amount for any taxable year beginning after December 31, 2006, shall be determined under subsection (f)(3) by substituting '2005' for '1992' in subparagraph (B) thereof, and

''(iii) such adjustment shall not apply to the amount referred to in subparagraph (B)(iii).

If any amount after adjustment under the preceding sentence is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.

''(2) REDUCTIONS IN RATES AFTER 2001.—In the case of taxable years beginning in a calendar year after 2001, the corresponding percentage specified for such calendar year in the following table shall be substituted for the otherwise applicable tax rate in the tables under subsections (a), (b), (c), (d), and (e).

''In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2002, 2003, and 2004	27%	30%	35%	38.6%
2005 and 2006	26%	29%	34%	37.6%
2007 and thereafter	25%	28%	33%	36%

''(3) ADJUSTMENT OF TABLES.—The Secretary shall adjust the tables prescribed under subsection (f) to carry out this subsection.''.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 1(g)(7) is amended by striking ''15 percent'' in clause (ii)(II) and inserting ''10 percent.''.

(2) Section 1(h) is amended—

(A) by striking ''28 percent'' both places it appears in paragraphs (1)(A)(ii)(I) and (1)(B)(i) and inserting ''25 percent'', and

(B) by striking paragraph (13).

(3) Section 531 is amended by striking ''equal to'' and all that follows and inserting ''equal to the product of the highest rate of tax under section 1(c) and the accumulated taxable income.''.

(4) Section 541 is amended by striking ''equal to'' and all that follows and inserting ''equal to the product of the highest rate of tax under section 1(c) and the undistributed personal holding company income.''.

(5) Section 3402(p)(1)(B) is amended by striking ''7, 15, 28, or 31 percent'' and inserting ''7 percent, any percentage applicable to any of the 3 lowest income brackets in the table under section 1(c),''.

(6) Section 3402(p)(2) is amended by striking ''15 percent'' and inserting ''10 percent''.

(7) Section 3402(q)(1) is amended by striking ''equal to 28 percent of such payment'' and inserting ''equal to the product of the third lowest rate of tax under section 1(c) and such payment''.

(8) Section 3402(r)(3) is amended by striking ''31 percent'' and inserting ''the fourth lowest rate of tax under section 1(c)''.

(9) Section 3406(a)(1) is amended by striking ''equal to 31 percent of such payment'' and inserting ''equal to the product of the fourth lowest rate of tax under section 1(c) and such payment''.

(10) Section 13273 of the Revenue Reconciliation Act of 1993 is amended by striking ''28 percent'' and inserting ''the third lowest rate of tax under section 1(c) of the Internal Revenue Code of 1986''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(2) AMENDMENTS TO WITHHOLDING PROVISIONS.—The amendments made by paragraphs (6), (7), (8), (9), (10), and (11) of subsection (b) shall apply to amounts paid after the 60th day after the date of the enactment of this Act.

SEC. 102. INCREASE IN AMOUNT OF INCOME REQUIRED BEFORE PHASEOUT OF ITEMIZED DEDUCTIONS BEGINS.

(a) IN GENERAL.—Section 68(b)(1) (defining applicable amount) is amended—

(1) by striking ''$100,000'' and inserting ''$150,000'', and

(2) by striking ''$50,000'' and inserting ''$75,000''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

SEC. 103. REPEAL OF PHASEOUT OF DEDUCTION FOR PERSONAL EXEMPTIONS.

(a) IN GENERAL.—Subsection (d) of section 151 (relating to exemption amount) is amended by striking paragraph (3).

(b) TECHNICAL AMENDMENTS.—

(1) Paragraph (6) of section 1(f) is amended—

(A) by striking ''section 151(d)(4)'' in subparagraph (A) and inserting ''section 151(d)(3)'', and

(B) by striking ''section 151(d)(4)(A)'' in subparagraph (B) and inserting ''section 151(d)(3)''.

(2) Paragraph (4) of section 151(d) is amended to read as follows:

''(3) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 1989, the dollar amount contained in paragraph (1) 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 1988' for 'calendar year 1992' in subparagraph (B) thereof.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

Subtitle B—Compliance With Congressional Budget Act

SEC. 111. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE II—CHILD TAX CREDIT

Subtitle A—In General

SEC. 201. MODIFICATIONS TO CHILD TAX CREDIT.

(a) INCREASE IN PER CHILD AMOUNT.—Subsection (a) of section 24 (relating to child tax credit) is amended to read as follows:

''(a) ALLOWANCE OF CREDIT.—

''(1) IN GENERAL.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year with respect to each qualifying child of the taxpayer an amount equal to the per child amount.

''(2) PER CHILD AMOUNT.—For purposes of paragraph (1), the per child amount shall be determined as follows:

''In the case of any taxable year beginning in—	The per child amount is—
2001, 2002, or 2003	$600
2004, 2005, or 2006	700
2007, 2008, or 2009	800
2010	900
2011 or thereafter	1,000.''.

(b) CREDIT ALLOWED AGAINST ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Subsection (b) of section 24 (relating to child tax credit) is amended by adding at the end the following new paragraph:

''(3) LIMITATION BASED ON AMOUNT OF TAX.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess of—

''(A) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

''(B) the sum of the credits allowable under this subpart (other than this section) and section 27 for the taxable year.''.

(2) CONFORMING AMENDMENTS.—

(A) The heading for section 24(b) is amended to read as follows: ''LIMITATIONS.—''.

(B) The heading for section 24(b)(1) is amended to read as follows: ''LIMITATION BASED ON ADJUSTED GROSS INCOME.—''.

(C) Section 24(d) is amended—

(i) by striking ''section 26(a)'' each place it appears and inserting ''subsection (b)(3)'', and

(ii) in paragraph (1)(B) by striking ''aggregate amount of credits allowed by this subpart'' and inserting ''amount of credit allowed by this section''.

(D) Paragraph (1) of section 26(a) is amended by inserting ''(other than section 24)'' after ''this subpart''.

(E) Subsection (c) of section 23 is amended by striking ''and section 1400C'' and inserting ''and sections 24 and 1400C''.

(F) Subparagraph (C) of section 25(e)(1) is amended by inserting '', 24,'' after ''sections 23''.

(G) Section 904(h) is amended by inserting ''(other than section 24)'' after ''chapter''.

(H) Subsection (d) of section 1400C is amended by inserting ''and section 24'' after ''this section''.

(c) REFUNDABLE CHILD CREDIT.—

(1) IN GENERAL.—So much of section 24(d) (relating to additional credit for families with 3 or more children) as precedes paragraph (2) is amended to read as follows:

''(d) PORTION OF CREDIT REFUNDABLE.—

''(1) IN GENERAL.—The aggregate credits allowed to a taxpayer under subpart C shall be increased by the lesser of—

''(A) the credit which would be allowed under this section without regard to this subsection and the limitation under subsection (b)(3), or

''(B) the amount by which the amount of credit allowed by this section (determined without regard to this subsection) would increase if the limitation imposed by subsection (b)(3) were increased by the greater of—

''(i) 15 percent of so much of the taxpayer's earned income (within the meaning of section 32) for the taxable year as exceeds $10,000, or

''(ii) in the case of a taxpayer with 3 or more qualifying children, the excess (if any) of—

''(I) the taxpayer's social security taxes for the taxable year, over

''(II) the credit allowed under section 32 for the taxable year.

The amount of the credit allowed under this subsection shall not be treated as a credit allowed under this subpart and shall reduce the amount of credit otherwise allowable under subsection (a) without regard to subsection (b)(3).''.

(2) CONFORMING AMENDMENT.—Section 32 is amended by striking subsection (n).

(d) ELIMINATION OF REDUCTION OF CREDIT TO TAXPAYER SUBJECT TO ALTERNATIVE MINIMUM TAX PROVISION.—Section 24(d) is amended—

(1) by striking paragraph (2), and

(2) by redesignating paragraph (3) as paragraph (2).

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2001.

SEC. 202. SENSE OF THE SENATE ON THE MODIFICATIONS TO THE CHILD TAX CREDIT.

(a) FINDINGS.—

(1) There are over 12,000,000 children in poverty in the United States—about 78 percent of these children live in working families.

(2) The child tax credit was originally designed to benefit families with children in recognition of the costs associated with raising children.

(3) There are 15,400,000 children whose families would not benefit from the doubling of the child tax credit unless it is made refundable and another 7,000,000 children live in families who will not receive an increased benefit under the bill unless the credit is made refundable.

(4) A person who earns the Federal minimum wage and works 40 hours a week for 50 weeks a year earns approximately $10,300.

(5) The provision included in section 201 would give families with children the benefit of a partially refundable child tax credit based on 15 cents of their income for every dollar earned above $10,000.

(6) For a family earning $15,000 that is an additional $750 to help make ends meet.

(7) Doubling the child tax credit to $1,000 and making it partially refundable will benefit over 37,000,000 families with dependent children.

(8) The expansion of the child tax credit included in section 201 is a meaningful and a responsible effort on the part of the Senate to address the needs of low income working families to promote work and such an expansion would provide the benefit of a child tax credit to 10,700,000 more children than the provision passed by the House of Representatives.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that the ''10–15'' child tax credit provision included in section 201 is a worthy start, and should be maintained as part of the final package.

SEC. 203. EXPANSION OF ADOPTION CREDIT AND ADOPTION ASSISTANCE PROGRAMS.

(a) IN GENERAL.—

(1) ADOPTION CREDIT.—Section 23(a)(1) (relating to allowance of credit) is amended to read as follows:

''(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter—

''(A) in the case of an adoption of a child other than a child with special needs, the amount of the qualified adoption expenses paid or incurred by the taxpayer, and

''(B) in the case of an adoption of a child with special needs, $10,000.''.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137(a) (relating to adoption assistance programs) is amended to read as follows:

''(a) IN GENERAL.—Gross income of an employee does not include amounts paid or expenses incurred by the employer for adoption expenses in connection with the adoption of a child by an employee if such amounts are furnished pursuant to an adoption assistance program. The amount of the exclusion shall be—

''(1) in the case of an adoption of a child other than a child with special needs, the amount of the qualified adoption expenses paid or incurred by the taxpayer, and

''(2) in the case of an adoption of a child with special needs, $10,000.''.

(b) DOLLAR LIMITATIONS.—

(1) DOLLAR AMOUNT OF ALLOWED EXPENSES.—

(A) ADOPTION EXPENSES.—Section 23(b)(1) (relating to allowance of credit) is amended—

(i) by striking ''$5,000'' and inserting ''$10,000'',

(ii) by striking ''($6,000, in the case of a child with special needs)'', and

(iii) by striking ''subsection (a)'' and inserting ''subsection (a)(1)(A)''.

(B) ADOPTION ASSISTANCE PROGRAMS.—Section 137(b)(1) (relating to dollar limitations for adoption assistance programs) is amended—

(i) by striking ''$5,000'' and inserting ''$10,000'', and

(ii) by striking ''($6,000, in the case of a child with special needs)'', and

(iii) by striking ''subsection (a)'' and inserting ''subsection (a)(1)''.

(2) PHASE-OUT LIMITATION.—

(A) ADOPTION EXPENSES.—Clause (i) of section 23(b)(2)(A) (relating to income limitation) is amended by striking ''$75,000'' and inserting ''$150,000''.

(B) ADOPTION ASSISTANCE PROGRAMS.—Section 137(b)(2)(A) (relating to income limitation) is amended by striking ''$75,000'' and inserting ''$150,000''.

(c) YEAR CREDIT ALLOWED.—Section 23(a)(2) (relating to year credit allowed) is amended by adding at the end the following new flush sentence:

''In the case of the adoption of a child with special needs, the credit allowed under paragraph (1) shall be allowed for the taxable year in which the adoption becomes final.''.

(d) REPEAL OF SUNSET PROVISIONS.—

(1) CHILDREN WITHOUT SPECIAL NEEDS.—Paragraph (2) of section 23(d) (relating to definition of eligible child) is amended to read as follows:

''(2) ELIGIBLE CHILD.—The term 'eligible child' means any individual who—

''(A) has not attained age 18, or

''(B) is physically or mentally incapable of caring for himself.''.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137 (relating to adoption assistance programs) is amended by striking subsection (f).

(e) ADJUSTMENT OF DOLLAR AND INCOME LIMITATIONS FOR INFLATION.—

(1) ADOPTION CREDIT.—Section 23 (relating to adoption expenses) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:

''(h) ADJUSTMENTS FOR INFLATION.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(1)(B) and paragraphs (1) and (2)(A)(i) of subsection (b) shall be increased by an amount equal to—

''(1) such dollar amount, multiplied by

''(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof.''.

(2) ADOPTION ASSISTANCE PROGRAMS.—Section 137 (relating to adoption assistance programs), as amended by subsection (d), is amended by adding at the end the following new subsection:

''(f) ADJUSTMENTS FOR INFLATION.—In the case of a taxable year beginning after December 31, 2002, each of the dollar amounts in subsection (a)(2) and paragraphs (1) and (2)(A) of subsection (b) shall be increased by an amount equal to—

''(1) such dollar amount, multiplied by

''(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof.''.

(f) LIMITATION BASED ON AMOUNT OF TAX.—

(1) IN GENERAL.—Section 23(c) (relating to carryforwards of unused credit) is amended by striking ''the limitation imposed'' and all that follows through ''1400C)'' and inserting ''the applicable tax limitation''.

(2) APPLICABLE TAX LIMITATION.—Section 23(d) (relating to definitions) is amended by adding at the end the following new paragraph:

''(4) APPLICABLE TAX LIMITATION.—The term 'applicable tax limitation' means the sum of—

''(A) the taxpayer's regular tax liability for the taxable year, reduced (but not below zero) by the sum of the credits allowed by sections 21, 22, 24 (other than the amount of the increase under subsection (d) thereof), 25, and 25A, and

''(B) the tax imposed by section 55 for such taxable year.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 26(a) (relating to limitation based on amount of tax) is amended by inserting ''(other than section 23)'' after ''allowed by this subpart''.

(B) Section 53(b)(1) (relating to minimum tax credit) is amended by inserting ''reduced by the aggregate amount taken into account under section 23(d)(3)(B) for all such prior taxable years,'' after ''1986,''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 204. REFUNDS DISREGARDED IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.

Any payment considered to have been made to any individual by reason of section 24 of the Internal Revenue Code of 1986, as amended by section 201, shall not be taken into account as income and shall not be taken into account as resources for the month of receipt and the following month, for purposes of determining the eligibility of such individual or any other individual for benefits or assistance, or the amount or extent of benefits or assistance, under any Federal program or under any State or local program financed in whole or in part with Federal funds.

SEC. 205. DEPENDENT CARE CREDIT.

(a) INCREASE IN DOLLAR LIMIT.—Subsection (c) of section 21 (relating to expenses for household and dependent care services necessary for gainful employment) is amended—

(1) by striking ''$2,400'' in paragraph (1) and inserting ''$3,000'', and

(2) by striking ''$4,800'' in paragraph (2) and inserting ''$6,000''.

(b) INCREASE IN APPLICABLE PERCENTAGE.—Section 21(a)(2) (defining applicable percentage) is amended—

(1) by striking ''30 percent'' and inserting ''40 percent'', and

(2) by striking ''$10,000'' and inserting ''$20,000''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2002.

SEC. 206. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) 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), as amended by sections 619 and 620, is further amended by adding at the end the following:

"SEC. 45G. 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 the sum of—

''(1) 25 percent of the qualified child care expenditures, and

''(2) 10 percent of the qualified child care resource and referral 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.—

''(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

''(i) 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 121) of the taxpayer or any employee of the taxpayer,

''(ii) 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, or

''(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

''(B) FAIR MARKET VALUE.—The term 'qualified child care expenditures' shall not include expenses in excess of the fair market value of such care.

''(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 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 121) 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) if the facility is the principal trade or business of the taxpayer, 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)).

''(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care resource and referral expenditure' means any amount paid or incurred under a contract to provide child care resource and referral services to an employee of the taxpayer.

''(B) NONDISCRIMINATION.—The services shall not be treated as qualified unless the provision of such services (or the eligibility to use such services) 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.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) of the Internal Revenue Code of 1986 is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following:

''(14) the employer-provided child care credit determined under section 45G.''.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following:

''Sec. 45G. Employer-provided child care credit.''

(3) Section 1016(a) of such Code is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by adding at the end the following:

''(28) in the case of a facility with respect to which a credit was allowed under section 45G, to the extent provided in section 45G(f)(1).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 207. ALLOWANCE OF CREDIT FOR EMPLOYER EXPENSES FOR CHILD CARE ASSISTANCE.

(a) 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), as amended by sections 619 and 620, is further amended by adding at the end the following:

"SEC. 45G. 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 the sum of—

''(1) 25 percent of the qualified child care expenditures, and

''(2) 10 percent of the qualified child care resource and referral 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.—

''(A) IN GENERAL.—The term 'qualified child care expenditure' means any amount paid or incurred—

''(i) 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 121) of the taxpayer or any employee of the taxpayer,

''(ii) 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, or

''(iii) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.

''(B) FAIR MARKET VALUE.—The term 'qualified child care expenditures' shall not include expenses in excess of the fair market value of such care.

''(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 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 121) 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) if the facility is the principal trade or business of the taxpayer, 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)).

''(3) QUALIFIED CHILD CARE RESOURCE AND REFERRAL EXPENDITURE.—

''(A) IN GENERAL.—The term 'qualified child care resource and referral expenditure' means any amount paid or incurred under a contract to provide child care resource and referral services to an employee of the taxpayer.

''(B) NONDISCRIMINATION.—The services shall not be treated as qualified unless the provision of such services (or the eligibility to use such services) 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.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) of the Internal Revenue Code of 1986 is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following:

''(14) the employer-provided child care credit determined under section 45G.''.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following:

''Sec. 45G. Employer-provided child care credit.''

(3) Section 1016(a) of such Code is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by adding at the end the following:

''(28) in the case of a facility with respect to which a credit was allowed under section 45G, to the extent provided in section 45G(f)(1).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Subtitle B—Compliance With Congressional Budget Act

SEC. 211. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE III—MARRIAGE PENALTY RELIEF

Subtitle A—In General

SEC. 301. ELIMINATION OF MARRIAGE PENALTY IN STANDARD DEDUCTION.

(a) IN GENERAL.—Paragraph (2) of section 63(c) (relating to standard deduction) is amended—

(1) by striking ''$5,000'' in subparagraph (A) and inserting ''the applicable percentage of the dollar amount in effect under subparagraph (C) for the taxable year'';

(2) by adding ''or'' at the end of subparagraph (B);

(3) by striking ''in the case of'' and all that follows in subparagraph (C) and inserting ''in any other case.''; and

(4) by striking subparagraph (D).

(b) APPLICABLE PERCENTAGE.—Section 63(c) (relating to standard deduction) is amended by adding at the end the following new paragraph:

''(7) APPLICABLE PERCENTAGE.—For purposes of paragraph (2), the applicable percentage shall be determined in accordance with the following table:

"For taxable years beginning in calendar year—	The applicable percentage is—
2005	174
2006	184
2007	187
2008	190
2009 and thereafter	200.''.

(c) TECHNICAL AMENDMENTS.—

(1) Subparagraph (B) of section 1(f)(6), as amended by section 103(b), is amended by striking ''(other than with'' and all that follows through ''shall be applied'' and inserting ''(other than with respect to sections 63(c)(4) and 151(d)(3)(A)) shall be applied''.

(2) Paragraph (4) of section 63(c) is amended by adding at the end the following flush sentence:

''The preceding sentence shall not apply to the amount referred to in paragraph (2)(A).''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 302. PHASEOUT OF MARRIAGE PENALTY IN 15-PERCENT BRACKET.

(a) IN GENERAL.—Section 1(f) (relating to adjustments in tax tables so that inflation will not result in tax increases) is amended by adding at the end the following new paragraph:

''(8) PHASEOUT OF MARRIAGE PENALTY IN 15-PERCENT BRACKET.—

''(A) IN GENERAL.—With respect to taxable years beginning after December 31, 2004, in prescribing the tables under paragraph (1)—

''(i) the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (a) (and the minimum taxable income in the next higher taxable income bracket in such table) shall be the applicable percentage of the maximum taxable income in the 15-percent rate bracket in the table contained in subsection (c) (after any other adjustment under this subsection), and

''(ii) the comparable taxable income amounts in the table contained in subsection (d) shall be ½ of the amounts determined under clause (i).

''(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in calendar year—	***The applicable percentage is—***
2005	*174*
2006	*184*
2007	*187*
2008	*190*
2009 and thereafter	*200.*

''(C) ROUNDING.—If any amount determined under subparagraph (A)(i) is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.''.

(b) TECHNICAL AMENDMENTS.—

(1) Subparagraph (A) of section 1(f)(2) is amended by inserting ''except as provided in paragraph (8),'' before ''by increasing''.

(2) The heading for subsection (f) of section 1 is amended by inserting ''PHASEOUT OF MARRIAGE PENALTY IN 15-PERCENT BRACKET;'' before ''ADJUSTMENTS''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2004.

SEC. 303. MARRIAGE PENALTY RELIEF FOR EARNED INCOME CREDIT; EARNED INCOME TO INCLUDE ONLY AMOUNTS INCLUDIBLE IN GROSS INCOME; SIMPLIFICATION OF EARNED INCOME CREDIT.

(a) INCREASED PHASEOUT AMOUNT.—

(1) IN GENERAL.—Section 32(b)(2) (relating to amounts) is amended—

(A) by striking ''AMOUNTS.—The earned'' and inserting ''AMOUNTS.—

''(A) IN GENERAL.—Subject to subparagraph (B), the earned'', and

(B) by adding at the end the following new subparagraph:

''(B) JOINT RETURNS.—In the case of a joint return filed by an eligible individual and such individual's spouse, the phaseout amount determined under subparagraph (A) shall be increased by $3,000.''.

(2) INFLATION ADJUSTMENT.—Paragraph (1)(B) of section 32(j) (relating to inflation adjustments) is amended to read as follows:

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined—

''(i) in the case of amounts in subsections (b)(2)(A) and (i)(1), by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof, and

''(ii) in the case of the $3,000 amount in subsection (b)(2)(B), by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) of such section 1.''.

(3) ROUNDING.—Section 32(j)(2)(A) (relating to rounding) is amended by striking ''subsection (b)(2)'' and inserting ''subsection (b)(2)(A) (after being increased under subparagraph (B) thereof)''.

(b) EARNED INCOME TO INCLUDE ONLY AMOUNTS INCLUDIBLE IN GROSS INCOME.—Clause (i) of section 32(c)(2)(A) (defining earned income) is amended by inserting '', but only if such amounts are includible in gross income for the taxable year'' after ''other employee compensation''.

(c) REPEAL OF REDUCTION OF CREDIT TO TAXPAYERS SUBJECT TO ALTERNATIVE MINIMUM TAX.—Section 32(h) is repealed.

(d) REPLACEMENT OF MODIFIED ADJUSTED GROSS INCOME WITH ADJUSTED GROSS INCOME.—

(1) IN GENERAL.—Section 32(a)(2)(B) is amended by striking ''modified''.

(2) CONFORMING AMENDMENTS.—

(A) Section 32(c) is amended by striking paragraph (5).

(B) Section 32(f)(2)(B) is amended by striking ''modified'' each place it appears.

(e) RELATIONSHIP TEST.—

(1) IN GENERAL.—Clause (i) of section 32(c)(3)(B) (relating to relationship test) is amended to read as follows:

''(i) IN GENERAL.—An individual bears a relationship to the taxpayer described in this subparagraph if such individual is—

''(I) a son, daughter, stepson, or stepdaughter, or a descendant of any such individual,

''(II) a brother, sister, stepbrother, or stepsister, or a descendant of any such individual, who the taxpayer cares for as the taxpayer's own child, or

''(III) an eligible foster child of the taxpayer.''.

(2) ELIGIBLE FOSTER CHILD.—

(A) IN GENERAL.—Clause (iii) of section 32(c)(3)(B) is amended to read as follows:

''(iii) ELIGIBLE FOSTER CHILD.—For purposes of clause (i), the term 'eligible foster child' means an individual not described in subclause (I) or (II) of clause (i) who—

''(I) is placed with the taxpayer by an authorized placement agency, and

''(II) the taxpayer cares for as the taxpayer's own child.''.

(B) CONFORMING AMENDMENT.—Section 32(c)(3)(A)(ii) is amended by striking ''except as provided in subparagraph (B)(iii),''.

(f) 2 OR MORE CLAIMING QUALIFYING CHILD.—Section 32(c)(1)(C) is amended to read as follows:

''(C) 2 OR MORE CLAIMING QUALIFYING CHILD.—

''(i) IN GENERAL.—Except as provided in clause (ii), if (but for this paragraph) an individual may be claimed, and is claimed, as a qualifying child by 2 or more taxpayers for a taxable year beginning in the same calendar year, such individual shall be treated as the qualifying child of the taxpayer who is—

''(I) a parent of the individual, or

''(II) if subclause (I) does not apply, the taxpayer with the highest adjusted gross income for such taxable year.

''(ii) MORE THAN 1 CLAIMING CREDIT.—If the parents claiming the credit with respect to any qualifying child do not file a joint return together, such child shall be treated as the qualifying child of—

''(I) the parent with whom the child resided for the longest period of time during the taxable year, or

''(II) if the child resides with both parents for the same amount of time during such taxable year, the parent with the highest adjusted gross income.''.

(g) EXPANSION OF MATHEMATICAL ERROR AUTHORITY.—Paragraph (2) of section 6213(g) is amended by striking ''and'' at the end of subparagraph (K), by striking the period at the end of subparagraph (L) and inserting '', and'', and by inserting after subparagraph (L) the following new subparagraph:

''(M) the entry on the return claiming the credit under section 32 with respect to a child if, according to the Federal Case Registry of Child Support Orders established under section 453(h) of the Social Security Act, the taxpayer is a noncustodial parent of such child.''

(h) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

(2) SUBSECTION (g).—The amendment made by subsection (g) shall take effect on January 1, 2004.

Subtitle B—Compliance With Congressional Budget Act

SEC. 311. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE IV—AFFORDABLE EDUCATION PROVISIONS

Subtitle A—Education Savings Incentives

SEC. 401. MODIFICATIONS TO EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.

(a) MAXIMUM ANNUAL CONTRIBUTIONS.—

(1) IN GENERAL.—Section 530(b)(1)(A)(iii) (defining education individual retirement account) is amended by striking ''$500'' and inserting ''$2,000''.

(2) CONFORMING AMENDMENT.—Section 4973(e)(1)(A) is amended by striking ''$500'' and inserting ''$2,000''.

(b) MODIFICATION OF AGI LIMITS TO REMOVE MARRIAGE PENALTY.—Section 530(c)(1) (relating to reduction in permitted contributions based on adjusted gross income) is amended—

(1) by striking ''$150,000'' in subparagraph (A)(ii) and inserting ''$190,000'', and

(2) by striking ''$10,000'' in subparagraph (B) and inserting ''$30,000''.

(c) TAX-FREE EXPENDITURES FOR ELEMENTARY AND SECONDARY SCHOOL EXPENSES.—

(1) IN GENERAL.—Section 530(b)(2) (defining qualified higher education expenses) is amended to read as follows:

''(2) QUALIFIED EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified education expenses' means—

''(i) qualified higher education expenses (as defined in section 529(e)(3)), and

''(ii) qualified elementary and secondary education expenses (as defined in paragraph (4)).

''(B) QUALIFIED STATE TUITION PROGRAMS.—Such term shall include any contribution to a qualified State tuition program (as defined in section 529(b)) on behalf of the designated beneficiary (as defined in section 529(e)(1)); but there shall be no increase in the investment in the contract for purposes of applying section 72 by reason of any portion of such contribution which is not includible in gross income by reason of subsection (d)(2).''.

(2) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—Section 530(b) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

''(4) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—

''(A) IN GENERAL.—The term 'qualified elementary and secondary education expenses' means—

''(i) expenses for tuition, fees, academic tutoring, special needs services, books, supplies, and other equipment which are incurred in connection with the enrollment or attendance of the designated beneficiary of the trust as an elementary or secondary school student at a public, private, or religious school,

''(ii) expenses for room and board, uniforms, transportation, and supplementary items and services (including extended day programs) which are required or provided by a public, private, or religious school in connection with such enrollment or attendance, and

''(iii) expenses for the purchase of any computer technology or equipment (as defined in

section 170(e)(6)(F)(i)) or Internet access and related services, if such technology, equipment, or services are to be used by the beneficiary and the beneficiary's family during any of the years the beneficiary is in school. Such terms shall not include computer software including sports, games, or hobbies unless the software is educational in nature.

''(B) SCHOOL.—The term 'school' means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.''.

(3) CONFORMING AMENDMENTS.—Section 530 is amended—

(A) by striking ''higher'' each place it appears in subsections (b)(1) and (d)(2), and

(B) by striking ''HIGHER'' in the heading for subsection (d)(2).

(d) WAIVER OF AGE LIMITATIONS FOR CHILDREN WITH SPECIAL NEEDS.—Section 530(b)(1) (defining education individual retirement account) is amended by adding at the end the following flush sentence:

''The age limitations in subparagraphs (A)(ii) and (E), and paragraphs (5) and (6) of subsection (d), shall not apply to any designated beneficiary with special needs (as determined under regulations prescribed by the Secretary).''.

(e) ENTITIES PERMITTED TO CONTRIBUTE TO ACCOUNTS.—Section 530(c)(1) (relating to reduction in permitted contributions based on adjusted gross income) is amended by striking ''The maximum amount which a contributor'' and inserting ''In the case of a contributor who is an individual, the maximum amount the contributor''.

(f) TIME WHEN CONTRIBUTIONS DEEMED MADE.—

(1) IN GENERAL.—Section 530(b) (relating to definitions and special rules), as amended by subsection (c)(2), is amended by adding at the end the following new paragraph:

''(5) TIME WHEN CONTRIBUTIONS DEEMED MADE.—An individual shall be deemed to have made a contribution to an education individual retirement account on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the return for such taxable year (not including extensions thereof).''.

(2) EXTENSION OF TIME TO RETURN EXCESS CONTRIBUTIONS.—Subparagraph (C) of section 530(d)(4) (relating to additional tax for distributions not used for educational expenses) is amended—

(A) by striking clause (i) and inserting the following new clause:

''(i) such distribution is made before the first day of the sixth month of the taxable year following the taxable year, and'', and

(B) by striking ''DUE DATE OF RETURN'' in the heading and inserting ''CERTAIN DATE''.

(g) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS AND QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 530(d)(2)(C) is amended to read as follows:

''(C) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS AND QUALIFIED TUITION PROGRAMS.—For purposes of subparagraph (A)—

''(i) CREDIT COORDINATION.—The total amount of qualified higher education expenses with respect to an individual for the taxable year shall be reduced—

''(I) as provided in section 25A(g)(2), and

''(II) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A.

''(ii) COORDINATION WITH QUALIFIED TUITION PROGRAMS.—If, with respect to an individual for any taxable year—

''(I) the aggregate distributions during such year to which subparagraph (A) and section 529(c)(3)(B) apply, exceed

''(II) the total amount of qualified education expenses (after the application of clause (i)) for such year,

the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under subparagraph (A) and section 529(c)(3)(B).''.

(2) CONFORMING AMENDMENTS.—

(A) Subsection (e) of section 25A is amended to read as follows:

''(e) ELECTION NOT TO HAVE SECTION APPLY.—A taxpayer may elect not to have this section apply with respect to the qualified tuition and related expenses of an individual for any taxable year.''.

(B) Section 135(d)(2)(A) is amended by striking ''allowable'' and inserting ''allowed''.

(C) Section 530(d)(2)(D) is amended—

(i) by striking ''or credit'', and

(ii) by striking ''CREDIT OR'' in the heading.

(D) Section 4973(e)(1) is amended by adding ''and'' at the end of subparagraph (A), by striking subparagraph (B), and by redesignating subparagraph (C) as subparagraph (B).

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 402. MODIFICATIONS TO QUALIFIED TUITION PROGRAMS.

(a) ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 529(b)(1) (defining qualified State tuition program) is amended—

(A) by inserting ''or by 1 or more eligible educational institutions'' after ''maintained by a State or agency or instrumentality thereof'' in the matter preceding subparagraph (A), and

(B) by adding at the end the following new flush sentence:

''Except to the extent provided in regulations, a program established and maintained by 1 or more eligible educational institutions shall not be treated as a qualified tuition program unless such program has received a ruling or determination that such program meets the applicable requirements for a qualified tuition program.''.

(2) PRIVATE QUALIFIED TUITION PROGRAMS LIMITED TO BENEFIT PLANS.—Clause (ii) of section 529(b)(1)(A) is amended by inserting ''in the case of a program established and maintained by a State or agency or instrumentality thereof,'' before ''may make''.

(3) CONFORMING AMENDMENTS.—

(A) Sections 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529, 530(b)(2)(B), 4973(e), and 6693(a)(2)(C) are amended by striking ''qualified State tuition'' each place it appears and inserting ''qualified tuition''.

(B) The headings for sections 72(e)(9) and 135(c)(2)(C) are amended by striking ''QUALIFIED STATE TUITION'' each place it appears and inserting ''QUALIFIED TUITION''.

(C) The headings for sections 529(b) and 530(b)(2)(B) are amended by striking ''QUALIFIED STATE TUITION'' each place it appears and inserting ''QUALIFIED TUITION''.

(D) The heading for section 529 is amended by striking ''STATE''.

(E) The item relating to section 529 in the table of sections for part VIII of subchapter F of chapter 1 is amended by striking ''State''.

(b) EXCLUSION FROM GROSS INCOME OF EDUCATION DISTRIBUTIONS FROM QUALIFIED TUITION PROGRAMS.—

(1) IN GENERAL.—Section 529(c)(3)(B) (relating to distributions) is amended to read as follows:

''(B) DISTRIBUTIONS FOR QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this paragraph—

''(i) IN-KIND DISTRIBUTIONS.—No amount shall be includible in gross income under subparagraph (A) by reason of a distribution which consists of providing a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense.

''(ii) CASH DISTRIBUTIONS.—In the case of distributions not described in clause (i), if—

''(I) such distributions do not exceed the qualified higher education expenses (reduced by expenses described in clause (i)), no amount shall be includible in gross income, and

''(II) in any other case, the amount otherwise includible in gross income shall be reduced by an amount which bears the same ratio to such amount as such expenses bear to such distributions.

''(iii) EXCEPTION FOR INSTITUTIONAL PROGRAMS.—In the case of any taxable year beginning before January 1, 2004, clauses (i) and (ii) shall not apply with respect to any distribution during such taxable year under a qualified tuition program established and maintained by 1 or more eligible educational institutions.

''(iv) TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a designated beneficiary under a qualified tuition program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

''(v) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS.—The total amount of qualified higher education expenses with respect to an individual for the taxable year shall be reduced—

''(I) as provided in section 25A(g)(2), and

''(II) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A.

''(vi) COORDINATION WITH EDUCATION INDIVIDUAL RETIREMENT ACCOUNTS.—If, with respect to an individual for any taxable year—

''(I) the aggregate distributions to which clauses (i) and (ii) and section 530(d)(2)(A) apply, exceed

''(II) the total amount of qualified higher education expenses otherwise taken into account under clauses (i) and (ii) (after the application of clause (v)) for such year,

the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under clauses (i) and (ii) and section 530(d)(2)(A).''.

(2) CONFORMING AMENDMENTS.—

(A) Section 135(d)(2)(B) is amended by striking ''the exclusion under section 530(d)(2)'' and inserting ''the exclusions under sections 529(c)(3)(B) and 530(d)(2)''.

(B) Section 221(e)(2)(A) is amended by inserting ''529,'' after ''135,''.

(c) ROLLOVER TO DIFFERENT PROGRAM FOR BENEFIT OF SAME DESIGNATED BENEFICIARY.—Section 529(c)(3)(C) (relating to change in beneficiaries) is amended—

(1) by striking ''transferred to the credit'' in clause (i) and inserting ''transferred—

''(I) to another qualified tuition program for the benefit of the designated beneficiary, or

''(II) to the credit'',

(2) by adding at the end the following new clause:

''(iii) LIMITATION ON CERTAIN ROLLOVERS.—Clause (i)(I) shall not apply to any transfer if such transfer occurs within 12 months from the date of a previous transfer to any qualified tuition program for the benefit of the designated beneficiary.'', and

(3) by inserting ''OR PROGRAMS'' after ''BENEFICIARIES'' in the heading.

(d) MEMBER OF FAMILY INCLUDES FIRST COUSIN.—Section 529(e)(2) (defining member of family) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and by inserting ''; and'', and by adding at the end the following new subparagraph:

''(D) any first cousin of such beneficiary.''.

(e) ADJUSTMENT OF LIMITATION ON ROOM AND BOARD DISTRIBUTIONS.—Section 529(e)(3)(B)(ii) is amended to read as follows:

''(ii) LIMITATION.—The amount treated as qualified higher education expenses by reason of clause (i) shall not exceed—

''(I) the allowance (applicable to the student) for room and board included in the cost of attendance (as defined in section 472 of the Higher

Education Act of 1965 (20 U.S.C. 1087ll), as in effect on the date of the enactment of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001) as determined by the eligible educational institution for such period, or

''(II) if greater, the actual invoice amount the student residing in housing owned or operated by the eligible educational institution is charged by such institution for room and board costs for such period.''.

(f) TECHNICAL AMENDMENTS.—Section 529(c)(3)(D) is amended—

(1) by inserting ''except to the extent provided by the Secretary,'' before ''all distributions'' in clause (ii), and

(2) by inserting ''except to the extent provided by the Secretary,'' before ''the value'' in clause (iii).

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Subtitle B—Educational Assistance

SEC. 411. PERMANENT EXTENSION OF EXCLUSION FOR EMPLOYER-PROVIDED EDUCATIONAL ASSISTANCE.

(a) IN GENERAL.—Section 127 (relating to exclusion for educational assistance programs) is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(b) REPEAL OF LIMITATION ON GRADUATE EDUCATION.—The last sentence of section 127(c)(1) is amended by striking '', and such term also does not include any payment for, or the provision of any benefits with respect to, any graduate level course of a kind normally taken by an individual pursuing a program leading to a law, business, medical, or other advanced academic or professional degree''.

(c) CONFORMING AMENDMENT.—Section 51A(b)(5)(B)(iii) is amended by striking ''or would be so excludable but for section 127(d)''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to expenses relating to courses beginning after December 31, 2001.

SEC. 412. ELIMINATION OF 60-MONTH LIMIT AND INCREASE IN INCOME LIMITATION ON STUDENT LOAN INTEREST DEDUCTION.

(a) ELIMINATION OF 60-MONTH LIMIT.—

(1) IN GENERAL.—Section 221 (relating to interest on education loans), as amended by section 402(b)(2)(B), is amended by striking subsection (d) and by redesignating subsections (e), (f), and (g) as subsections (d), (e), and (f), respectively.

(2) CONFORMING AMENDMENT.—Section 6050S(e) is amended by striking ''section 221(e)(1)'' and inserting ''section 221(d)(1)''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to any loan interest paid after December 31, 2001, in taxable years ending after such date.

(b) INCREASE IN INCOME LIMITATION.—

(1) IN GENERAL.—Section 221(b)(2)(B) (relating to amount of reduction) is amended by striking clauses (i) and (ii) and inserting the following:

''(i) the excess of—

''(I) the taxpayer's modified adjusted gross income for such taxable year, over

''(II) $50,000 ($100,000 in the case of a joint return), bears to

''(ii) $15,000 ($30,000 in the case of a joint return).''.

(2) CONFORMING AMENDMENT.—Section 221(g)(1) is amended by striking ''$40,000 and $60,000 amounts'' and inserting ''$50,000 and $100,000 amounts''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after December 31, 2001.

SEC. 413. EXCLUSION OF CERTAIN AMOUNTS RECEIVED UNDER THE NATIONAL HEALTH SERVICE CORPS SCHOLARSHIP PROGRAM AND THE F. EDWARD HEBERT ARMED FORCES HEALTH PROFESSIONS SCHOLARSHIP AND FINANCIAL ASSISTANCE PROGRAM.

(a) IN GENERAL.—Section 117(c) (relating to the exclusion from gross income amounts received as a qualified scholarship) is amended—

(1) by striking ''Subsections (a)'' and inserting the following:

''(1) IN GENERAL.—Except as provided in paragraph (2), subsections (a)'', and

(2) by adding at the end the following new paragraph:

''(2) EXCEPTIONS.—Paragraph (1) shall not apply to any amount received by an individual under—

''(A) the National Health Service Corps Scholarship Program under section 338A(g)(1)(A) of the Public Health Service Act, or

''(B) the Armed Forces Health Professions Scholarship and Financial Assistance program under subchapter I of chapter 105 of title 10, United States Code.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to amounts received in taxable years beginning after December 31, 2001.

SEC. 414. EXCLUSION FROM INCOME OF CERTAIN AMOUNTS CONTRIBUTED TO COVERDELL EDUCATION SAVINGS ACCOUNTS.

(a) IN GENERAL.—Section 127 (relating to education assistance programs), as amended by section 411(a), is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

''(d) QUALIFIED COVERDELL EDUCATION SAVINGS ACCOUNT CONTRIBUTIONS.—

''(1) IN GENERAL.—Gross income of an employee shall not include amounts paid or incurred by the employer for a qualified Coverdell education savings account contribution on behalf of the employee.

''(2) QUALIFIED COVERDELL EDUCATION SAVINGS ACCOUNT CONTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified Coverdell education savings account contribution' means an amount contributed pursuant to an educational assistance program described in subsection (b) by an employer to a Coverdell education savings account established and maintained for the benefit of an employee or the employee's spouse, or any lineal descendent of either.

''(B) DOLLAR LIMIT.—A contribution by an employer to a Coverdell education savings account shall not be treated as a qualified Coverdell education savings account contribution to the extent that the contribution, when added to prior contributions by the employer during the calendar year to Coverdell education savings accounts established and maintained for the same beneficiary, exceeds $500.

''(3) SPECIAL RULES.—

''(A) CONTRIBUTIONS NOT TREATED AS EDUCATIONAL ASSISTANCE IN DETERMINING MAXIMUM EXCLUSION.—For purposes of subsection (a)(2), qualified Coverdell education savings account contributions shall not be treated as educational assistance.

''(B) SELF-EMPLOYED NOT TREATED AS EMPLOYEE.—For purposes of this subsection, subsection (c)(2) shall not apply.

''(C) ADJUSTED GROSS INCOME PHASEOUT OF ACCOUNT CONTRIBUTION NOT APPLICABLE TO INDIVIDUAL EMPLOYERS.—The limitation under section 530(c) shall not apply to a qualified Coverdell education savings account contribution made by an employer who is an individual.

''(D) CONTRIBUTIONS NOT TREATED AS AN INVESTMENT IN THE CONTRACT.—For purposes of section 530(d), a qualified Coverdell education savings account contribution shall not be treated as an investment in the contract.

''(E) FICA EXCLUSION.—For purposes of section 530(d), the exclusion from FICA taxes shall not apply.''.

(b) REPORTING REQUIREMENT.—Section 6051(a) (relating to receipts for employees) is amended by striking ''and'' at the end of paragraph (10), by striking the period at the end of paragraph (11) and inserting '', and'', and by adding at the end the following new paragraph:

''(12) the amount of any qualified Coverdell education savings account contribution under section 127(d) with respect to such employee.''.

(c) CONFORMING AMENDMENT.—Section 221(e)(2)(A) is amended by inserting ''(other than under subsection (d) thereof)'' after ''section 127''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2001.

Subtitle C—Liberalization of Tax-Exempt Financing Rules for Public School Construction

SEC. 421. ADDITIONAL INCREASE IN ARBITRAGE REBATE EXCEPTION FOR GOVERNMENTAL BONDS USED TO FINANCE EDUCATIONAL FACILITIES.

(a) IN GENERAL.—Section 148(f)(4)(D)(vii) (relating to increase in exception for bonds financing public school capital expenditures) is amended by striking ''$5,000,000'' the second place it appears and inserting ''$10,000,000''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued in calendar years beginning after December 31, 2001.

SEC. 422. TREATMENT OF QUALIFIED PUBLIC EDUCATIONAL FACILITY BONDS AS EXEMPT FACILITY BONDS.

(a) TREATMENT AS EXEMPT FACILITY BOND.—Subsection (a) of section 142 (relating to exempt facility bond) is amended by striking ''or'' at the end of paragraph (11), by striking the period at the end of paragraph (12) and inserting '', or'', and by adding at the end the following new paragraph:

''(13) qualified public educational facilities.''.

(b) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—Section 142 (relating to exempt facility bond) is amended by adding at the end the following new subsection:

''(k) QUALIFIED PUBLIC EDUCATIONAL FACILITIES.—

''(1) IN GENERAL.—For purposes of subsection (a)(13), the term 'qualified public educational facility' means any school facility which is—

''(A) part of a public elementary school or a public secondary school, and

''(B) owned by a private, for-profit corporation pursuant to a public-private partnership agreement with a State or local educational agency described in paragraph (2).

''(2) PUBLIC-PRIVATE PARTNERSHIP AGREEMENT DESCRIBED.—A public-private partnership agreement is described in this paragraph if it is an agreement—

''(A) under which the corporation agrees—

''(i) to do 1 or more of the following: construct, rehabilitate, refurbish, or equip a school facility, and

''(ii) at the end of the term of the agreement, to transfer the school facility to such agency for no additional consideration, and

''(B) the term of which does not exceed the term of the issue to be used to provide the school facility.

''(3) SCHOOL FACILITY.—For purposes of this subsection, the term 'school facility' means—

''(A) any school building,

''(B) any functionally related and subordinate facility and land with respect to such building, including any stadium or other facility primarily used for school events, and

''(C) any property, to which section 168 applies (or would apply but for section 179), for use in a facility described in subparagraph (A) or (B).

''(4) PUBLIC SCHOOLS.—For purposes of this subsection, the terms 'elementary school' and 'secondary school' have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as in effect on the date of the enactment of this subsection.

''(5) ANNUAL AGGREGATE FACE AMOUNT OF TAX-EXEMPT FINANCING.—

''(A) IN GENERAL.—An issue shall not be treated as an issue described in subsection (a)(13) if the aggregate face amount of bonds issued by the State pursuant thereto (when added to the aggregate face amount of bonds previously so issued during the calendar year) exceeds an amount equal to the greater of—

''(i) $10 multiplied by the State population, or

''(ii) $5,000,000.

''(B) ALLOCATION RULES.—

''(i) IN GENERAL.—Except as otherwise provided in this subparagraph, the State may allocate the amount described in subparagraph (A) for any calendar year in such manner as the State determines appropriate.

''(ii) RULES FOR CARRYFORWARD OF UNUSED LIMITATION.—A State may elect to carry forward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of section 146(f), except that the only purpose for which the carryforward may be elected is the issuance of exempt facility bonds described in subsection (a)(13).''.

(c) EXEMPTION FROM GENERAL STATE VOLUME CAPS.—Paragraph (3) of section 146(g) (relating to exception for certain bonds) is amended—

(1) by striking ''or (12)'' and inserting ''(12), or (13)'', and

(2) by striking ''and environmental enhancements of hydroelectric generating facilities'' and inserting ''environmental enhancements of hydroelectric generating facilities, and qualified public educational facilities''.

(d) EXEMPTION FROM LIMITATION ON USE FOR LAND ACQUISITION.—Section 147(h) (relating to certain rules not to apply to mortgage revenue bonds, qualified student loan bonds, and qualified 501(c)(3) bonds) is amended by adding at the end the following new paragraph:

''(3) EXEMPT FACILITY BONDS FOR QUALIFIED PUBLIC-PRIVATE SCHOOLS.—Subsection (c) shall not apply to any exempt facility bond issued as part of an issue described in section 142(a)(13) (relating to qualified public educational facilities).''.

(e) CONFORMING AMENDMENT.—The heading for section 147(h) is amended by striking ''MORTGAGE REVENUE BONDS, QUALIFIED STUDENT LOAN BONDS, AND QUALIFIED 501(c)(3) BONDS'' and inserting ''CERTAIN BONDS''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after December 31, 2001.

SEC. 423. TREATMENT OF BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.

(a) IN GENERAL.—Section 145 (defining qualified 501(c)(3) bond) is amended by redesignating subsection (e) as subsection (f) and by inserting after subsection (d) the following new subsection:

''(e) BONDS ISSUED TO ACQUIRE RENEWABLE RESOURCES ON LAND SUBJECT TO CONSERVATION EASEMENT.—

''(1) IN GENERAL.—If—

''(A) the proceeds of any bond are used to acquire land (or a long-term lease thereof) together with any renewable resource associated with the land (including standing timber, agricultural crops, or water rights) from an unaffiliated person,

''(B) the land is subject to a conservation restriction—

''(i) which is granted in perpetuity to an unaffiliated person that is—

''(I) a 501(c)(3) organization, or

''(II) a Federal, State, or local government conservation organization,

''(ii) which meets the requirements of clauses (ii) and (iii)(II) of section 170(h)(4)(A),

''(iii) which exceeds the requirements of relevant environmental and land use statutes and regulations, and

''(iv) which obligates the owner of the land to pay the costs incurred by the holder of the conservation restriction in monitoring compliance with such restriction,

''(C) a management plan which meets the requirements of the statutes and regulations referred to in subparagraph (B)(iii) is developed for the conservation of the renewable resources, and

''(D) such bond would be a qualified 501(c)(3) bond (after the application of paragraph (2)) but for the failure to use revenues derived by the 501(c)(3) organization from the sale, lease, or other use of such resource as otherwise required by this part,

such bond shall not fail to be a qualified 501(c)(3) bond by reason of the failure to so use such revenues if the revenues which are not used as otherwise required by this part are used in a manner consistent with the stated charitable purposes of the 501(c)(3) organization.

''(2) TREATMENT OF TIMBER, ETC.—

''(A) IN GENERAL.—For purposes of subsection (a), the cost of any renewable resource acquired with proceeds of any bond described in paragraph (1) shall be treated as a cost of acquiring the land associated with the renewable resource and such land shall not be treated as used for a private business use because of the sale or leasing of the renewable resource to, or other use of the renewable resource by, an unaffiliated person to the extent that such sale, leasing, or other use does not constitute an unrelated trade or business, determined by applying section 513(a).

''(B) APPLICATION OF BOND MATURITY LIMITATION.—For purposes of section 147(b), the cost of any land or renewable resource acquired with proceeds of any bond described in paragraph (1) shall have an economic life commensurate with the economic and ecological feasibility of the financing of such land or renewable resource.

''(C) UNAFFILIATED PERSON.—For purposes of this subsection, the term 'unaffiliated person' means any person who controls not more than 20 percent of the governing body of another person.''.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to obligations issued after January 1, 2002, and before January 1, 2005.

Subtitle D—Other Provisions

SEC. 431. DEDUCTION FOR HIGHER EDUCATION EXPENSES.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals) is amended by redesignating section 222 as section 223 and by inserting after section 221 the following:

''SEC. 222. QUALIFIED TUITION AND RELATED EXPENSES.

''(a) ALLOWANCE OF DEDUCTION.—In the case of an individual, there shall be allowed as a deduction an amount equal to the qualified tuition and related expenses paid by the taxpayer during the taxable year.

''(b) DOLLAR LIMITATIONS.—

''(1) IN GENERAL.—The amount allowed as a deduction under subsection (a) with respect to the taxpayer for any taxable year shall not exceed the applicable dollar limit.

''(2) APPLICABLE DOLLAR LIMIT.—

''(A) 2002 AND 2003.—In the case of a taxable year beginning in 2002 or 2003, the applicable dollar limit shall be equal to—

''(i) in the case of a taxpayer whose adjusted gross income for the taxable year does not exceed $65,000 ($130,000 in the case of a joint return), $3,000, and—

''(ii) in the case of any other taxpayer, zero.

''(B) 2004 AND 2005.—In the case of a taxable year beginning in 2004 or 2005, the applicable dollar amount shall be equal to—

''(i) in the case of a taxpayer whose adjusted gross income for the taxable year does not exceed $65,000 ($130,000 in the case of a joint return), $5,000,

''(ii) in the case of a taxpayer not described in clause (i) whose adjusted gross income for the taxable year does not exceed $80,000 ($160,000 in the case of a joint return), $2,000, and

''(iii) in the case of any other taxpayer, zero.

''(C) ADJUSTED GROSS INCOME.—For purposes of this paragraph, adjusted gross income shall be determined—

''(i) without regard to this section and sections 911, 931, and 933, and

''(ii) after application of sections 86, 135, 137, 219, 221, and 469.

''(c) NO DOUBLE BENEFIT.—

''(1) IN GENERAL.—No deduction shall be allowed under subsection (a) for any expense for which a deduction is allowed to the taxpayer under any other provision of this chapter.

''(2) COORDINATION WITH OTHER EDUCATION INCENTIVES.—

''(A) DENIAL OF DEDUCTION IF CREDIT ELECTED.—No deduction shall be allowed under subsection (a) for a taxable year with respect to the qualified tuition and related expenses with respect to an individual if the taxpayer or any other person elects to have section 25A apply with respect to such individual for such year.

''(B) COORDINATION WITH EXCLUSIONS.—The total amount of qualified tuition and related expenses shall be reduced by the amount of such expenses taken into account in determining any amount excluded under section 135, 529(c)(1), or 530(d)(2). For purposes of the preceding sentence, the amount taken into account in determining the amount excluded under section 529(c)(1) shall not include that portion of the distribution which represents a return of any contributions to the plan.

''(3) DEPENDENTS.—No deduction shall be allowed under subsection (a) to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins.

''(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) QUALIFIED TUITION AND RELATED EXPENSES.—The term 'qualified tuition and related expenses' has the meaning given such term by section 25A(f). Such expenses shall be reduced in the same manner as under section 25A(g)(2).

''(2) IDENTIFICATION REQUIREMENT.—No deduction shall be allowed under subsection (a) to a taxpayer with respect to the qualified tuition and related expenses of an individual unless the taxpayer includes the name and taxpayer identification number of the individual on the return of tax for the taxable year.

''(3) LIMITATION ON TAXABLE YEAR OF DEDUCTION.—

''(A) IN GENERAL.—A deduction shall be allowed under subsection (a) for qualified tuition and related expenses for any taxable year only to the extent such expenses are in connection with enrollment at an institution of higher education during the taxable year.

''(B) CERTAIN PREPAYMENTS ALLOWED.—Subparagraph (A) shall not apply to qualified tuition and related expenses paid during a taxable year if such expenses are in connection with an academic term beginning during such taxable year or during the first 3 months of the next taxable year.

''(4) NO DEDUCTION FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

''(5) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

''(6) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary or appropriate to carry out this section, including regulations requiring recordkeeping and information reporting.

''(e) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2005.''.

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) is amended by inserting after paragraph (17) the following:

''(18) HIGHER EDUCATION EXPENSES.—The deduction allowed by section 222.''.

(c) CONFORMING AMENDMENTS.—

(1) Sections 86(b)(2), 135(c)(4), 137(b)(3), and 219(g)(3) are each amended by inserting ''222,'' after ''221,''.

(2) Section 221(b)(2)(C) is amended by inserting ''222,'' before ''911''.

(3) Section 469(i)(3)(E) is amended by striking ''and 221'' and inserting '', 221, and 222''.

(4) The table of sections for part VII of subchapter B of chapter 1 is amended by striking the item relating to section 222 and inserting the following:

''Sec. 222. Qualified tuition and related expenses.

''Sec. 223. Cross reference.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to payments made in taxable years beginning after December 31, 2001.

SEC. 432. CREDIT FOR INTEREST ON HIGHER EDUCATION LOANS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits) is amended by inserting after section 25A the following new section:

''SEC. 25B. INTEREST ON HIGHER EDUCATION LOANS.

''(a) ALLOWANCE OF CREDIT.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the interest paid by the taxpayer during the taxable year on any qualified education loan.

''(b) MAXIMUM CREDIT.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the credit allowed by subsection (a) for the taxable year shall not exceed $500.

''(2) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(A) IN GENERAL.—If the modified adjusted gross income of the taxpayer for the taxable year exceeds $35,000 ($70,000 in the case of a joint return), the amount which would (but for this paragraph) be allowable as a credit under this section shall be reduced (but not below zero) by the amount which bears the same ratio to the amount which would be so allowable as such excess bears to $10,000 ($20,000 in the case of a joint return).

''(B) MODIFIED ADJUSTED GROSS INCOME.—The term 'modified adjusted gross income' means adjusted gross income determined without regard to sections 911, 931, and 933.

''(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2009, the $35,000 and $70,000 amounts referred to in subparagraph (A) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section (1)(f)(3) for the calendar year in which the taxable year begins, by substituting '2008' for '1992'.

''(D) ROUNDING.—If any amount as adjusted under subparagraph (C) is not a multiple of $50, such amount shall be rounded to the nearest multiple of $50.

''(c) DEPENDENTS NOT ELIGIBLE FOR CREDIT.—No credit shall be allowed by this section to an individual for the taxable year if a deduction under section 151 with respect to such individual is allowed to another taxpayer for the taxable year beginning in the calendar year in which such individual's taxable year begins.

''(d) LIMIT ON PERIOD CREDIT ALLOWED.—A credit shall be allowed under this section only with respect to interest paid on any qualified education loan during the first 60 months (whether or not consecutive) in which interest payments are required. For purposes of this subsection, any loan and all refinancings of such loan shall be treated as 1 loan. Such 60 months shall be determined in the manner prescribed by the Secretary in the case of multiple loans which are refinanced by, or serviced as, a single loan and in the case of loans incurred before January 1, 2009.

''(e) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED EDUCATION LOAN.—The term 'qualified education loan' has the meaning given such term by section 221(e)(1).

''(2) DEPENDENT.—The term 'dependent' has the meaning given such term by section 152.

''(f) SPECIAL RULES.—

''(1) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section if any amount of interest on a qualified education loan is taken into account for any deduction under any other provision of this chapter for the taxable year.

''(2) MARRIED COUPLES MUST FILE JOINT RETURN.—If the taxpayer is married at the close of the taxable year, the credit shall be allowed under subsection (a) only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

''(3) MARITAL STATUS.—Marital status shall be determined in accordance with section 7703.''.

(b) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25A the following new item:

''Sec. 25B. Interest on higher education loans.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any qualified education loan (as defined in section 25B(e)(1) of the Internal Revenue Code of 1986, as added by this section) incurred on, before, or after December 31, 2008, but only with respect to any loan interest payment due in taxable years beginning after December 31, 2008.

SEC. 433. ABOVE-THE-LINE DEDUCTION FOR QUALIFIED EMERGENCY RESPONSE EXPENSES OF ELIGIBLE EMERGENCY RESPONSE PROFESSIONALS.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals), as amended by this Act, is amended by redesignating section 224 as section 225 and by inserting after section 223 the following new section:

''SEC. 224. QUALIFIED EMERGENCY RESPONSE EXPENSES.

''(a) ALLOWANCE OF DEDUCTION.—In the case of an eligible emergency response professional, there shall be allowed as a deduction an amount equal to the qualified expenses paid or incurred by the taxpayer during the taxable year.

''(b) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMERGENCY RESPONSE PROFESSIONAL.—The term 'eligible emergency response professional' includes—

''(A) a full-time employee of any police department or fire department which is organized and operated by a governmental entity to provide police protection, firefighting service, or emergency medical services for any area within the jurisdiction of a governmental entity,

''(B) an emergency medical technician licensed by a State who is employed by a State or non-profit to provide emergency medical services, and

''(C) a member of a volunteer fire department which is organized to provide firefighting or emergency medical services for any area within the jurisdiction of a governmental entity which is not provided with any other firefighting services.

''(2) GOVERNMENTAL ENTITY.—The term 'governmental entity' means a State (or political subdivision thereof), Indian tribal (or political subdivision thereof), or Federal government.

''(3) QUALIFIED EXPENSES.—The term 'qualified expenses' means unreimbursed expenses for police and firefighter activities, as determined by the Secretary.

''(c) DENIAL OF DOUBLE BENEFIT.—

''(1) IN GENERAL.—No other deduction or credit shall be allowed under this chapter for any amount taken into account for which a deduction is allowed under this section.

''(2) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a) for qualified expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135, 529(c)(1), or 530(d)(2) for the taxable year.

''(d) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2006.''.

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a) (relating to adjusted gross income defined), as amended by this Act, is amended by inserting after paragraph (19) the following new paragraph:

''(20) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—The deduction allowed by section 224.''.

(c) CONFORMING AMENDMENTS.—

(1) Sections 86(b)(2), 135(c)(4), 137(b)(3), and 219(g)(3), as amended by this Act, are each amended by inserting ''224,'' after ''221,''.

(2) Section 221(b)(2)(C), as amended by this Act, is amended by inserting ''224,'' before ''911''.

(3) Section 469(i)(3)(E), as amended by this Act, is amended by striking ''and 223'' and inserting '', 223, and 224''.

(4) The table of sections for part VII of subchapter B of chapter 1, as amended by this Act, is amended by striking the item relating to section 223 and inserting the following new items:

''Sec. 224. Qualified emergency response expenses.

''Sec. 225. Cross reference.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 434. CONTRIBUTIONS OF BOOK INVENTORY.

(a) IN GENERAL.—Section 170(e)(3) (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new subparagraph:

''(D) SPECIAL RULE FOR CONTRIBUTIONS OF BOOK INVENTORY FOR EDUCATIONAL PURPOSES.—

''(i) CONTRIBUTIONS OF BOOK INVENTORY.—In determining whether a qualified book contribution is a qualified contribution, subparagraph (A) shall be applied without regard to whether or not—

''(I) the donee is an organization described in the matter preceding clause (i) of subparagraph (A), and

''(II) the property is to be used by the donee solely for the care of the ill, the needy, or infants.

''(ii) QUALIFIED BOOK CONTRIBUTION.—For purposes of this paragraph, the term 'qualified book contribution' means a charitable contribution of books, but only if the contribution is to an organization—

''(I) described in subclause (I) or (III) of paragraph (6)(B)(i), or

''(II) described in section 501(c)(3) and exempt from tax under section 501(a) which is organized primarily to make books available to the general public at no cost or to operate a literacy program.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act.

Subtitle E—Miscellaneous Education Provisions

SEC. 441. SHORT TITLE.

This subtitle may be cited as the ''Teacher Relief Act of 2001''.

SEC. 442. ABOVE-THE-LINE DEDUCTION FOR QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) DEDUCTION ALLOWED.—Part VII of subchapter B of chapter 1 (relating to additional itemized deductions for individuals), as amended by section 431(a), is amended by redesignating section 223 as section 224 and by inserting after section 222 the following new section:

"SEC. 223. QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.

''(a) ALLOWANCE OF DEDUCTION.—In the case of an eligible educator, there shall be allowed as a deduction an amount equal to the qualified professional development expenses paid or incurred by the taxpayer during the taxable year.

''(b) MAXIMUM DEDUCTION.—The deduction allowed under subsection (a) for any taxable year shall not exceed $500.

''(c) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES OF ELIGIBLE EDUCATORS.—For purposes of this section—

''(1) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—

''(A) IN GENERAL.—The term 'qualified professional development expenses' means expenses for tuition, fees, books, supplies, equipment, and transportation required for the enrollment or attendance of an individual in a qualified course of instruction.

''(B) QUALIFIED COURSE OF INSTRUCTION.—The term 'qualified course of instruction' means a course of instruction which—

''(i) is—

''(I) directly related to the curriculum and academic subjects in which an eligible educator provides instruction,

''(II) designed to enhance the ability of an eligible educator to understand and use State standards for the academic subjects in which such educator provides instruction,

''(III) designed to provide instruction in how to teach children with different learning styles, particularly children with disabilities and children with special learning needs (including children who are gifted and talented), or

''(IV) designed to provide instruction in how best to discipline children in the classroom and identify early and appropriate interventions to help children described in subclause (III) to learn,

''(ii) is tied to—

''(I) challenging State or local content standards and student performance standards, or

''(II) strategies and programs that demonstrate effectiveness in increasing student academic achievement and student performance, or substantially increasing the knowledge and teaching skills of an eligible educator,

''(iii) is of sufficient intensity and duration to have a positive and lasting impact on the performance of an eligible educator in the classroom (which shall not include 1-day or short-term workshops and conferences), except that this clause shall not apply to an activity if such activity is 1 component described in a long-term comprehensive professional development plan established by an eligible educator and the educator's supervisor based upon an assessment of the needs of the educator, the students of the educator, and the local educational agency involved, and

''(iv) is part of a program of professional development which is approved and certified by the appropriate local educational agency as furthering the goals of the preceding clauses.

''(C) LOCAL EDUCATIONAL AGENCY.—The term 'local educational agency' has the meaning given such term by section 14101 of the Elementary and Secondary Education Act of 1965, as in effect on the date of the enactment of this section.

''(2) ELIGIBLE EDUCATOR.—

''(A) IN GENERAL.—The term 'eligible educator' means an individual who is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in an elementary or secondary school for at least 900 hours during a school year.

''(B) ELEMENTARY OR SECONDARY SCHOOL.—The terms 'elementary school' and 'secondary school' have the meanings given such terms by section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801), as so in effect.

''(d) DENIAL OF DOUBLE BENEFIT.—

''(1) IN GENERAL.—No other deduction or credit shall be allowed under this chapter for any amount taken into account for which a deduction is allowed under this section.

''(2) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a) for qualified professional development expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135, 529(c)(1), or 530(d)(2) for the taxable year.''.

(b) DEDUCTION ALLOWED IN COMPUTING ADJUSTED GROSS INCOME.—Section 62(a), as amended by section 431(b), is amended by inserting after paragraph (18) the following new paragraph:

''(19) QUALIFIED PROFESSIONAL DEVELOPMENT EXPENSES.—The deduction allowed by section 223.''.

(c) CONFORMING AMENDMENTS.—

(1) Sections 86(b)(2), 135(c)(4), 137(b)(3), and 219(g)(3) are each amended by inserting ''223,'' after ''221,''.

(2) Section 221(b)(2)(C) is amended by inserting ''223,'' before ''911''.

(3) Section 469(i)(3)(E) is amended by striking ''and 221'' and inserting '', 221, and 223''.

(4) The table of sections for part VII of subchapter B of chapter 1, as amended by section 431(c), is amended by striking the item relating to section 223 and inserting the following new items:

''Sec. 223. Qualified professional development expenses.

''Sec. 224. Cross reference.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001, and shall expire on December 31, 2005.

SEC. 443. CREDIT TO ELEMENTARY AND SECONDARY SCHOOL TEACHERS WHO PROVIDE CLASSROOM MATERIALS.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 (relating to other credits) is amended by adding at the end the following new section:

"SEC. 30B. CREDIT TO ELEMENTARY AND SECONDARY SCHOOL TEACHERS WHO PROVIDE CLASSROOM MATERIALS.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible educator, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 50 percent of the qualified elementary and secondary education expenses which are paid or incurred by the taxpayer during such taxable year.

''(b) MAXIMUM CREDIT.—The credit allowed by subsection (a) for any taxable year shall not exceed $250.

''(c) DEFINITIONS.—

''(1) ELIGIBLE EDUCATOR.—The term 'eligible educator' has the same meaning given such term in section 223(c).

''(2) QUALIFIED ELEMENTARY AND SECONDARY EDUCATION EXPENSES.—The term 'qualified elementary and secondary education expenses' means expenses for books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by an eligible educator in the classroom.

''(3) ELEMENTARY OR SECONDARY SCHOOL.—The term 'elementary or secondary school' means any school which provides elementary education or secondary education (through grade 12), as determined under State law.

''(d) SPECIAL RULES.—

''(1) DENIAL OF DOUBLE BENEFIT.—No deduction shall be allowed under this chapter for any expense for which credit is allowed under this section.

''(2) APPLICATION WITH OTHER CREDITS.—The credit allowable under subsection (a) for any taxable year shall not exceed the excess (if any) of—

''(A) the regular tax for the taxable year, reduced by the sum of the credits allowable under subpart A and the preceding sections of this subpart, over

''(B) the tentative minimum tax for the taxable year.

''(e) ELECTION TO HAVE CREDIT NOT APPLY.—A taxpayer may elect to have this section not apply for any taxable year.''.

(b) CLERICAL AMENDMENT.—The table of sections for subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 30B. Credit to elementary and secondary school teachers who provide classroom materials.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001, and shall expire on December 31, 2005.

Subtitle F—Compliance With Congressional Budget Act

SEC. 451. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE V—ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAX PROVISIONS

Subtitle A—Repeal of Estate and Generation-Skipping Transfer Taxes

SEC. 501. REPEAL OF ESTATE AND GENERATION-SKIPPING TRANSFER TAXES.

(a) ESTATE TAX REPEAL.—Subchapter C of chapter 11 of subtitle B (relating to miscellaneous) is amended by adding at the end the following new section:

"SEC. 2210. TERMINATION.

''(a) IN GENERAL.—Except as provided in subsection (b), this chapter shall not apply to the estates of decedents dying after December 31, 2010.

''(b) CERTAIN DISTRIBUTIONS FROM QUALIFIED DOMESTIC TRUSTS.—In applying section 2056A with respect to the surviving spouse of a decedent dying before January 1, 2011—

''(1) section 2056A(b)(1)(A) shall not apply to distributions made after December 31, 2021, and

''(2) section 2056A(b)(1)(B) shall not apply after December 31, 2010.''.

(b) GENERATION-SKIPPING TRANSFER TAX REPEAL.—Subchapter G of chapter 13 of subtitle B (relating to administration) is amended by adding at the end the following new section:

"SEC. 2664. TERMINATION.

''This chapter shall not apply to generation-skipping transfers made after December 31, 2010.''.

(c) CONFORMING AMENDMENTS.—

(1) The table of sections for subchapter C of chapter 11 is amended by adding at the end the following new item:

''Sec. 2210. Termination.''.

(2) The table of sections for subchapter G of chapter 13 is amended by adding at the end the following new item:

''Sec. 2664. Termination.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to the estates of decedents dying, and generation-skipping transfers made, after December 31, 2010.

Subtitle B—Reductions of Estate and Gift Tax Rates

SEC. 511. ADDITIONAL REDUCTIONS OF ESTATE AND GIFT TAX RATES.

(a) MAXIMUM RATE OF TAX REDUCED TO 50 PERCENT.—The table contained in section 2001(c)(1) is amended by striking the two highest brackets and inserting the following:

"Over $2,500,000 ..... $1,025,800, plus 50% of the excess over $2,500,000.".

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 is amended by striking paragraph (2).

(c) ADDITIONAL REDUCTIONS OF MAXIMUM RATE OF TAX.—Subsection (c) of section 2001, as amended by subsection (b), is amended by adding at the end the following new paragraph:

"(2) PHASEDOWN OF MAXIMUM RATE OF TAX.—

"(A) IN GENERAL.—In the case of estates of decedents dying, and gifts made, in calendar years after 2002 and before 2011, the tentative tax under this subsection shall be determined by using a table prescribed by the Secretary (in lieu of using the table contained in paragraph (1)) which is the same as such table; except that—

"(i) the maximum rate of tax for any calendar year shall be determined in the table under subparagraph (B), and

"(ii) the brackets and the amounts setting forth the tax shall be adjusted to the extent necessary to reflect the adjustments under subparagraph (A).

"(B) MAXIMUM RATE.—

"Calendar year:	Maximum Rate:
2003	49 percent
2004	48 percent
2005	47 percent
2006	46 percent
2007, 2008, 2009, and 2010	45 percent.".

(d) MAXIMUM GIFT TAX RATE REDUCED TO 40 PERCENT AFTER 2010.—Subsection (a) of section 2502 (relating to rate of tax) is amended to read as follows:

"(a) COMPUTATION OF TAX.—

"(1) IN GENERAL.—The tax imposed by section 2501 for each calendar year shall be an amount equal to the excess of—

"(A) a tentative tax, computed under paragraph (2), on the aggregate sum of the taxable gifts for such calendar year and for each of the preceding calendar periods, over

"(B) a tentative tax, computed under paragraph (2), on the aggregate sum of the taxable gifts for each of the preceding calendar periods.

"(2) RATE SCHEDULE.—

"If the amount with respect to which the tentative tax to be computed is:	The tentative tax is:
Not over $10,000	18% of such amount.
Over $10,000 but not over $20,000.	$1,800, plus 20% of the excess over $10,000.
Over $20,000 but not over $40,000.	$3,800, plus 22% of the excess over $20,000.
Over $40,000 but not over $60,000.	$8,200, plus 24% of the excess over $40,000.
Over $60,000 but not over $80,000.	$13,000, plus 26% of the excess over $60,000.
Over $80,000 but not over $100,000.	$18,200, plus 28% of the excess over $80,000.
Over $100,000 but not over $150,000.	$23,800, plus 30% of the excess over $100,000.
Over $150,000 but not over $250,000.	$38,800, plus 32% of the excess over $150,000.
Over $250,000 but not over $500,000.	$70,800, plus 34% of the excess over $250,000.
Over $500,000 but not over $750,000.	$155,800, plus 37% of the excess over $500,000.
Over $750,000 but not over $1,000,000.	$248,300, plus 39% of the excess over $750,000.
Over $1,000,000	$345,800, plus 40% of the excess over $1,000,000.".

(e) TREATMENT OF CERTAIN TRANSFERS IN TRUST.—Section 2511 (relating to transfers in general) is amended by adding at the end the following new subsection:

"(c) TREATMENT OF CERTAIN TRANSFERS IN TRUST.—Notwithstanding any other provision of this section and except as provided in regulations, a transfer in trust shall be treated as a taxable gift under section 2503, unless the trust is treated as wholly owned by the donor or the donor's spouse under subpart E of part I of subchapter J of chapter 1.".

(f) EFFECTIVE DATES.—

(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

(2) SUBSECTION (c).—The amendment made by subsection (c) shall apply to estates of decedents dying, and gifts made, after December 31, 2002.

(3) SUBSECTIONS (d) AND (e).—The amendments made by subsections (d) and (e) shall apply to gifts made after December 31, 2010.

Subtitle C—Increase in Exemption Amounts

SEC. 521. INCREASE IN EXEMPTION EQUIVALENT OF UNIFIED CREDIT, LIFETIME GIFTS EXEMPTION, AND GST EXEMPTION AMOUNTS.

(a) IN GENERAL.—Subsection (c) of section 2010 (relating to applicable credit amount) is amended by striking the table and inserting the following new table:

"In the case of estates of decedents dying during:	The applicable exclusion amount is:
2002 and 2003	$1,000,000
2004	$2,000,000
2005, 2006, 2007, and 2008	$3,000,000
2009	$3,500,000
2010	$4,000,000.".

(b) LIFETIME GIFT EXEMPTION INCREASED TO $1,000,000.—

(1) FOR PERIODS BEFORE ESTATE TAX REPEAL.—Paragraph (1) of section 2505(a) (relating to unified credit against gift tax) is amended by inserting "(determined as if the applicable exclusion amount were $1,000,000)" after "calendar year".

(2) FOR PERIODS AFTER ESTATE TAX REPEAL.—Paragraph (1) of section 2505(a) (relating to unified credit against gift tax), as amended by paragraph (1), is amended to read as follows:

"(1) the amount of the tentative tax which would be determined under the rate schedule set forth in section 2502(a)(2) if the amount with respect to which such tentative tax is to be computed were $1,000,000, reduced by".

(c) GST EXEMPTION.—

(1) IN GENERAL.—Subsection (a) of 2631 (relating to GST exemption) is amended by striking "of $1,000,000" and inserting "amount".

(2) EXEMPTION AMOUNT.—Subsection (c) of section 2631 is amended to read as follows:

"(c) GST EXEMPTION AMOUNT.—For purposes of subsection (a), the GST exemption amount for any calendar year shall be equal to the applicable exclusion amount under section 2010(c) for such calendar year.".

(d) REPEAL OF SPECIAL BENEFIT FOR FAMILY-OWNED BUSINESS INTERESTS.—

(1) IN GENERAL.—Section 2057 is hereby repealed.

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (10) of section 2031(c) is amended by inserting "(as in effect on the day before the date of the enactment of this parenthetical)" before the period.

(B) The table of sections for part IV of subchapter A of chapter 11 is amended by striking the item relating to section 2057.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

(2) SUBSECTION (b)(2).—The amendments made by subsection (b)(2) shall apply to gifts made after December 31, 2010.

(3) SUBSECTIONS (c) AND (d).—The amendments made by subsections (c) and (d) shall apply to estates of decedents dying, and generation-skipping transfers made, after December 31, 2003.

Subtitle D—Credit for State Death Taxes

SEC. 531. REDUCTION OF CREDIT FOR STATE DEATH TAXES.

(a) MAXIMUM CREDIT REDUCED TO 8 PERCENT.—

(1) IN GENERAL.—The table contained in section 2011(b) is amended by striking the ten highest brackets and inserting the following:

"Over $2,040,000 ..... $106,800, plus 8% of the excess over $2,040,000.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to estates of decedents dying after December 31, 2001.

(b) MAXIMUM CREDIT REDUCED TO 7.2 PERCENT.—

(1) IN GENERAL.—The table contained in section 2011(b), as amended by subsection (a), is amended by striking the two highest brackets and inserting the following:

"Over $1,540,000 ..... $70,800, plus 7.2% of the excess over $1,540,000.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to estates of decedents dying after December 31, 2002.

(c) MAXIMUM CREDIT REDUCED TO 7.04 PERCENT.—

(1) IN GENERAL.—The table contained in section 2011(b), as amended by subsections (a) and (b), is amended by striking the highest bracket and inserting the following:

"Over $1,540,000 ..... $70,800, plus 7.04% of the excess over $1,540,000.".

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to estates of decedents dying after December 31, 2003.

SEC. 532. CREDIT FOR STATE DEATH TAXES REPLACED WITH DEDUCTION FOR SUCH TAXES.

(a) REPEAL OF CREDIT.—Section 2011 (relating to credit for State death taxes) is repealed.

(b) DEDUCTION FOR STATE DEATH TAXES.—Part IV of subchapter A of chapter 11 is amended by adding at the end the following new section:

"SEC. 2058. STATE DEATH TAXES.

"(a) ALLOWANCE OF DEDUCTION.—For purposes of the tax imposed by section 2001, the value of the taxable estate shall be determined by deducting from the value of the gross estate the amount of any estate, inheritance, legacy, or succession taxes actually paid to any State or the District of Columbia, in respect of any property included in the gross estate (not including any such taxes paid with respect to the estate of a person other than the decedent).

"(b) PERIOD OF LIMITATIONS.—The deduction allowed by this section shall include only such taxes as were actually paid and deduction therefor claimed before the later of—

"(1) 4 years after the filing of the return required by section 6018, or

"(2) if—

"(A) a petition for redetermination of a deficiency has been filed with the Tax Court within the time prescribed in section 6213(a), the expiration of 60 days after the decision of the Tax Court becomes final,

"(B) an extension of time has been granted under section 6161 or 6166 for payment of the tax shown on the return, or of a deficiency, the date of the expiration of the period of the extension, or

"(C) a claim for refund or credit of an overpayment of tax imposed by this chapter has been filed within the time prescribed in section 6511, the latest of the expiration of—

"(i) 60 days from the date of mailing by certified mail or registered mail by the Secretary to the taxpayer of a notice of the disallowance of any part of such claim,

"(ii) 60 days after a decision by any court of competent jurisdiction becomes final with respect to a timely suit instituted upon such claim, or

"(iii) 2 years after a notice of the waiver of disallowance is filed under section 6532(a)(3).

Notwithstanding sections 6511 and 6512, refund based on the deduction may be made if the claim for refund is filed within the period provided in the preceding sentence. Any such refund shall be made without interest.".

(c) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 2012 is amended by striking ''the credit for State death taxes provided by section 2011 and''.

(2) Subparagraph (A) of section 2013(c)(1) is amended by striking ''2011,''.

(3) Paragraph (2) of section 2014(b) is amended by striking '', 2011,''.

(4) Sections 2015 and 2016 are each amended by striking ''2011 or''.

(5) Subsection (d) of section 2053 is amended to read as follows:

''(d) CERTAIN FOREIGN DEATH TAXES.—

''(1) IN GENERAL.—Notwithstanding the provisions of subsection (c)(1)(B), for purposes of the tax imposed by section 2001, the value of the taxable estate may be determined, if the executor so elects before the expiration of the period of limitation for assessment provided in section 6501, by deducting from the value of the gross estate the amount (as determined in accordance with regulations prescribed by the Secretary) of any estate, succession, legacy, or inheritance tax imposed by and actually paid to any foreign country, in respect of any property situated within such foreign country and included in the gross estate of a citizen or resident of the United States, upon a transfer by the decedent for public, charitable, or religious uses described in section 2055. The determination under this paragraph of the country within which property is situated shall be made in accordance with the rules applicable under subchapter B (sec. 2101 and following) in determining whether property is situated within or without the United States. Any election under this paragraph shall be exercised in accordance with regulations prescribed by the Secretary.

''(2) CONDITION FOR ALLOWANCE OF DEDUCTION.—No deduction shall be allowed under paragraph (1) for a foreign death tax specified therein unless the decrease in the tax imposed by section 2001 which results from the deduction provided in paragraph (1) will inure solely for the benefit of the public, charitable, or religious transferees described in section 2055 or section 2106(a)(2). In any case where the tax imposed by section 2001 is equitably apportioned among all the transferees of property included in the gross estate, including those described in sections 2055 and 2106(a)(2) (taking into account any exemptions, credits, or deductions allowed by this chapter), in determining such decrease, there shall be disregarded any decrease in the Federal estate tax which any transferees other than those described in sections 2055 and 2106(a)(2) are required to pay.

''(3) EFFECT ON CREDIT FOR FOREIGN DEATH TAXES OF DEDUCTION UNDER THIS SUBSECTION.—

''(A) ELECTION.—An election under this subsection shall be deemed a waiver of the right to claim a credit, against the Federal estate tax, under a death tax convention with any foreign country for any tax or portion thereof in respect of which a deduction is taken under this subsection.

''(B) CROSS REFERENCE.—

''See section 2014(f) for the effect of a deduction taken under this paragraph on the credit for foreign death taxes.''.

(6) Subparagraph (A) of section 2056A(b)(10) is amended—

(A) by striking ''2011,'', and

(B) by inserting ''2058,'' after ''2056,''.

(7)(A) Subsection (a) of section 2102 is amended to read as follows:

''(a) IN GENERAL.—The tax imposed by section 2101 shall be credited with the amounts determined in accordance with sections 2012 and 2013 (relating to gift tax and tax on prior transfers).''.

(B) Section 2102 is amended by striking subsection (b) and by redesignating subsection (c) as subsection (b).

(C) Section 2102(b)(5) (as redesignated by subparagraph (B)) and section 2107(c)(3) are each amended by striking ''2011 to 2013, inclusive,'' and inserting ''2012 and 2013''.

(8) Subsection (a) of section 2106 is amended by adding at the end the following new paragraph:

''(4) STATE DEATH TAXES.—The amount which bears the same ratio to the State death taxes as the value of the property, as determined for purposes of this chapter, upon which State death taxes were paid and which is included in the gross estate under section 2103 bears to the value of the total gross estate under section 2103. For purposes of this paragraph, the term 'State death taxes' means the taxes described in section 2011(a).''.

(9) Section 2201 is amended—

(A) by striking ''as defined in section 2011(d)'', and

(B) by adding at the end the following new flush sentence:

''For purposes of this section, the additional estate tax is the difference between the tax imposed by section 2001 or 2101 and the amount equal to 125 percent of the maximum credit provided by section 2011(b), as in effect before its repeal by the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001.''.

(10) Section 2604 is repealed.

(11) Paragraph (2) of section 6511(i) is amended by striking ''2011(c), 2014(b),'' and inserting ''2014(b)''.

(12) Subsection (c) of section 6612 is amended by striking ''section 2011(c) (relating to refunds due to credit for State taxes),''.

(13) The table of sections for part II of subchapter A of chapter 11 is amended by striking the item relating to section 2011.

(14) The table of sections for part IV of subchapter A of chapter 11 is amended by adding at the end the following new item:

''Sec. 2058. State death taxes.''.

(15) The table of sections for subchapter A of chapter 13 is amended by striking the item relating to section 2604.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2004.

Subtitle E—Carryover Basis at Death; Other Changes Taking Effect With Repeal

SEC. 541. TERMINATION OF STEP-UP IN BASIS AT DEATH.

Section 1014 (relating to basis of property acquired from a decedent) is amended by adding at the end the following new subsection:

''(f) TERMINATION.—This section shall not apply with respect to decedents dying after December 31, 2010.''.

SEC. 542. TREATMENT OF PROPERTY ACQUIRED FROM A DECEDENT DYING AFTER DECEMBER 31, 2010.

(a) GENERAL RULE.—Part II of subchapter O of chapter 1 (relating to basis rules of general application) is amended by inserting after section 1021 the following new section:

''SEC. 1022. TREATMENT OF PROPERTY ACQUIRED FROM A DECEDENT DYING AFTER DECEMBER 31, 2010.

''(a) IN GENERAL.—Except as otherwise provided in this section—

''(1) property acquired from a decedent dying after December 31, 2010, shall be treated for purposes of this subtitle as transferred by gift, and

''(2) the basis of the person acquiring property from such a decedent shall be the lesser of—

''(A) the adjusted basis of the decedent, or

''(B) the fair market value of the property at the date of the decedent's death.

''(b) BASIS INCREASE FOR CERTAIN PROPERTY.—

''(1) IN GENERAL.—In the case of property to which this subsection applies, the basis of such property under subsection (a) shall be increased by its basis increase under this subsection.

''(2) BASIS INCREASE.—For purposes of this subsection—

''(A) IN GENERAL.—The basis increase under this subsection for any property is the portion of the aggregate basis increase which is allocated to the property pursuant to this section.

''(B) AGGREGATE BASIS INCREASE.—In the case of any estate, the aggregate basis increase under this subsection is $1,300,000.

''(C) LIMIT INCREASED BY UNUSED BUILT-IN LOSSES AND LOSS CARRYOVERS.—The limitation under subparagraph (B) shall be increased by—

''(i) the sum of the amount of any capital loss carryover under section 1212(b), and the amount of any net operating loss carryover under section 172, which would (but for the decedent's death) be carried from the decedent's last taxable year to a later taxable year of the decedent, plus

''(ii) the sum of the amount of any losses that would have been allowable under section 165 if the property acquired from the decedent had been sold at fair market value immediately before the decedent's death.

''(3) DECEDENT NONRESIDENTS WHO ARE NOT CITIZENS OF THE UNITED STATES.—In the case of a decedent nonresident not a citizen of the United States—

''(A) paragraph (2)(B) shall be applied by substituting '$60,000' for '$1,300,000', and

''(B) paragraph (2)(C) shall not apply.

''(c) ADDITIONAL BASIS INCREASE FOR PROPERTY ACQUIRED BY SURVIVING SPOUSE.—

''(1) IN GENERAL.—In the case of property to which this subsection applies and which is qualified spousal property, the basis of such property under subsection (a) (as increased under subsection (b)) shall be increased by its spousal property basis increase.

''(2) SPOUSAL PROPERTY BASIS INCREASE.—For purposes of this subsection—

''(A) IN GENERAL.—The spousal property basis increase for property referred to in paragraph (1) is the portion of the aggregate spousal property basis increase which is allocated to the property pursuant to this section.

''(B) AGGREGATE SPOUSAL PROPERTY BASIS INCREASE.—In the case of any estate, the aggregate spousal property basis increase is $3,000,000.

''(3) QUALIFIED SPOUSAL PROPERTY.—For purposes of this subsection, the term 'qualified spousal property' means—

''(A) outright transfer property, and

''(B) qualified terminable interest property.

''(4) OUTRIGHT TRANSFER PROPERTY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'outright transfer property' means any interest in property acquired from the decedent by the decedent's surviving spouse.

''(B) EXCEPTION.—Subparagraph (A) shall not apply where, on the lapse of time, on the occurrence of an event or contingency, or on the failure of an event or contingency to occur, an interest passing to the surviving spouse will terminate or fail—

''(i)(I) if an interest in such property passes or has passed (for less than an adequate and full consideration in money or money's worth) from the decedent to any person other than such surviving spouse (or the estate of such spouse), and

''(II) if by reason of such passing such person (or his heirs or assigns) may possess or enjoy any part of such property after such termination or failure of the interest so passing to the surviving spouse, or

''(ii) if such interest is to be acquired for the surviving spouse, pursuant to directions of the decedent, by his executor or by the trustee of a trust.

For purposes of this subparagraph, an interest shall not be considered as an interest which will terminate or fail merely because it is the ownership of a bond, note, or similar contractual obligation, the discharge of which would not have the effect of an annuity for life or for a term.

''(C) INTEREST OF SPOUSE CONDITIONAL ON SURVIVAL FOR LIMITED PERIOD.—For purposes of this paragraph, an interest passing to the surviving spouse shall not be considered as an interest which will terminate or fail on the death of such spouse if—

''(i) such death will cause a termination or failure of such interest only if it occurs within a period not exceeding 6 months after the decedent's death, or only if it occurs as a result of a common disaster resulting in the death of the decedent and the surviving spouse, or only if it occurs in the case of either such event, and

''(ii) such termination or failure does not in fact occur.

''(5) QUALIFIED TERMINABLE INTEREST PROPERTY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified terminable interest property' means property—

''(i) which passes from the decedent, and

''(ii) in which the surviving spouse has a qualifying income interest for life.

''(B) QUALIFYING INCOME INTEREST FOR LIFE.—The surviving spouse has a qualifying income interest for life if—

''(i) the surviving spouse is entitled to all the income from the property, payable annually or at more frequent intervals, or has a usufruct interest for life in the property, and

''(ii) no person has a power to appoint any part of the property to any person other than the surviving spouse.

Clause (ii) shall not apply to a power exercisable only at or after the death of the surviving spouse. To the extent provided in regulations, an annuity shall be treated in a manner similar to an income interest in property (regardless of whether the property from which the annuity is payable can be separately identified).

''(C) PROPERTY INCLUDES INTEREST THEREIN.—The term 'property' includes an interest in property.

''(D) SPECIFIC PORTION TREATED AS SEPARATE PROPERTY.—A specific portion of property shall be treated as separate property. For purposes of the preceding sentence, the term 'specific portion' only includes a portion determined on a fractional or percentage basis.

''(d) DEFINITIONS AND SPECIAL RULES FOR APPLICATION OF SUBSECTIONS (b) AND (c).—

''(1) PROPERTY TO WHICH SUBSECTIONS (b) AND (c) APPLY.—

''(A) IN GENERAL.—The basis of property acquired from a decedent may be increased under subsection (b) or (c) only if the property was owned by the decedent at the time of death.

''(B) RULES RELATING TO OWNERSHIP.—

''(i) JOINTLY HELD PROPERTY.—In the case of property which was owned by the decedent and another person as joint tenants with right of survivorship or tenants by the entirety—

''(I) if the only such other person is the surviving spouse, the decedent shall be treated as the owner of only 50 percent of the property,

''(II) in any case (to which subclause (I) does not apply) in which the decedent furnished consideration for the acquisition of the property, the decedent shall be treated as the owner to the extent of the portion of the property which is proportionate to such consideration, and

''(III) in any case (to which subclause (I) does not apply) in which the property has been acquired by gift, bequest, devise, or inheritance by the decedent and any other person as joint tenants with right of survivorship and their interests are not otherwise specified or fixed by law, the decedent shall be treated as the owner to the extent of the value of a fractional part to be determined by dividing the value of the property by the number of joint tenants with right of survivorship.

''(ii) REVOCABLE TRUSTS.—The decedent shall be treated as owning property transferred by the decedent during life to a qualified revocable trust (as defined in section 645(b)(1)).

''(iii) POWERS OF APPOINTMENT.—The decedent shall not be treated as owning any property by reason of holding a power of appointment with respect to such property.

''(iv) COMMUNITY PROPERTY.—Property which represents the surviving spouse's one-half share of community property held by the decedent and the surviving spouse under the community property laws of any State or possession of the United States or any foreign country shall be treated for purposes of this section as owned by, and acquired from, the decedent if at least one-half of the whole of the community interest in such property is treated as owned by, and acquired from, the decedent without regard to this clause.

''(C) PROPERTY ACQUIRED BY DECEDENT BY GIFT WITHIN 3 YEARS OF DEATH.—

''(i) IN GENERAL.—Subsections (b) and (c) shall not apply to property acquired by the decedent by gift or by inter vivos transfer for less than adequate and full consideration in money or money's worth during the 3-year period ending on the date of the decedent's death.

''(ii) EXCEPTION FOR CERTAIN GIFTS FROM SPOUSE.—Clause (i) shall not apply to property acquired by the decedent from the decedent's spouse unless, during such 3-year period, such spouse acquired the property in whole or in part by gift or by inter vivos transfer for less than adequate and full consideration in money or money's worth.

''(D) STOCK OF CERTAIN ENTITIES.—Subsections (b) and (c) shall not apply to—

''(i) stock or securities a foreign personal holding company,

''(ii) stock of a DISC or former DISC,

''(iii) stock of a foreign investment company, or

''(iv) stock of a passive foreign investment company unless such company is a qualified electing fund (as defined in section 1295) with respect to the decedent.

''(2) FAIR MARKET VALUE LIMITATION.—The adjustments under subsections (b) and (c) shall not increase the basis of any interest in property acquired from the decedent above its fair market value in the hands of the decedent as of the date of the decedent's death.

''(3) ALLOCATION RULES.—

''(A) IN GENERAL.—The executor shall allocate the adjustments under subsections (b) and (c) on the return required by section 6018.

''(B) CHANGES IN ALLOCATION.—Any allocation made pursuant to subparagraph (A) may be changed only as provided by the Secretary.

''(4) INFLATION ADJUSTMENT OF BASIS ADJUSTMENT AMOUNTS.—

''(A) IN GENERAL.—In the case of decedents dying in a calendar year after 2011, the $1,300,000, $60,000, and $3,000,000 dollar amounts in subsections (b) and (c)(2)(B) shall each be increased by an amount equal to the product of—

''(i) such dollar amount, and

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting '2010' for '1992' in subparagraph (B) thereof.

''(B) ROUNDING.—If any increase determined under subparagraph (A) is not a multiple of—

''(i) $100,000 in the case of the $1,300,000 amount,

''(ii) $5,000 in the case of the $60,000 amount, and

''(iii) $250,000 in the case of the $3,000,000 amount,

such increase shall be rounded to the next lowest multiple thereof.

''(e) PROPERTY ACQUIRED FROM THE DECEDENT.—For purposes of this section, the following property shall be considered to have been acquired from the decedent:

''(1) Property acquired by bequest, devise, or inheritance, or by the decedent's estate from the decedent.

''(2) Property transferred by the decedent during his lifetime—

''(A) to a qualified revocable trust (as defined in section 645(b)(1)), or

''(B) to any other trust with respect to which the decedent reserved the right to make any change in the enjoyment thereof through the exercise of a power to alter, amend, or terminate the trust.

''(3) Any other property passing from the decedent by reason of death to the extent that such property passed without consideration.

''(f) COORDINATION WITH SECTION 691.—This section shall not apply to property which constitutes a right to receive an item of income in respect of a decedent under section 691.

''(g) CERTAIN LIABILITIES DISREGARDED.—

''(1) IN GENERAL.—In determining whether gain is recognized on the acquisition of property—

''(A) from a decedent by a decedent's estate or any beneficiary other than a tax-exempt beneficiary, and

''(B) from the decedent's estate by any beneficiary other than a tax-exempt beneficiary,

and in determining the adjusted basis of such property, liabilities in excess of basis shall be disregarded.

''(2) TAX-EXEMPT BENEFICIARY.—For purposes of paragraph (1)(B)—

''(A) IN GENERAL.—The term 'tax-exempt beneficiary' means—

''(i) the United States, any State or political subdivision thereof, any possession of the United States, any Indian tribal government (within the meaning of section 7871), or any agency or instrumentality of any of the foregoing,

''(ii) an organization (other than a cooperative described in section 521) which is exempt from tax imposed by chapter 1, and

''(iii) any foreign person or entity (within the meaning of section 168(h)(2)).

''(h) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.''.

(b) INFORMATION RETURNS, ETC.—

(1) LARGE TRANSFERS AT DEATH.—So much of subpart C of part II of subchapter A of chapter 61 as precedes section 6019 is amended to read as follows:

"Subpart C—Returns Relating to Transfers During Life or at Death

''Sec. 6018. Returns relating to large transfers at death.

''Sec. 6019. Gift tax returns.

"SEC. 6018. RETURNS RELATING TO LARGE TRANSFERS AT DEATH.

''(a) IN GENERAL.—If this section applies to property acquired from a decedent, the executor of the estate of such decedent shall make a return containing the information specified in subsection (c) with respect to such property.

''(b) PROPERTY TO WHICH SECTION APPLIES.—

''(1) LARGE TRANSFERS.—This section shall apply to all property (other than cash) acquired from a decedent if the fair market value of such property acquired from the decedent exceeds the dollar amount applicable under section 1022(b)(2)(B) (without regard to section 1022(b)(2)(C)).

''(2) TRANSFERS OF CERTAIN GIFTS RECEIVED BY DECEDENT WITHIN 3 YEARS OF DEATH.—This section shall apply to any appreciated property acquired from the decedent if—

''(A) subsections (b) and (c) of section 1022 do not apply to such property by reason of section 1022(d)(1)(C), and

''(B) such property was required to be included on a return required to be filed under section 6019.

''(3) NONRESIDENTS NOT CITIZENS OF THE UNITED STATES.—In the case of a decedent who is a nonresident not a citizen of the United States, paragraphs (1) and (2) shall be applied—

''(A) by taking into account only—

''(i) tangible property situated in the United States, and

''(ii) other property acquired from the decedent by a United States person, and

''(B) by substituting the dollar amount applicable under section 1022(b)(3) for the dollar amount referred to in paragraph (1).

''(4) RETURNS BY TRUSTEES OR BENEFICIARIES.—If the executor is unable to make a complete return as to any property acquired from or passing from the decedent, the executor shall include in the return a description of such property and the name of every person holding

a legal or beneficial interest therein. Upon notice from the Secretary, such person shall in like manner make a return as to such property.

''(c) INFORMATION REQUIRED TO BE FURNISHED.—The information specified in this subsection with respect to any property acquired from the decedent is—

''(1) the name and TIN of the recipient of such property,

''(2) an accurate description of such property,

''(3) the adjusted basis of such property in the hands of the decedent and its fair market value at the time of death,

''(4) the decedent's holding period for such property,

''(5) sufficient information to determine whether any gain on the sale of the property would be treated as ordinary income,

''(6) the amount of basis increase allocated to the property under subsection (b) or (c) of section 1022, and

''(7) such other information as the Secretary may by regulations prescribe.

''(d) PROPERTY ACQUIRED FROM DECEDENT.—For purposes of this section, section 1022 shall apply for purposes of determining the property acquired from a decedent.

''(e) STATEMENTS TO BE FURNISHED TO CERTAIN PERSONS.—Every person required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return (other than the person required to make such return) a written statement showing—

''(1) the name, address, and phone number of the person required to make such return, and

''(2) the information specified in subsection (c) with respect to property acquired from, or passing from, the decedent to the person required to receive such statement.

The written statement required under the preceding sentence shall be furnished not later than 30 days after the date that the return required by subsection (a) is filed.''.

(2) GIFTS.—Section 6019 (relating to gift tax returns) is amended—

(A) by striking ''Any individual'' and inserting ''(a) IN GENERAL.—Any individual'', and

(B) by adding at the end the following new subsection:

''(b) STATEMENTS TO BE FURNISHED TO CERTAIN PERSONS.—Every person required to make a return under subsection (a) shall furnish to each person whose name is required to be set forth in such return (other than the person required to make such return) a written statement showing—

''(1) the name, address, and phone number of the person required to make such return, and

''(2) the information specified in such return with respect to property received by the person required to receive such statement.

The written statement required under the preceding sentence shall be furnished not later than 30 days after the date that the return required by subsection (a) is filed.''.

(3) TIME FOR FILING SECTION 6018 RETURNS.—

(A) RETURNS RELATING TO LARGE TRANSFERS AT DEATH.—Subsection (a) of section 6075 is amended to read as follows:

''(a) RETURNS RELATING TO LARGE TRANSFERS AT DEATH.—The return required by section 6018 with respect to a decedent shall be filed with the return of the tax imposed by chapter 1 for the decedent's last taxable year or such later date specified in regulations prescribed by the Secretary.''.

(B) CONFORMING AMENDMENTS.—Paragraph (3) of section 6075(b) is amended—

(i) by striking ''ESTATE TAX RETURN'' in the heading and inserting ''SECTION 6018 RETURN'', and

(ii) by striking ''(relating to estate tax returns)'' and inserting ''(relating to returns relating to large transfers at death)''.

(4) PENALTIES.—Part I of subchapter B of chapter 68 (relating to assessable penalties) is amended by adding at the end the following new section:

''SEC. 6716. FAILURE TO FILE INFORMATION WITH RESPECT TO CERTAIN TRANSFERS AT DEATH AND GIFTS.

''(a) INFORMATION REQUIRED TO BE FURNISHED TO THE SECRETARY.—Any person required to furnish any information under section 6018 who fails to furnish such information on the date prescribed therefor (determined with regard to any extension of time for filing) shall pay a penalty of $10,000 ($500 in the case of information required to be furnished under section 6018(b)(2)) for each such failure.

''(b) INFORMATION REQUIRED TO BE FURNISHED TO BENEFICIARIES.—Any person required to furnish in writing to each person described in section 6018(e) or 6019(b) the information required under such section who fails to furnish such information shall pay a penalty of $50 for each such failure.

''(c) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed under subsection (a) or (b) with respect to any failure if it is shown that such failure is due to reasonable cause.

''(d) INTENTIONAL DISREGARD.—If any failure under subsection (a) or (b) is due to intentional disregard of the requirements under sections 6018 and 6019(b), the penalty under such subsection shall be 5 percent of the fair market value (as of the date of death or, in the case of section 6019(b), the date of the gift) of the property with respect to which the information is required.

''(e) DEFICIENCY PROCEDURES NOT TO APPLY.—Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and certain excise taxes) shall not apply in respect of the assessment or collection of any penalty imposed by this section.''.

(5) CLERICAL AMENDMENTS.—

(A) The table of sections for part I of subchapter B of chapter 68 is amended by adding at the end the following new item:

''Sec. 6716. Failure to file information with respect to certain transfers at death and gifts.''.

(B) The item relating to subpart C in the table of subparts for part II of subchapter A of chapter 61 is amended to read as follows:

''Subpart C. Returns relating to transfers during life or at death.''.

(c) EXCLUSION OF GAIN ON SALE OF PRINCIPAL RESIDENCE MADE AVAILABLE TO HEIR OF DECEDENT IN CERTAIN CASES.—Subsection (d) of section 121 (relating to exclusion of gain from sale of principal residence) is amended by adding at the end the following new paragraph:

''(9) PROPERTY ACQUIRED FROM A DECEDENT.—The exclusion under this section shall apply to property sold by—

''(A) the estate of a decedent, and

''(B) any individual who acquired such property from the decedent (within the meaning of section 1022),

determined by taking into account the ownership and use by the decedent.''.

(d) TRANSFERS OF APPRECIATED CARRYOVER BASIS PROPERTY TO SATISFY PECUNIARY BEQUEST.—

(1) IN GENERAL.—Section 1040 (relating to transfer of certain farm, etc., real property) is amended to read as follows:

''SEC. 1040. USE OF APPRECIATED CARRYOVER BASIS PROPERTY TO SATISFY PECUNIARY BEQUEST.

''(a) IN GENERAL.—If the executor of the estate of any decedent satisfies the right of any person to receive a pecuniary bequest with appreciated property, then gain on such exchange shall be recognized to the estate only to the extent that, on the date of such exchange, the fair market value of such property exceeds such value on the date of death.

''(b) SIMILAR RULE FOR CERTAIN TRUSTS.—To the extent provided in regulations prescribed by the Secretary, a rule similar to the rule provided in subsection (a) shall apply where—

''(1) by reason of the death of the decedent, a person has a right to receive from a trust a specific dollar amount which is the equivalent of a pecuniary bequest, and

''(2) the trustee of a trust satisfies such right with property.

''(c) BASIS OF PROPERTY ACQUIRED IN EXCHANGE DESCRIBED IN SUBSECTION (a) OR (b).—The basis of property acquired in an exchange with respect to which gain realized is not recognized by reason of subsection (a) or (b) shall be the basis of such property immediately before the exchange increased by the amount of the gain recognized to the estate or trust on the exchange.''.

(2) The item relating to section 1040 in the table of sections for part III of subchapter O of chapter 1 is amended to read as follows:

''Sec. 1040. Use of appreciated carryover basis property to satisfy pecuniary bequest.''.

(e) MISCELLANEOUS AMENDMENTS RELATED TO CARRYOVER BASIS.—

(1) RECOGNITION OF GAIN ON TRANSFERS TO NONRESIDENTS.—

(A) Subsection (a) of section 684 is amended by inserting ''or to a nonresident alien'' after ''or trust''.

(B) Subsection (b) of section 684 is amended by striking ''any person'' and inserting ''any United States person''.

*(C) The section heading for section 684 is amended by inserting ''**and nonresident aliens**'' after ''**estates**''.*

(D) The item relating to section 684 in the table of sections for subpart F of part I of subchapter J of chapter 1 is amended by inserting ''and nonresident aliens'' after ''estates''.

(2) CAPITAL GAIN TREATMENT FOR INHERITED ART WORK OR SIMILAR PROPERTY.—

(A) IN GENERAL.—Subparagraph (C) of section 1221(a)(3) (defining capital asset) is amended by inserting ''(other than by reason of section 1022)'' after ''is determined''.

(B) COORDINATION WITH SECTION 170.—Paragraph (1) of section 170(e) (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following: ''For purposes of this paragraph, the determination of whether property is a capital asset shall be made without regard to the exception contained in section 1221(a)(3)(C) for basis determined under section 1022.''.

(3) DEFINITION OF EXECUTOR.—Section 7701(a) (relating to definitions) is amended by adding at the end the following:

''(47) EXECUTOR.—The term 'executor' means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the United States, then any person in actual or constructive possession of any property of the decedent.''.

(4) CERTAIN TRUSTS.—Subparagraph (A) of section 4947(a)(2) is amended by inserting ''642(c),'' after ''170(f)(2)(B),''.

(5) OTHER AMENDMENTS.—

(A) Section 1246 is amended by striking subsection (e).

(B) Subsection (e) of section 1291 is amended—

(i) by striking ''(e),''; and

(ii) by striking ''; except that'' and all that follows and inserting a period.

(C) Section 1296 is amended by striking subsection (i).

(6) CLERICAL AMENDMENT.—The table of sections for part II of subchapter O of chapter 1 is amended by inserting after the item relating to section 1021 the following new item:

''Sec. 1022. Treatment of property acquired from a decedent dying after December 31, 2010.''.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section

shall apply to estates of decedents dying after December 31, 2010.

(2) TRANSFERS TO NONRESIDENTS.—The amendments made by subsection (e)(1) shall apply to transfers after December 31, 2010.

(3) SECTION 4947.—The amendment made by subsection (e)(4) shall apply to deductions for taxable years beginning after December 31, 2010.

Subtitle F—Conservation Easements

SEC. 551. EXPANSION OF ESTATE TAX RULE FOR CONSERVATION EASEMENTS.

(a) REPEAL OF CERTAIN RESTRICTIONS ON WHERE LAND IS LOCATED.—Clause (i) of section 2031(c)(8)(A) (defining land subject to a qualified conservation easement) is amended to read as follows:

''(i) which is located in the United States or any possession of the United States,''.

(b) CLARIFICATION OF DATE FOR DETERMINING VALUE OF LAND AND EASEMENT.—Section 2031(c)(2) (defining applicable percentage) is amended by adding at the end the following new sentence: ''The values taken into account under the preceding sentence shall be such values as of the date of the contribution referred to in paragraph (8)(B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2000.

Subtitle G—Modifications of Generation-Skipping Transfer Tax

SEC. 561. DEEMED ALLOCATION OF GST EXEMPTION TO LIFETIME TRANSFERS TO TRUSTS; RETROACTIVE ALLOCATIONS.

(a) IN GENERAL.—Section 2632 (relating to special rules for allocation of GST exemption) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) DEEMED ALLOCATION TO CERTAIN LIFETIME TRANSFERS TO GST TRUSTS.—

''(1) IN GENERAL.—If any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's GST exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. If the amount of the indirect skip exceeds such unused portion, the entire unused portion shall be allocated to the property transferred.

''(2) UNUSED PORTION.—For purposes of paragraph (1), the unused portion of an individual's GST exemption is that portion of such exemption which has not previously been—

''(A) allocated by such individual,

''(B) treated as allocated under subsection (b) with respect to a direct skip occurring during or before the calendar year in which the indirect skip is made, or

''(C) treated as allocated under paragraph (1) with respect to a prior indirect skip.

''(3) DEFINITIONS.—

''(A) INDIRECT SKIP.—For purposes of this subsection, the term 'indirect skip' means any transfer of property (other than a direct skip) subject to the tax imposed by chapter 12 made to a GST trust.

''(B) GST TRUST.—The term 'GST trust' means a trust that could have a generation-skipping transfer with respect to the transferor unless—

''(i) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons—

''(I) before the date that the individual attains age 46,

''(II) on or before one or more dates specified in the trust instrument that will occur before the date that such individual attains age 46, or

''(III) upon the occurrence of an event that, in accordance with regulations prescribed by the Secretary, may reasonably be expected to occur before the date that such individual attains age 46,

''(ii) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons and who are living on the date of death of another person identified in the instrument (by name or by class) who is more than 10 years older than such individuals,

''(iii) the trust instrument provides that, if one or more individuals who are non-skip persons die on or before a date or event described in clause (i) or (ii), more than 25 percent of the trust corpus either must be distributed to the estate or estates of one or more of such individuals or is subject to a general power of appointment exercisable by one or more of such individuals,

''(iv) the trust is a trust any portion of which would be included in the gross estate of a non-skip person (other than the transferor) if such person died immediately after the transfer,

''(v) the trust is a charitable lead annuity trust (within the meaning of section 2642(e)(3)(A)) or a charitable remainder annuity trust or a charitable remainder unitrust (within the meaning of section 664(d)), or

''(vi) the trust is a trust with respect to which a deduction was allowed under section 2522 for the amount of an interest in the form of the right to receive annual payments of a fixed percentage of the net fair market value of the trust property (determined yearly) and which is required to pay principal to a non-skip person if such person is alive when the yearly payments for which the deduction was allowed terminate.

For purposes of this subparagraph, the value of transferred property shall not be considered to be includible in the gross estate of a non-skip person or subject to a right of withdrawal by reason of such person holding a right to withdraw so much of such property as does not exceed the amount referred to in section 2503(b) with respect to any transferor, and it shall be assumed that powers of appointment held by non-skip persons will not be exercised.

''(4) AUTOMATIC ALLOCATIONS TO CERTAIN GST TRUSTS.—For purposes of this subsection, an indirect skip to which section 2642(f) applies shall be deemed to have been made only at the close of the estate tax inclusion period. The fair market value of such transfer shall be the fair market value of the trust property at the close of the estate tax inclusion period.

''(5) APPLICABILITY AND EFFECT.—

''(A) IN GENERAL.—An individual—

''(i) may elect to have this subsection not apply to—

''(I) an indirect skip, or

''(II) any or all transfers made by such individual to a particular trust, and

''(ii) may elect to treat any trust as a GST trust for purposes of this subsection with respect to any or all transfers made by such individual to such trust.

''(B) ELECTIONS.—

''(i) ELECTIONS WITH RESPECT TO INDIRECT SKIPS.—An election under subparagraph (A)(i)(I) shall be deemed to be timely if filed on a timely filed gift tax return for the calendar year in which the transfer was made or deemed to have been made pursuant to paragraph (4) or on such later date or dates as may be prescribed by the Secretary.

''(ii) OTHER ELECTIONS.—An election under clause (i)(II) or (ii) of subparagraph (A) may be made on a timely filed gift tax return for the calendar year for which the election is to become effective.

''(d) RETROACTIVE ALLOCATIONS.—

''(1) IN GENERAL.—If—

''(A) a non-skip person has an interest or a future interest in a trust to which any transfer has been made,

''(B) such person—

''(i) is a lineal descendant of a grandparent of the transferor or of a grandparent of the transferor's spouse or former spouse, and

''(ii) is assigned to a generation below the generation assignment of the transferor, and

''(C) such person predeceases the transferor, then the transferor may make an allocation of any of such transferor's unused GST exemption to any previous transfer or transfers to the trust on a chronological basis.

''(2) SPECIAL RULES.—If the allocation under paragraph (1) by the transferor is made on a gift tax return filed on or before the date prescribed by section 6075(b) for gifts made within the calendar year within which the non-skip person's death occurred—

''(A) the value of such transfer or transfers for purposes of section 2642(a) shall be determined as if such allocation had been made on a timely filed gift tax return for each calendar year within which each transfer was made,

''(B) such allocation shall be effective immediately before such death, and

''(C) the amount of the transferor's unused GST exemption available to be allocated shall be determined immediately before such death.

''(3) FUTURE INTEREST.—For purposes of this subsection, a person has a future interest in a trust if the trust may permit income or corpus to be paid to such person on a date or dates in the future.''.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 2632(b) is amended by striking ''with respect to a prior direct skip'' and inserting ''or subsection (c)(1)''.

(c) EFFECTIVE DATES.—

(1) DEEMED ALLOCATION.—Section 2632(c) of the Internal Revenue Code of 1986 (as added by subsection (a)), and the amendment made by subsection (b), shall apply to transfers subject to chapter 11 or 12 made after December 31, 2000, and to estate tax inclusion periods ending after December 31, 2000.

(2) RETROACTIVE ALLOCATIONS.—Section 2632(d) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to deaths of non-skip persons occurring after December 31, 2000.

SEC. 562. SEVERING OF TRUSTS.

(a) IN GENERAL.—Subsection (a) of section 2642 (relating to inclusion ratio) is amended by adding at the end the following new paragraph:

''(3) SEVERING OF TRUSTS.—

''(A) IN GENERAL.—If a trust is severed in a qualified severance, the trusts resulting from such severance shall be treated as separate trusts thereafter for purposes of this chapter.

''(B) QUALIFIED SEVERANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified severance' means the division of a single trust and the creation (by any means available under the governing instrument or under local law) of two or more trusts if—

''(I) the single trust was divided on a fractional basis, and

''(II) the terms of the new trusts, in the aggregate, provide for the same succession of interests of beneficiaries as are provided in the original trust.

''(ii) TRUSTS WITH INCLUSION RATIO GREATER THAN ZERO.—If a trust has an inclusion ratio of greater than zero and less than 1, a severance is a qualified severance only if the single trust is divided into two trusts, one of which receives a fractional share of the total value of all trust assets equal to the applicable fraction of the single trust immediately before the severance. In such case, the trust receiving such fractional share shall have an inclusion ratio of zero and the other trust shall have an inclusion ratio of 1.

''(iii) REGULATIONS.—The term 'qualified severance' includes any other severance permitted under regulations prescribed by the Secretary.

''(C) TIMING AND MANNER OF SEVERANCES.—A severance pursuant to this paragraph may be made at any time. The Secretary shall prescribe by forms or regulations the manner in which the qualified severance shall be reported to the Secretary.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to severances after December 31, 2000.

SEC. 563. MODIFICATION OF CERTAIN VALUATION RULES.

(a) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—Paragraph (1) of section 2642(b) (relating to valuation rules, etc.) is amended to read as follows:

''(1) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—If the allocation of the GST exemption to any transfers of property is made on a gift tax return filed on or before the date prescribed by section 6075(b) for such transfer or is deemed to be made under section 2632 (b)(1) or (c)(1)—

''(A) the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 12 (within the meaning of section 2001(f)(2)), or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, its value at the time of the close of the estate tax inclusion period, and

''(B) such allocation shall be effective on and after the date of such transfer, or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, on and after the close of such estate tax inclusion period.''.

(b) TRANSFERS AT DEATH.—Subparagraph (A) of section 2642(b)(2) is amended to read as follows:

''(A) TRANSFERS AT DEATH.—If property is transferred as a result of the death of the transferor, the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 11; except that, if the requirements prescribed by the Secretary respecting allocation of post-death changes in value are not met, the value of such property shall be determined as of the time of the distribution concerned.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 2000.

SEC. 564. RELIEF PROVISIONS.

(a) IN GENERAL.—Section 2642 is amended by adding at the end the following new subsection:

''(g) RELIEF PROVISIONS.—

''(1) RELIEF FROM LATE ELECTIONS.—

''(A) IN GENERAL.—The Secretary shall by regulation prescribe such circumstances and procedures under which extensions of time will be granted to make—

''(i) an allocation of GST exemption described in paragraph (1) or (2) of subsection (b), and

''(ii) an election under subsection (b)(3) or (c)(5) of section 2632.

Such regulations shall include procedures for requesting comparable relief with respect to transfers made before the date of the enactment of this paragraph.

''(B) BASIS FOR DETERMINATIONS.—In determining whether to grant relief under this paragraph, the Secretary shall take into account all relevant circumstances, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant. For purposes of determining whether to grant relief under this paragraph, the time for making the allocation (or election) shall be treated as if not expressly prescribed by statute.

''(2) SUBSTANTIAL COMPLIANCE.—An allocation of GST exemption under section 2632 that demonstrates an intent to have the lowest possible inclusion ratio with respect to a transfer or a trust shall be deemed to be an allocation of so much of the transferor's unused GST exemption as produces the lowest possible inclusion ratio. In determining whether there has been substantial compliance, all relevant circumstances shall be taken into account, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant.''.

(b) EFFECTIVE DATES.—

(1) RELIEF FROM LATE ELECTIONS.—Section 2642(g)(1) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to requests pending on, or filed after, December 31, 2000.

(2) SUBSTANTIAL COMPLIANCE.—Section 2642(g)(2) of such Code (as so added) shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 2000. No implication is intended with respect to the availability of relief from late elections or the application of a rule of substantial compliance on or before such date.

Subtitle H—Extension of Time for Payment of Estate Tax

SEC. 571. EXPANSION OF AVAILABILITY OF INSTALLMENT PAYMENT FOR ESTATES WITH INTERESTS QUALIFYING LENDING AND FINANCE BUSINESSES.

(a) IN GENERAL.—Section 6166(b) (relating to definitions and special rules) is amended by adding at the end the following new paragraph:

''(10) STOCK IN QUALIFYING LENDING AND FINANCE BUSINESS TREATED AS STOCK IN AN ACTIVE TRADE OR BUSINESS COMPANY.—

''(A) IN GENERAL.—If the executor elects the benefits of this paragraph, then—

''(i) STOCK IN QUALIFYING LENDING AND FINANCE BUSINESS TREATED AS STOCK IN AN ACTIVE TRADE OR BUSINESS COMPANY.—For purposes of this section, any asset used in a qualifying lending and finance business shall be treated as an asset which is used in carrying on a trade or business.

''(ii) 5-YEAR DEFERRAL FOR PRINCIPAL NOT TO APPLY.—The executor shall be treated as having selected under subsection (a)(3) the date prescribed by section 6151(a).

''(iii) 5 EQUAL INSTALLMENTS ALLOWED.—For purposes of applying subsection (a)(1), '5' shall be substituted for '10'.

''(B) DEFINITIONS.—For purposes of this paragraph—

''(i) QUALIFYING LENDING AND FINANCE BUSINESS.—The term 'qualifying lending and finance business' means a lending and finance business, if—

''(I) based on all the facts and circumstances immediately before the date of the decedent's death, there was substantial activity with respect to the lending and finance business, or

''(II) during at least 3 of the 5 taxable years ending before the date of the decedent's death, such business had at least 1 full-time employee substantially all of the services of whom were in the active management of such business, 10 full-time, nonowner employees substantially all of the services of whom were directly related to such business, and $5,000,000 in gross receipts from activities described in clause (ii).

''(ii) LENDING AND FINANCE BUSINESS.—The term 'lending and finance business' means a trade or business of—

''(I) making loans,

''(II) purchasing or discounting accounts receivable, notes, or installment obligations,

''(III) engaging in rental and leasing of real and tangible personal property, including entering into leases and purchasing, servicing, and disposing of leases and leased assets,

''(IV) rendering services or making facilities available in the ordinary course of a lending or finance business, and

''(V) rendering services or making facilities available in connection with activities described in subclauses (I) through (IV) carried on by the corporation rendering services or making facilities available, or another corporation which is a member of the same affiliated group (as defined in section 1504 without regard to section 1504(b)(3)).

''(iii) LIMITATION.—The term 'qualifying lending and finance business' shall not include any interest in an entity, if the stock or debt of such entity or a controlled group (as defined in section 267(f)(1)) of which such entity was a member was readily tradable on an established securities market or secondary market (as defined by the Secretary) at any time within 3 years before the date of the decedent's death.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying after December 31, 2001.

SEC. 572. CLARIFICATION OF AVAILABILITY OF INSTALLMENT PAYMENT.

(a) IN GENERAL.—Subparagraph (B) of section 6166(b)(8) (relating to all stock must be non-readily-tradable stock) is amended to read as follows:

''(B) ALL STOCK MUST BE NON-READILY-TRADABLE STOCK.—

''(i) IN GENERAL.—No stock shall be taken into account for purposes of applying this paragraph unless it is non-readily-tradable stock (within the meaning of paragraph (7)(B)).

''(ii) SPECIAL APPLICATION WHERE ONLY HOLDING COMPANY STOCK IS NON-READILY-TRADABLE STOCK.—If the requirements of clause (i) are not met, but all of the stock of any holding company taken into account is non-readily-tradable, then this paragraph shall apply, but subsection (a)(1) shall be applied by substituting '5' for '10'.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to estates of decedents dying after December 31, 2001.

Subtitle I—Compliance With Congressional Budget Act

SEC. 581. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE VI—PENSION AND INDIVIDUAL RETIREMENT ARRANGEMENT PROVISIONS

Subtitle A—Individual Retirement Accounts

SEC. 601. MODIFICATION OF IRA CONTRIBUTION LIMITS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking ''$2,000'' and inserting ''the deductible amount''.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

''(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

''(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

"For taxable years beginning in:	The deductible amount is:
2002 through 2005	$2,500
2006 and 2007	$3,000
2008 and 2009	$3,500
2010	$4,000
2011 and thereafter	$5,000.

''(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—

''(i) IN GENERAL.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for such taxable year shall be increased by the applicable amount.

''(ii) APPLICABLE AMOUNT.—For purposes of clause (i), the applicable amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in:	The applicable amount is:
2002 through 2005	$500
2006 through 2009	$1,000
2010	$1,500
2011 and thereafter	$2,000.

''(C) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2011, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2010' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $500, such amount shall be rounded to the next lower multiple of $500.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking ''in excess of $2,000 on behalf of any individual'' and inserting ''on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)''.

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(3) Section 408(b) is amended by striking ''$2,000'' in the matter following paragraph (4) and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(4) Section 408(j) is amended by striking ''$2,000''.

(5) Section 408(p)(8) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 602. DEEMED IRAS UNDER EMPLOYER PLANS.

(a) IN GENERAL.—Section 408 (relating to individual retirement accounts) is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

''(q) DEEMED IRAS UNDER QUALIFIED EMPLOYER PLANS.—

''(1) GENERAL RULE.—If—

''(A) a qualified employer plan elects to allow employees to make voluntary employee contributions to a separate account or annuity established under the plan, and

''(B) under the terms of the qualified employer plan, such account or annuity meets the applicable requirements of this section or section 408A for an individual retirement account or annuity,

then such account or annuity shall be treated for purposes of this title in the same manner as an individual retirement plan and not as a qualified employer plan (and contributions to such account or annuity as contributions to an individual retirement plan and not to the qualified employer plan). For purposes of subparagraph (B), the requirements of subsection (a)(5) shall not apply.

''(2) SPECIAL RULES FOR QUALIFIED EMPLOYER PLANS.—For purposes of this title, a qualified employer plan shall not fail to meet any requirement of this title solely by reason of establishing and maintaining a program described in paragraph (1).

''(3) DEFINITIONS.—For purposes of this subsection—

''(A) QUALIFIED EMPLOYER PLAN.—The term 'qualified employer plan' has the meaning given such term by section 72(p)(4); except such term shall only include an eligible deferred compensation plan (as defined in section 457(b)) which is maintained by an eligible employer described in section 457(e)(1)(A).

''(B) VOLUNTARY EMPLOYEE CONTRIBUTION.—The term 'voluntary employee contribution' means any contribution (other than a mandatory contribution within the meaning of section 411(c)(2)(C))—

''(i) which is made by an individual as an employee under a qualified employer plan which allows employees to elect to make contributions described in paragraph (1), and

''(ii) with respect to which the individual has designated the contribution as a contribution to which this subsection applies.''.

(b) AMENDMENT OF ERISA.—

(1) IN GENERAL.—Section 4 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1003) is amended by adding at the end the following new subsection:

''(c) If a pension plan allows an employee to elect to make voluntary employee contributions to accounts and annuities as provided in section 408(q) of the Internal Revenue Code of 1986, such accounts and annuities (and contributions thereto) shall not be treated as part of such plan (or as a separate pension plan) for purposes of any provision of this title other than section 403(c), 404, or 405 (relating to exclusive benefit, and fiduciary and co-fiduciary responsibilities).''.

(2) CONFORMING AMENDMENT.—Section 4(a) of such Act (29 U.S.C. 1003(a)) is amended by inserting ''or (c)'' after ''subsection (b)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

SEC. 603. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS FOR CHARITABLE PURPOSES.

(a) IN GENERAL.—Subsection (d) of section 408 (relating to individual retirement accounts) is amended by adding at the end the following new paragraph:

''(8) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—

''(A) IN GENERAL.—In the case of a qualified charitable distribution from an individual retirement account to an organization described in section 170(c), no amount shall be includible in the gross income of the account holder or beneficiary.

''(B) SPECIAL RULES RELATING TO CHARITABLE REMAINDER TRUSTS, POOLED INCOME FUNDS, AND CHARITABLE GIFT ANNUITIES.—

''(i) IN GENERAL.—In the case of a qualified charitable distribution from an individual retirement account—

''(I) to a charitable remainder annuity trust or a charitable remainder unitrust (as such terms are defined in section 664(d)),

''(II) to a pooled income fund (as defined in section 642(c)(5)), or

''(III) for the issuance of a charitable gift annuity (as defined in section 501(m)(5)),

no amount shall be includible in gross income of the account holder or beneficiary. The preceding sentence shall apply only if no person holds any interest in the amounts in the trust, fund, or annuity attributable to such distribution other than one or more of the following: the individual for whose benefit such account is maintained, the spouse of such individual, or any organization described in section 170(c).

''(ii) DETERMINATION OF INCLUSION OF AMOUNTS DISTRIBUTED.—In determining the amount includible in the gross income of the distributee of a distribution from a trust described in clause (i)(I) or an annuity described in clause (i)(III), the portion of any qualified charitable distribution to such trust or for such annuity which would (but for this subparagraph) have been includible in gross income—

''(I) in the case of any such trust, shall be treated as income described in section 664(b)(1), or

''(II) in the case of any such annuity, shall not be treated as an investment in the contract.

''(iii) NO INCLUSION FOR DISTRIBUTION TO POOLED INCOME FUND.—No amount shall be includible in the gross income of a pooled income fund (as so defined) by reason of a qualified charitable distribution to such fund.

''(C) QUALIFIED CHARITABLE DISTRIBUTION.—For purposes of this paragraph, the term 'qualified charitable distribution' means any distribution from an individual retirement account—

''(i) which is made on or after the date that the individual for whose benefit the account is maintained has attained age 70½, and

''(ii) which is a charitable contribution (as defined in section 170(c)) made directly from the account to—

''(I) an organization described in section 170(c), or

''(II) a trust, fund, or annuity described in subparagraph (B).

''(D) DENIAL OF DEDUCTION.—The amount allowable as a deduction to the taxpayer for the taxable year under section 170 (before the application of section 170(b)) for qualified charitable distributions shall be reduced (but not below zero) by the sum of the amounts of the qualified charitable distributions during such year which (but for this paragraph) would have been includible in the gross income of the taxpayer for such year.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2009.

Subtitle B—Expanding Coverage

SEC. 611. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''the applicable limit''.

(B) Section 415(b) is amended by adding at the end the following new paragraph:

''(12) APPLICABLE LIMIT.—For purposes of paragraph (1)(A), the applicable limit shall be determined in accordance with the following table:

''For taxable years beginning in:	The applicable limit is:
2002, 2003, and 2004	$150,000
2005 and thereafter	$160,000.''.

(C) Subparagraphs (C) and (D) of section 415(b)(2) are each amended—

(i) in the headings, by striking ''$90,000'' and inserting ''APPLICABLE'',

(ii) by striking ''$90,000 limitation'' each place it appears and inserting ''limitation'', and

(iii) by striking ''a $90,000 annual benefit'' each place it appears and inserting ''an annual benefit equal to the applicable limit''.

(D) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for 'the applicable limit' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62'' and by striking the second sentence.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''applicable limit''; and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''applicable limit''; and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2004''.

(5) CONFORMING AMENDMENTS.—

(A) Section 415(b)(2) is amended by striking subparagraph (F).

(B) Section 415(b)(9) is amended to read as follows:

''(9) SPECIAL RULE FOR COMMERCIAL AIRLINE PILOTS.—In the case of any participant who is a commercial airline pilot, if, as of the time of the participant's retirement, regulations prescribed by the Federal Aviation Administration require an individual to separate from service as a commercial airline pilot after attaining any age occurring on or after age 60 and before age 62, paragraph (2)(C) shall be applied by substituting such age for age 62.''.

(C) Section 415(b)(10)(C)(i) is amended by striking ''applied without regard to paragraph (2)(F)''.

(b) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—

(A) Section 401(a)(17) is amended—

(i) in subparagraph (A), by striking ''$150,000'' and inserting ''the applicable dollar amount'',

(ii) in subparagraph (B), by striking ''$150,000'' and inserting ''the applicable dollar'', and

(iii) by adding at the end the following:

''(C) APPLICABLE DOLLAR AMOUNT.—For purposes of this paragraph, the applicable dollar amount shall be determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount is:
2002	$180,000
2003	$190,000
2004 or thereafter	$200,000.''.

(B) Section 404(l) is amended—

(i) by striking the second sentence,

(ii) by striking ''$150,000'' and inserting ''the applicable dollar amount in effect under section 401(a)(17)(A)'', and

(iii) by striking ''the preceding sentence'' and inserting ''section 401(a)(17)(B)''.

(C) Section 408(k) is amended—

(i) in each of paragraphs (3)(C) and (6)(D)(ii), by striking ''$150,000'' each place it appears and inserting ''amount of compensation equal to the applicable dollar amount in effect under section 401(a)(17)(A)'', and

(ii) in paragraph (8), by striking ''and shall adjust'' and all that follows through ''section 401(a)(17)(B)''.

(D) Section 505(b)(7) is amended—

(i) by striking ''$150,000'' and inserting ''the applicable dollar amount in effect under section 401(a)(17)(A)'', and

(ii) by striking the second sentence.

(2) BASE PERIOD AND ROUNDING OF COST-OF-LIVING ADJUSTMENT.—Subparagraph (B) of section 401(a)(17) is amended—

(A) by striking ''The Secretary'' and inserting ''In calendar years beginning after 2005, the Secretary'',

(B) by striking ''October 1, 1993'' and inserting ''July 1, 2005''; and

(C) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(c) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount is:
2002	$11,000
2003	$11,500
2004	$12,000
2005	$12,500
2006	$13,000
2007	$13,500
2008	$14,000
2009	$14,500
2010 or thereafter	$15,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2010, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2009, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(d) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount''; and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount is:
2002	$9,000
2003	$9,500
2004	$10,000
2005	$10,500
2006	$11,000
2007	$12,000
2008	$13,000
2009	$14,000
2010 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2010, the Secretary shall adjust the $15,000 amount under subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2009, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(e) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount is:
2002 and 2003	$7,000
2004 and 2005	$8,000
2006 and 2007	$9,000
2008 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2008, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2007, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Subclause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(f) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) APPLICABLE LIMIT AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $30,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 612. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) IN GENERAL.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) AMENDMENT OF ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 613. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i);

(B) by striking clause (i) and inserting the following:

''(i) an officer of the employer having an annual compensation greater than the amount in effect under section 414(q)(1)(B)(i) for such plan year,'';

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively;

(D) by striking the second sentence in the matter following clause (iii), as redesignated by subparagraph (C); and

(E) by adding at the end the following: ''For purposes of this subparagraph, in the case of an employee who is not employed during the preceding plan year or is employed for a portion of such year, such employee shall be treated as a key employee if it can be reasonably anticipated that such employee will be described in 1 of the preceding clauses for the current plan year.''.

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE''; and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)''; and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no key employee or former key employee.''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 614. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—

''(1) IN GENERAL.—The applicable percentage of the amount of any elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.

''(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage shall be determined in accordance with the following table:

''For taxable years beginning in:	***The applicable percentage is:***
2002 through 2010	*25 percent*
2011 and thereafter	*100 percent.''.*

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 615. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 611, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

SEC. 616. DEDUCTION LIMITS.

(a) MODIFICATION OF LIMITS.—

(1) STOCK BONUS AND PROFIT SHARING TRUSTS.—

(A) IN GENERAL.—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking ''15 percent'' and inserting ''25 percent''.

(B) CONFORMING AMENDMENT.—Subparagraph (C) of section 404(h)(1) is amended by striking ''15 percent'' each place it appears and inserting ''25 percent''.

(2) DEFINED CONTRIBUTION PLANS.—

(A) IN GENERAL.—Clause (v) of section 404(a)(3)(A) (relating to stock bonus and profit sharing trusts) is amended to read as follows:

''(v) DEFINED CONTRIBUTION PLANS SUBJECT TO THE FUNDING STANDARDS.—Except as provided by the Secretary, a defined contribution plan which is subject to the funding standards of section 412 shall be treated in the same manner as a stock bonus or profit-sharing plan for purposes of this subparagraph.''

(B) CONFORMING AMENDMENTS.—

(i) Section 404(a)(1)(A) is amended by inserting ''(other than a trust to which paragraph (3) applies)'' after ''pension trust''.

(ii) Section 404(h)(2) is amended by striking ''stock bonus or profit-sharing trust'' and inserting ''trust subject to subsection (a)(3)(A)''.

(iii) The heading of section 404(h)(2) is amended by striking ''STOCK BONUS AND PROFIT-SHARING TRUST'' and inserting ''CERTAIN TRUSTS''.

(b) COMPENSATION.—

(1) IN GENERAL.—Section 404(a) (relating to general rule) is amended by adding at the end the following:

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3).''.

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (B) of section 404(a)(3) is amended by striking the last sentence thereof.

(B) Clause (i) of section 4972(c)(6)(B) is amended by striking ''(within the meaning of section 404(a))'' and inserting ''(within the meaning of section 404(a) and as adjusted under section 404(a)(12))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 617. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX ROTH CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 (relating to deferred compensation, etc.) is amended by inserting after section 402 the following new section:

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS ROTH CONTRIBUTIONS.

''(a) GENERAL RULE.—If an applicable retirement plan includes a qualified Roth contribution program—

''(1) any designated Roth contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED ROTH CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified Roth contribution program' means a program under which an employee may elect to make designated Roth contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified Roth contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated Roth accounts') for the designated Roth contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED ROTH CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED ROTH CONTRIBUTION.—The term 'designated Roth contribution' means any elective deferral which—

''(A) is excludable from gross income of an employee without regard to this section, and

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated Roth account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated Roth account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated Roth account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated Roth account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated Roth account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the first taxable year for which the individual made a designated Roth contribution to any designated Roth account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated Roth account from a designated Roth account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated Roth contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND CONTRIBUTIONS AND EARNINGS THEREON.—The term 'qualified distribution' shall not include any distribution of any excess deferral

under section 402(g)(2) or any excess contribution under section 401(k)(8), and any income on the excess deferral or contribution.

''(3) TREATMENT OF DISTRIBUTIONS OF CERTAIN EXCESS DEFERRALS.—Notwithstanding section 72, if any excess deferral under section 402(g)(2) attributable to a designated Roth contribution is not distributed on or before the 1st April 15 following the close of the taxable year in which such excess deferral is made, the amount of such excess deferral shall—

''(A) not be treated as investment in the contract, and

''(B) be included in gross income for the taxable year in which such excess is distributed.

''(4) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated Roth account and other distributions and payments from the plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

(b) EXCESS DEFERRALS.—Section 402(g) (relating to limitation on exclusion for elective deferrals) is amended—

(1) by adding at the end of paragraph (1)(A) (as added by section 201(c)(1)) the following new sentence: ''The preceding sentence shall not apply the portion of such excess as does not exceed the designated Roth contributions of the individual for the taxable year.''; and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated Roth account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated Roth account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

(1) W–2 INFORMATION.—Section 6051(a)(8) is amended by inserting '', including the amount of designated Roth contributions (as defined in section 402A)'' before the comma at the end.

(2) INFORMATION.—Section 6047 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

''(f) DESIGNATED ROTH CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated Roth contributions (as defined in section 402A) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

''Sec. 402A. Optional treatment of elective deferrals as Roth contributions.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2003.

SEC. 618. NONREFUNDABLE CREDIT TO CERTAIN INDIVIDUALS FOR ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 (relating to nonrefundable personal credits), as amended by section 432, is amended by inserting after section 25B the following new section:

''SEC. 25C. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the applicable percentage of so much of the qualified retirement savings contributions of the eligible individual for the taxable year as do not exceed $2,000.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage is the percentage determined in accordance with the following table:

Adjusted Gross Income						
Joint return		Head of a household		All other cases		Applicable percentage
Over	Not over	Over	Not over	Over	Not over	
$0	$30,000	$0	$22,500	$0	$15,000	50
30,000	32,500	22,500	24,375	15,000	16,250	20
32,500	50,000	24,375	37,500	16,250	25,000	10
50,000	.....	37,500	.....	25,000	.....	0

''(c) ELIGIBLE INDIVIDUAL.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible individual' means any individual if such individual has attained the age of 18 as of the close of the taxable year.

''(2) DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.—The term 'eligible individual' shall not include—

''(A) any individual with respect to whom a deduction under section 151 is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins, and

''(B) any individual who is a student (as defined in section 151(c)(4)).

''(d) QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified retirement savings contributions' means, with respect to any taxable year, the sum of—

''(A) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual,

''(B) the amount of—

''(i) any elective deferrals (as defined in section 402(g)(3)) of such individual, and

''(ii) any elective deferral of compensation by such individual under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

''(C) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(c)).

''(2) REDUCTION FOR CERTAIN DISTRIBUTIONS.—

''(A) IN GENERAL.—The qualified retirement savings contributions determined under paragraph (1) shall be reduced (but not below zero) by the sum of—

''(i) any distribution from a qualified retirement plan (as defined in section 4974(c)), or from an eligible deferred compensation plan (as defined in section 457(b)), received by the individual during the testing period which is includible in gross income, and

''(ii) any distribution from a Roth IRA received by the individual during the testing period which is not a qualified rollover contribution (as defined in section 408A(e)) to a Roth IRA.

''(B) TESTING PERIOD.—For purposes of subparagraph (A), the testing period, with respect to a taxable year, is the period which includes—

''(i) such taxable year,

''(ii) the 2 preceding taxable years, and

''(iii) the period after such taxable year and before the due date (including extensions) for filing the return of tax for such taxable year.

''(C) EXCEPTED DISTRIBUTIONS.—There shall not be taken into account under subparagraph (A)—

''(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6), 402(g)(2), 404(k), or 408(d)(4), and

''(ii) any distribution to which section 408A(d)(3) applies.

''(D) TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.—For purposes of determining distributions received by an individual under subparagraph (A) for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.

''(e) ADJUSTED GROSS INCOME.—For purposes of this section, adjusted gross income shall be determined without regard to sections 911, 931, and 933.

''(f) INVESTMENT IN THE CONTRACT.—Notwithstanding any other provision of law, a qualified retirement savings contribution shall not fail to be included in determining the investment in the contract for purposes of section 72 by reason of the credit under this section.

''(g) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2006.''.

(b) CREDIT ALLOWED AGAINST REGULAR TAX AND ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Section 25C, as added by subsection (a), is amended by inserting after subsection (f) the following new subsection:

''(g) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate credit allowed by this section for the taxable year shall not exceed the sum of—

''(1) the taxpayer's regular tax liability for the taxable year reduced by the sum of the credits allowed by sections 21, 22, 23, 24, 25, 25A, and 25B plus

''(2) the tax imposed by section 55 for such taxable year.''

(2) CONFORMING AMENDMENTS.—

(A) Section 26(a)(1), as amended by section 201, is amended by inserting ''or section 25C'' after ''section 24''.

(B) Section 23(c), as amended by section 201, is amended by striking ''sections 24'' and inserting ''sections 24, 25C,''.

(C) Section 25(e)(1)(C), as amended by section 201, is amended by inserting ''25C,'' after ''24,''.

(D) Section 904(h), as amended by section 201, is amended by inserting ''or 25C'' after ''section 24''.

(E) Section 1400C(d), as amended by section 201, is amended by inserting ''and section 25C'' after ''section 24''.

(c) CONFORMING AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1, as amended by section 432, is amended by inserting after the item relating to section 25B the following new item:

''Sec. 25C. Elective deferrals and IRA contributions by certain individuals.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 619. CREDIT FOR QUALIFIED PENSION PLAN CONTRIBUTIONS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45E. SMALL EMPLOYER PENSION PLAN CONTRIBUTIONS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan contribution credit determined under this section for any taxable year is an amount equal to 50 percent of the amount which would (but for subsection (f)(1)) be allowed as a deduction under section 404 for such taxable year for qualified employer contributions made to any qualified retirement plan on behalf of any employee who is not a highly compensated employee.

''(b) CREDIT LIMITED TO 3 YEARS.—The credit allowable by this section shall be allowed only with respect to the period of 3 taxable years beginning with the first taxable year for which a credit is allowable with respect to a plan under this section.

''(c) QUALIFIED EMPLOYER CONTRIBUTION.—For purposes of this section—

''(1) DEFINED CONTRIBUTION PLANS.—In the case of a defined contribution plan, the term 'qualified employer contribution' means the amount of nonelective and matching contributions to the plan made by the employer on behalf of any employee who is not a highly compensated employee to the extent such amount does not exceed 3 percent of such employee's compensation from the employer for the year.

''(2) DEFINED BENEFIT PLANS.—In the case of a defined benefit plan, the term 'qualified employer contribution' means the amount of employer contributions to the plan made on behalf of any employee who is not a highly compensated employee to the extent that the accrued benefit of such employee derived from employer contributions for the year does not exceed the equivalent (as determined under regulations prescribed by the Secretary and without regard to contributions and benefits under the Social Security Act) of 3 percent of such employee's compensation from the employer for the year.

''(d) QUALIFIED RETIREMENT PLAN.—

''(1) IN GENERAL.—The term 'qualified retirement plan' means any plan described in section 401(a) which includes a trust exempt from tax under section 501(a) if the plan meets—

''(A) the contribution requirements of paragraph (2),

''(B) the vesting requirements of paragraph (3), and

''(C) the distribution requirements of paragraph (4).

''(2) CONTRIBUTION REQUIREMENTS.—

''(A) IN GENERAL.—The requirements of this paragraph are met if, under the plan—

''(i) the employer is required to make nonelective contributions of at least 1 percent of compensation (or the equivalent thereof in the case of a defined benefit plan) for each employee who is not a highly compensated employee who is eligible to participate in the plan, and

''(ii) allocations of nonelective employer contributions, in the case of a defined contribution plan, are either in equal dollar amounts for all employees covered by the plan or bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan (and an equivalent requirement is met with respect to a defined benefit plan).

''(B) COMPENSATION LIMITATION.—The compensation taken into account under subparagraph (A) for any year shall not exceed the limitation in effect for such year under section 401(a)(17).

''(3) VESTING REQUIREMENTS.—The requirements of this paragraph are met if the plan satisfies the requirements of either of the following subparagraphs:

''(A) 3-YEAR VESTING.—A plan satisfies the requirements of this subparagraph if an employee who has completed at least 3 years of service has a nonforfeitable right to 100 percent of the employee's accrued benefit derived from employer contributions.

''(B) 5-YEAR GRADED VESTING.—A plan satisfies the requirements of this subparagraph if an employee has a nonforfeitable right to a percentage of the employee's accrued benefit derived from employer contributions determined under the following table:

''Years of service:	***The nonforfeitable percentage is:***
1	*20*
2	*40*
3	*60*
4	*80*
5	*100.*

''(4) DISTRIBUTION REQUIREMENTS.—In the case of a profit-sharing or stock bonus plan, the requirements of this paragraph are met if, under the plan, qualified employer contributions are distributable only as provided in section 401(k)(2)(B).

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—

''(A) IN GENERAL.—The term 'eligible employer' means, with respect to any year, an employer which has no more than 20 employees who received at least $5,000 of compensation from the employer for the preceding year.

''(B) REQUIREMENT FOR NEW QUALIFIED EMPLOYER PLANS.—Such term shall not include an employer if, during the 3-taxable year period immediately preceding the 1st taxable year for which the credit under this section is otherwise allowable for a qualified employer plan of the employer, the employer or any member of any controlled group including the employer (or any predecessor of either) established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued, for substantially the same employees as are in the qualified employer plan.

''(2) HIGHLY COMPENSATED EMPLOYEE.—The term 'highly compensated employee' has the meaning given such term by section 414(q) (determined without regard to section 414(q)(1)(B)(ii)).

''(f) SPECIAL RULES.—

''(1) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified employer contributions paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(2) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.

''(3) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All eligible employer plans shall be treated as 1 eligible employer plan.

''(g) RECAPTURE OF CREDIT ON FORFEITED CONTRIBUTIONS.—

''(1) IN GENERAL.—Except as provided in paragraph (2), if any accrued benefit which is forfeitable by reason of subsection (d)(3) is forfeited, the employer's tax imposed by this chapter for the taxable year in which the forfeiture occurs shall be increased by 35 percent of the employer contributions from which such benefit is derived to the extent such contributions were taken into account in determining the credit under this section.

''(2) REALLOCATED CONTRIBUTIONS.—Paragraph (1) shall not apply to any contribution which is reallocated by the employer under the plan to employees who are not highly compensated employees.''.

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit) is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following new paragraph:

''(14) in the case of an eligible employer (as defined in section 45E(e)), the small employer pension plan contribution credit determined under section 45E(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d) is amended by adding at the end the following new paragraph:

''(10) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN CONTRIBUTION CREDIT BEFORE JANUARY 1, 2003.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan contribution credit determined under section 45E may be carried back to a taxable year beginning before January 1, 2003.''

(2) Subsection (c) of section 196 is amended by striking ''and'' at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting '', and'', and by adding at the end the following new paragraph:

''(10) the small employer pension plan contribution credit determined under section 45E(a).''

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

''Sec. 45E. Small employer pension plan contributions.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or incurred in taxable years beginning after December 31, 2002.

SEC. 620. CREDIT FOR PENSION PLAN STARTUP COSTS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 619, is amended by adding at the end the following new section:

''SEC. 45F. SMALL EMPLOYER PENSION PLAN STARTUP COSTS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan startup cost credit determined under this section for any taxable year is an amount equal to 50 percent of the qualified startup costs paid or incurred by the taxpayer during the taxable year.

''(b) DOLLAR LIMITATION.—The amount of the credit determined under this section for any taxable year shall not exceed—

''(1) $500 for the first credit year and each of the 2 taxable years immediately following the first credit year, and

''(2) zero for any other taxable year.

''(c) ELIGIBLE EMPLOYER.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible employer' has the meaning given such term by section 408(p)(2)(C)(i).

''(2) REQUIREMENT FOR NEW QUALIFIED EMPLOYER PLANS.—Such term shall not include an employer if, during the 3-taxable year period immediately preceding the 1st taxable year for which the credit under this section is otherwise allowable for a qualified employer plan of the employer, the employer or any member of any controlled group including the employer (or any predecessor of either) established or maintained

a qualified employer plan with respect to which contributions were made, or benefits were accrued, for substantially the same employees as are in the qualified employer plan.

''(d) OTHER DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED STARTUP COSTS.—

''(A) IN GENERAL.—The term 'qualified startup costs' means any ordinary and necessary expenses of an eligible employer which are paid or incurred in connection with—

''(i) the establishment or administration of an eligible employer plan, or

''(ii) the retirement-related education of employees with respect to such plan.

''(B) PLAN MUST HAVE AT LEAST 1 PARTICIPANT.—Such term shall not include any expense in connection with a plan that does not have at least 1 employee eligible to participate who is not a highly compensated employee.

''(2) ELIGIBLE EMPLOYER PLAN.—The term 'eligible employer plan' means a qualified employer plan within the meaning of section 4972(d).

''(3) FIRST CREDIT YEAR.—The term 'first credit year' means—

''(A) the taxable year which includes the date that the eligible employer plan to which such costs relate becomes effective, or

''(B) at the election of the eligible employer, the taxable year preceding the taxable year referred to in subparagraph (A).

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All eligible employer plans shall be treated as 1 eligible employer plan.

''(2) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified startup costs paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(3) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.''

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) (defining current year business credit), as amended by section 619, is amended by striking ''plus'' at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting '', plus'', and by adding at the end the following new paragraph:

''(15) in the case of an eligible employer (as defined in section 45F(c)), the small employer pension plan startup cost credit determined under section 45F(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d), as amended by section 619(c), is amended by adding at the end the following new paragraph:

''(11) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN STARTUP COST CREDIT BEFORE JANUARY 1, 2002.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan startup cost credit determined under section 45F may be carried back to a taxable year beginning before January 1, 2002.''

(2) Subsection (c) of section 196, as amended by section 619(c), is amended by striking ''and'' at the end of paragraph (9), by striking the period at the end of paragraph (10) and inserting '', and'', and by adding at the end the following new paragraph:

''(11) the small employer pension plan startup cost credit determined under section 45F(a).''

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 619(c), is amended by adding at the end the following new item:

''Sec. 45F. Small employer pension plan startup costs.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred in taxable years beginning after December 31, 2001, with respect to qualified employer plans established after such date.

SEC. 621. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING NEW PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 10511 of the Revenue Act of 1987 for requests to the Internal Revenue Service for ruling letters, opinion letters, and determination letters or similar requests with respect to the qualified status of a new pension benefit plan or any trust which is part of the plan.

(b) NEW PENSION BENEFIT PLAN.—For purposes of this section—

(1) IN GENERAL.—The term ''new pension benefit plan'' means a pension, profit-sharing, stock bonus, annuity, or employee stock ownership plan which is maintained by one or more eligible employers if such employer (or any predecessor employer) has not made a prior request described in subsection (a) for such plan (or any predecessor plan).

(2) ELIGIBLE EMPLOYER.—

(A) IN GENERAL.—The term ''eligible employer'' means an employer which has—

(i) no more than 100 employees for the preceding year, and

(ii) at least one employee who is not a highly compensated employee (as defined in section 414(q)) and is participating in the plan.

(B) NEW PLAN REQUIREMENT.—The term ''eligible employer'' shall not include an employer if, during the 3-taxable year period immediately preceding the taxable year in which the request is made, the employer or any member of any controlled group including the employer (or any predecessor of either) established or maintained a qualified employer plan with respect to which contributions were made, or benefits were accrued for service, for substantially the same employees as are in the qualified employer plan.

(c) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subsection (a) applies shall not be taken into account.

(d) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2001.

SEC. 622. TREATMENT OF NONRESIDENT ALIENS ENGAGED IN INTERNATIONAL TRANSPORTATION SERVICES.

(a) EXCLUSION FROM INCOME SOURCING RULES.—The second sentence of section 861(a)(3) (relating to gross income from sources within the United States) is amended by striking ''except for purposes of sections 79 and 105 and subchapter D,''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to remuneration for services performed in plan years beginning after December 31, 2001.

Subtitle C—Enhancing Fairness for Women

SEC. 631. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—

''(A) IN GENERAL.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(i) the applicable dollar amount, or

''(ii) the excess (if any) of—

''(I) the participant's compensation (as defined in section 415(c)(3)) for the year, over

''(II) any other elective deferrals of the participant for such year which are made without regard to this subsection.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of this paragraph, the applicable dollar amount shall be determined in accordance with the following table:

"For taxable years beginning in:	***The applicable dollar amount is:***
2002, 2003, and 2004	*$500*
2005 and 2006	*$1,000*
2007	*$2,000*
2008	*$3,000*
2009	*$4,000*
2010 and thereafter	*$7,500.*

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1)—

''(A) such contribution shall not, with respect to the year in which the contribution is made—

''(i) be subject to any otherwise applicable limitation contained in section 402(g), 402(h), 403(b), 404(a), 404(h), 408(k), 408(p), 415, or 457, or

''(ii) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan, and

''(B) such plan shall not be treated as failing to meet the requirements of section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 401(m), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416 by reason of the making of (or the right to make) such contribution.

''(4) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) who has attained the age of 50 before the close of the plan year, and

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or comparable limitation or restriction contained in the terms of the plan.

''(5) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer described in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(B) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (A)(iii) for any year to which section 457(b)(3) applies.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2001.

SEC. 632. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''the applicable percentage''.

(2) APPLICABLE PERCENTAGE.—Section 415(c) is amended by adding at the end the following new paragraph:

''(8) APPLICABLE PERCENTAGE.—For purposes of paragraph (1)(B), the applicable percentage

shall be determined in accordance with the following table:

"For years beginning in:	*The applicable percentage is:*
2002 through 2010	*50 percent*
2011 and thereafter	*100 percent.''.*

(3) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'',

(B) by striking paragraph (2), and

(C) by inserting ''or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(4) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Restoring Earnings to Lift Individuals and Empower Families Act of 2001)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(E) Section 415(c) is amended by striking paragraph (4).

(F) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 611(c)(3)) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Restoring Earnings to Lift Individuals and Empower Families Act of 2001)''.

(H) Section 664(g) is amended—

(i) in paragraph (3)(E) by striking ''limitations under section 415(c)'' and inserting ''applicable limitation under paragraph (7)'', and

(ii) by adding at the end the following new paragraph:

''(7) APPLICABLE LIMITATION.—

''(A) IN GENERAL.—For purposes of paragraph (3)(E), the applicable limitation under this paragraph with respect to a participant is an amount equal to the lesser of—

''(i) $30,000, or

''(ii) 25 percent of the participant's compensation (as defined in section 415(c)(3)).

''(B) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust annually the $30,000 amount under subparagraph (A)(i) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning October 1, 1993, and any increase under this subparagraph which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.''.

(5) EFFECTIVE DATE.—

(A) Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) The amendments made by paragraphs (3) and (4) shall apply to years beginning after December 31, 2010.

(b) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—

(1) IN GENERAL.—Subsection (k) of section 415 is amended by adding at the end the following new paragraph:

''(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 2000.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2001, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 2000, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''the applicable percentage''.

(2) APPLICABLE PERCENTAGE.—Section 457 is amended by adding at the end the following new subsection:

''(h) APPLICABLE PERCENTAGE.—For purposes of subsection (b)(2)(A), the applicable percentage shall be determined in accordance with the following table:

"For years beginning in:	*The applicable percentage is:*
2002 through 2010	*50 percent*
2011 and thereafter	*100 percent.''.*

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 633. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) IN GENERAL.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan''; and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	*The nonforfeitable percentage is:*
2	*20*
3	*40*
4	*60*
5	*80*
6	*100.''.*

(b) AMENDMENT OF ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	*The nonforfeitable percentage is:*
2	*20*
3	*40*
4	*60*
5	*80*
6	*100.''.*

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2001.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment); or

(ii) January 1, 2002; or

(B) January 1, 2006.

(3) SERVICE REQUIRED.—With respect to any plan, the amendments made by this section shall not apply to any employee before the date that such employee has 1 hour of service under such plan in any plan year to which the amendments made by this section apply.

SEC. 634. MODIFICATIONS TO MINIMUM DISTRIBUTION RULES.

(a) LIFE EXPECTANCY TABLES.—The Secretary of the Treasury shall modify the life expectancy tables under the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code to reflect current life expectancy.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

(1) IN GENERAL.—Subparagraph (B) of section 401(a)(9) is amended by striking clause (i) and redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(2) CONFORMING CHANGES.—

(A) Clause (i) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''FOR OTHER CASES'' in the heading; and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with

subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

(C) Clause (iii) of section 401(a)(9)(B) (as so redesignated) is amended—

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'';

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'';

(iii) by striking ''the date on which the employee would have attained age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,''; and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) DISTRIBUTIONS TO SURVIVING SPOUSE.—

(i) IN GENERAL.—In the case of an employee described in clause (ii), distributions to the surviving spouse of the employee shall not be required to commence prior to the date on which such distributions would have been required to begin under section 401(a)(9)(B) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act).

(ii) CERTAIN EMPLOYEES.—An employee is described in this clause if such employee dies before—

(I) the date of the enactment of this Act, and

(II) the required beginning date (within the meaning of section 401(a)(9)(C) of the Internal Revenue Code of 1986) of the employee.

SEC. 635. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

(a) IN GENERAL.—Section 414(p)(11) (relating to application of rules to governmental and church plans) is amended—

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))''; and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by subsection (c) shall apply to transfers, distributions, and payments made after December 31, 2001.

(2) AMENDMENTS RELATING TO ASSIGNMENTS IN DIVORCE, ETC., PROCEEDINGS.—The amendments made by subsections (a) and (b) shall take effect on January 1, 2002, except that in the case of a domestic relations order entered before such date, the plan administrator—

(A) shall treat such order as a qualified domestic relations order if such administrator is paying benefits pursuant to such order on such date, and

(B) may treat any other such order entered before such date as a qualified domestic relations order even if such order does not meet the requirements of such amendments.

SEC. 636. PROVISIONS RELATING TO HARDSHIP DISTRIBUTIONS.

(a) SAFE HARBOR RELIEF.—

(1) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(2) EFFECTIVE DATE.—The revised regulations under this subsection shall apply to years beginning after December 31, 2001.

(b) HARDSHIP DISTRIBUTIONS NOT TREATED AS ELIGIBLE ROLLOVER DISTRIBUTIONS.—

(1) MODIFICATION OF DEFINITION OF ELIGIBLE ROLLOVER.—Subparagraph (C) of section 402(c)(4) (relating to eligible rollover distribution) is amended to read as follows:

''(C) any distribution which is made upon hardship of the employee.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to distributions made after December 31, 2001.

SEC. 637. WAIVER OF TAX ON NONDEDUCTIBLE CONTRIBUTIONS FOR DOMESTIC OR SIMILAR WORKERS.

(a) IN GENERAL.—Section 4972(c)(6) (relating to exceptions to nondeductible contributions), as amended by section 502, is amended by striking ''or'' at the end of subparagraph (A), by striking the period and inserting '', or'' at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:

''(C) so much of the contributions to a simple retirement account (within the meaning of section 408(p)) or a simple plan (within the meaning of section 401(k)(11)) which are not deductible when contributed solely because such contributions are not made in connection with a trade or business of the employer.''

(b) EXCLUSION OF CERTAIN CONTRIBUTIONS.—Section 4972(c)(6), as amended by subsection (a), is amended by adding at the end the following new sentence: ''Subparagraph (C) shall not apply to contributions made on behalf of the employer or a member of the employer's family (as defined in section 447(e)(1)).''.

(c) NO INFERENCE.—Nothing in the amendments made by this section shall be construed to infer the proper treatment of nondeductible contributions under the laws in effect before such amendments.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Subtitle D—Increasing Portability for Participants

SEC. 641. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

(a) ROLLOVERS FROM AND TO SECTION 457 PLANS.—

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A), or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b) and which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

(b) ALLOWANCE OF ROLLOVERS FROM AND TO 403(b) PLANS.—

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

(1) Section 72(o)(4) is amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(2) Section 219(d)(2) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8),'' and inserting ''403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 642. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

(3) Subparagraph (G) of section 408(d)(3) is amended to read as follows:

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 643. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after December 31, 2001.

SEC. 644. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 643, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 645. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) IN GENERAL.—A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide

some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election, and

''(V) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) SPECIAL RULE FOR MERGERS, ETC.—Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.''.

(2) AMENDMENT OF ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election; and

''(v) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) REGULATIONS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—The last sentence of paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended to read as follows: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants, unless such amendment adversely affects the rights of any participant in a more than de minimis manner.''.

(2) AMENDMENT OF ERISA.—The last sentence of section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended to read as follows: ''The Secretary of the Treasury shall by regulations provide that this paragraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants, unless such amendment adversely affects the rights of any participant in a more than de minimis manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2002, the Secretary of the Treasury is directed to issue regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendment made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2002, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 646. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination''; and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'';

(ii) by striking subparagraph (C); and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 647. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

(a) 403(b) PLANS.—Subsection (b) of section 403 is amended by adding at the end the following new paragraph:

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—Subsection (e) of section 457, as amended by section 401, is amended by adding after paragraph (16) the following new paragraph:

''(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

''(A) for the purchase of permissive service credit (as defined in section 415(n)(3)(A)) under such plan, or

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2001.

SEC. 648. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT OF ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 649. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

(c) MODIFICATION OF TRANSITION RULES FOR EXISTING 457 PLANS.—

(1) IN GENERAL.—Section 1107(c)(3)(B) of the Tax Reform Act of 1986 is amended by striking ''or'' at the end of clause (i), by striking the period at the end of clause (ii) and inserting '', or'' and by inserting after clause (ii) the following new clause:

''(iii) are deferred pursuant to an agreement with an individual covered by an agreement described in clause (ii), to the extent the annual amount under such agreement with the individual does not exceed—

''(I) the amount described in clause (ii)(II), multiplied by

''(II) the cumulative increase in the Consumer Price Index (as published by the Bureau of Labor Statistics of the Department of Labor).''.

(2) CONFORMING AMENDMENT.—The fourth sentence of section 1107(c)(3)(B) of the Tax Reform Act of 1986 is amended by striking ''This subparagraph'' and inserting ''Clauses (i) and (ii) of this subparagraph''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act with respect to increases in the Consumer Price Index after September 30, 1993.

(d) EFFECTIVE DATE.—The amendments made by subsections (a) and (b) shall apply to distributions after December 31, 2001.

Subtitle E—Strengthening Pension Security and Enforcement

PART I—GENERAL PROVISIONS

SEC. 651. REPEAL OF 160 PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENTS TO INTERNAL REVENUE CODE.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2005, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

"In the case of any plan year beginning in—	The applicable percentage is—
2002	160
2003	165
2004	170.''.

(b) AMENDMENT OF ERISA.—Section 302(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1082(c)(7)) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2005, the applicable percentage'', and

(2) by amending subparagraph (F) to read as follows:

''(F) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A)(i)(I), the applicable percentage shall be determined in accordance with the following table:

"In the case of any plan year beginning in—	The applicable percentage is—
2002	160
2003	165
2004	170.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 652. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 653. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

(a) IN GENERAL.—Subsection (c) of section 4972 (relating to nondeductible contributions) is amended by adding at the end the following new paragraph:

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 654. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—

(1) IN GENERAL.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(2) CONFORMING AMENDMENT.—Section 415(b)(7) (relating to benefits under certain collectively bargained plans) is amended by inserting ''(other than a multiemployer plan)'' after ''defined benefit plan'' in the matter preceding subparagraph (A).

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying subsection (b)(1)(B) to such plan or any other such plan.''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 655. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(k) PLANS.

(a) IN GENERAL.—Section 1524(b) of the Taxpayer Relief Act of 1997 is amended to read as follows:

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply as if included in the provision of the Taxpayer Relief Act of 1997 to which it relates.

SEC. 656. PROHIBITED ALLOCATIONS OF STOCK IN S CORPORATION ESOP.

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting

after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATIONS OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified person.

''(2) FAILURE TO MEET REQUIREMENTS.—

''(A) IN GENERAL.—If a plan fails to meet the requirements of paragraph (1), the plan shall be treated as having distributed to any disqualified person the amount allocated to the account of such person in violation of paragraph (1) at the time of such allocation.

''(B) CROSS REFERENCE.—

"For excise tax relating to violations of paragraph (1) and ownership of synthetic equity, see section 4979A.

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified persons own at least 50 percent of the number of shares of stock in the S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), an individual shall be treated as owning deemed-owned shares of the individual.

Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.

''(4) DISQUALIFIED PERSON.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified person' means any person if—

''(i) the aggregate number of deemed-owned shares of such person and the members of such person's family is at least 20 percent of the number of deemed-owned shares of stock in the S corporation, or

''(ii) in the case of a person not described in clause (i), the number of deemed-owned shares of such person is at least 10 percent of the number of deemed-owned shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified person described in subparagraph (A)(i), any member of such person's family with deemed-owned shares shall be treated as a disqualified person if not otherwise treated as a disqualified person under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any person—

''(I) the stock in the S corporation constituting employer securities of an employee stock ownership plan which is allocated to such person under the plan, and

''(II) such person's share of the stock in such corporation which is held by such plan but which is not allocated under the plan to participants.

''(ii) PERSON'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), a person's share of unallocated S corporation stock held by such plan is the amount of the unallocated stock which would be allocated to such person if the unallocated stock were allocated to all participants in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

''(i) the spouse of the individual,

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any individual described in clause (ii) or (iii).

A spouse of an individual who is legally separated from such individual under a decree of divorce or separate maintenance shall not be treated as such individual's spouse for purposes of this subparagraph.

''(5) TREATMENT OF SYNTHETIC EQUITY.—For purposes of paragraphs (3) and (4), in the case of a person who owns synthetic equity in the S corporation, except to the extent provided in regulations, the shares of stock in such corporation on which such synthetic equity is based shall be treated as outstanding stock in such corporation and deemed-owned shares of such person if such treatment of synthetic equity of 1 or more such persons results in—

''(A) the treatment of any person as a disqualified person, or

''(B) the treatment of any year as a nonallocation year.

For purposes of this paragraph, synthetic equity shall be treated as owned by a person in the same manner as stock is treated as owned by a person under the rules of paragraphs (2) and (3) of section 318(a). If, without regard to this paragraph, a person is treated as a disqualified person or a year is treated as a nonallocation year, this paragraph shall not be construed to result in the person or year not being so treated.

''(6) DEFINITIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(C) SYNTHETIC EQUITY.—The term 'synthetic equity' means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that gives the holder the right to acquire or receive stock of the S corporation in the future. Except to the extent provided in regulations, synthetic equity also includes a stock appreciation right, phantom stock unit, or similar right to a future cash payment based on the value of such stock or appreciation in such value.

''(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.''.

(b) COORDINATION WITH SECTION 4975(e)(7).—The last sentence of section 4975(e)(7) (defining employee stock ownership plan) is amended by inserting '', section 409(p),'' after ''409(n)''.

(c) EXCISE TAX.—

(1) APPLICATION OF TAX.—Subsection (a) of section 4979A (relating to tax on certain prohibited allocations of employer securities) is amended—

(A) by striking ''or'' at the end of paragraph (1), and

(B) by striking all that follows paragraph (2) and inserting the following:

''(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

''(4) any synthetic equity is owned by a disqualified person in any nonallocation year,

there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.''.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended to read as follows:

''(c) LIABILITY FOR TAX.—The tax imposed by this section shall be paid—

''(1) in the case of an allocation referred to in paragraph (1) or (2) of subsection (a), by—

''(A) the employer sponsoring such plan, or

''(B) the eligible worker-owned cooperative,

which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

''(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.''.

(3) DEFINITIONS.—Section 4979A(e) (relating to definitions) is amended to read as follows:

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) DEFINITIONS.—Except as provided in paragraph (2), terms used in this section have the same respective meanings as when used in sections 409 and 4978.

''(2) SPECIAL RULES RELATING TO TAX IMPOSED BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (a).—

''(A) PROHIBITED ALLOCATIONS.—The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

''(B) SYNTHETIC EQUITY.—The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

''(C) SPECIAL RULE DURING FIRST NONALLOCATION YEAR.—For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

''(D) STATUTE OF LIMITATIONS.—The statutory period for the assessment of any tax imposed by this section by reason of paragraph (3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

''(i) the allocation or ownership referred to in such paragraph giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such allocation or ownership.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after July 11, 2000, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

the amendments made by this section shall apply to plan years ending after July 11, 2000.

SEC. 657. AUTOMATIC ROLLOVERS OF CERTAIN MANDATORY DISTRIBUTIONS.

(a) DIRECT TRANSFERS OF MANDATORY DISTRIBUTIONS.—

(1) IN GENERAL.—Section 401(a)(31) (relating to optional direct transfer of eligible rollover distributions), as amended by section 643, is amended by redesignating subparagraphs (B), (C), and (D) as subparagraphs (C), (D), and (E), respectively, and by inserting after subparagraph (A) the following new subparagraph:

''(B) CERTAIN MANDATORY DISTRIBUTIONS.—

''(i) IN GENERAL.—In case of a trust which is part of an eligible plan, such trust shall not constitute a qualified trust under this section unless the plan of which such trust is a part provides that if—

''(I) a distribution described in clause (ii) in excess of $1,000 is made, and

''(II) the distributee does not make an election under subparagraph (A) and does not elect to receive the distribution directly,

the plan administrator shall make such transfer to an individual retirement account or annuity of a designated trustee or issuer and shall notify the distributee in writing (either separately or as part of the notice under section 402(f)) that the distribution may be transferred without cost or penalty to another individual account or annuity.

''(ii) ELIGIBLE PLAN.—For purposes of clause (i), the term 'eligible plan' means a plan which provides that any nonforfeitable accrued benefit for which the present value (as determined under section 411(a)(11)) does not exceed $5,000 shall be immediately distributed to the participant.''.

(2) CONFORMING AMENDMENTS.—

(A) The heading of section 401(a)(31) is amended by striking ''OPTIONAL DIRECT'' and inserting ''DIRECT''.

(B) Section 401(a)(31)(C), as redesignated by paragraph (1), is amended by striking ''Subparagraph (A)'' and inserting ''Subparagraphs (A) and (B)''.

(b) NOTICE REQUIREMENT.—Section 402(f)(1) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D), and by adding at the end the following new subparagraph:

''(E) if applicable, of the provision requiring a direct trustee-to-trustee transfer of a distribution under section 401(a)(31)(B) unless the recipient elects otherwise.''.

(c) FIDUCIARY RULES.—

(1) IN GENERAL.—Section 404(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104(c)) is amended by adding at the end the following new paragraph:

''(3) In the case of a pension plan which makes a transfer to an individual retirement account or annuity of a designated trustee or issuer under section 401(a)(31)(B) of the Internal Revenue Code of 1986, the participant or beneficiary shall, for purposes of paragraph (1), be treated as exercising control over the assets in the account or annuity upon the earlier of—

''(A) a rollover of all or a portion of the amount to another individual retirement account or annuity; or

''(B) one year after the transfer is made.''.

(2) REGULATIONS.—

(A) AUTOMATIC ROLLOVER SAFE HARBOR.—The Secretary of Labor shall promulgate regulations to provide guidance regarding meeting the fiduciary requirements of section 404(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104(a)) in the case of a pension plan which makes a transfer under section 401(a)(31)(B) of the Internal Revenue Code of 1986.

(B) USE OF LOW-COST INDIVIDUAL RETIREMENT PLANS.—The Secretary of the Treasury and the Secretary of Labor shall promulgate such regulations as necessary to encourage the use of low-cost individual retirement plans for purposes of transfers under section 401(a)(31)(B) of the Internal Revenue Code of 1986 and for other uses as appropriate to promote the preservation of assets for retirement income purposes.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after final regulations implementing subsection (c) are prescribed.

SEC. 658. CLARIFICATION OF TREATMENT OF CONTRIBUTIONS TO MULTIEMPLOYER PLAN.

(a) NOT CONSIDERED METHOD OF ACCOUNTING.—For purposes of section 446 of the Internal Revenue Code of 1986, a determination under section 404(a)(6) of such Code regarding the taxable year with respect to which a contribution to a multiemployer pension plan is deemed made shall not be treated as a method of accounting of the taxpayer. No deduction shall be allowed for any taxable year for any contribution to a multiemployer pension plan with respect to which a deduction was previously allowed.

(b) REGULATIONS.—The Secretary of the Treasury shall promulgate such regulations as necessary to clarify that a taxpayer shall not be allowed, with respect to any taxable year, an aggregate amount of deductions for contributions to a multiemployer pension plan which exceeds the amount of such contributions made or deemed made under section 404(a)(6) of the Internal Revenue Code of 1986 to such plan.

(c) EFFECTIVE DATE.—Subsection (a), and any regulations promulgated under subsection (b), shall be effective for years ending after the date of the enactment of this Act.

PART II—TREATMENT OF PLAN AMENDMENTS REDUCING FUTURE BENEFIT ACCRUALS

SEC. 659. NOTICE REQUIRED FOR PENSION PLAN AMENDMENTS HAVING THE EFFECT OF SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) EXCISE TAX.—

(1) IN GENERAL.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE TO PROVIDE NOTICE OF PENSION PLAN AMENDMENTS REDUCING BENEFIT ACCRUALS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of an applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the notice to which the failure relates is provided or the failure is otherwise corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED AND REASONABLE DILIGENCE EXERCISED.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that any person subject to liability for the tax under subsection (d) did not know that the failure existed and exercised reasonable diligence to meet the requirements of subsection (e).

''(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

''(A) any person subject to liability for the tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), and

''(B) such person provides the notice described in subsection (e) during the 30-day period beginning on the first date such person knew, or exercising reasonable diligence would have known, that such failure existed.

''(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—

''(A) IN GENERAL.—If the person subject to liability for tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan.

''(B) TAXABLE YEARS IN THE CASE OF CERTAIN CONTROLLED GROUPS.—For purposes of this paragraph, if all persons who are treated as a single employer for purposes of this section do not have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(4) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive or otherwise inequitable relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLAN AMENDMENTS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If the sponsor of an applicable pension plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants, the plan administrator shall, not later than the 45th day before the effective date of the amendment, provide written notice to each applicable individual (and to each employee organization representing applicable individuals) which—

''(A) sets forth a summary of the plan amendment and the effective date of the amendment,

''(B) includes a statement that the plan amendment is expected to significantly reduce the rate of future benefit accrual,

''(C) includes a description of the classes of employees reasonably expected to be affected by the reduction in the rate of future benefit accrual,

''(D) sets forth examples illustrating how the plan will change benefits for such classes of employees,

''(E) if paragraph (2) applies to the plan amendment, includes a notice that the plan administrator will provide a benefit estimation tool kit described in paragraph (2)(B) to each applicable individual no later than the date required under paragraph (2)(A), and

''(F) includes a notice of each applicable individual's right under Federal law to receive, and of the procedures for requesting, an annual benefit statement.

''(2) REQUIREMENT TO PROVIDE BENEFIT ESTIMATION TOOL KIT.—

''(A) IN GENERAL.—If a plan amendment results in the significant restructuring of the plan benefit formula (as determined under regulations prescribed by the Secretary), the plan administrator shall, not later than the 15th day before the effective date of the amendment, provide a benefit estimation tool kit described in subparagraph (B) to each applicable individual. If such plan amendment occurs within 12 months of an event described in section 410(b)(6)(C), the plan administrator shall in no event be required to provide the benefit estimation tool kit to applicable individuals affected by the event before the date which is 12 months after the date on which notice under paragraph (1) is given to such applicable individuals.

''(B) BENEFIT ESTIMATION TOOL KIT.—The benefit estimation tool kit described in this subparagraph shall include the following information:

''(i) Sufficient information to enable an applicable individual to estimate the individual's projected benefits under the terms of the plan in effect both before and after the adoption of the amendment.

''(ii) The formulas and actuarial assumptions necessary to estimate under both such plan terms a single life annuity at appropriate ages, and, when available, a lump sum distribution.

''(iii) The interest rate used to compute a lump sum distribution and information as to whether the value of any early retirement benefit or retirement-type subsidy (within the meaning of

section 411(d)(6)(B)(i)) is included in the lump sum distribution.

''(3) NOTICE TO DESIGNEE.—Any notice under paragraph (1) or (2) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(4) FORM OF EXPLANATION.—The information required to be provided under this subsection shall be provided in a manner calculated to be reasonably understood by the average plan participant.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—

''(A) IN GENERAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(i) each participant in the plan, and

''(ii) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(B) EXCEPTION FOR PARTICIPANTS WITH LESS THAN 1 YEAR OF PARTICIPATION.—Such term shall not include a participant who has less than 1 year of participation (within the meaning of section 411(b)(4)) under the plan as of the effective date of the plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) a defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)), a church plan (within the meaning of section 414(e)) with respect to which an election under section 410(d) has not been made, or any other plan to which section 204(h) of the Employee Retirement Income Security Act of 1974 does not apply.

''(3) EARLY RETIREMENT.—A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

''(g) REGULATIONS.—The Secretary shall, not later than 1 year after the date of the enactment of this section, issue—

''(1) the regulations described in subsection (e)(2)(A) and section 204(h)(2)(A) of the Employee Retirement Income Security Act of 1974, and

''(2) guidance for both of the examples described in subsection (e)(1)(D) and section 204(h)(1)(D) of the Employee Retirement Income Security Act of 1974 and the benefit estimation tool kit described in subsection (e)(2)(B) and section 204(h)(2)(B) of the Employee Retirement Income Security Act of 1974.

''(h) NEW TECHNOLOGIES.—The Secretary may by regulation allow any notice under paragraph (1) or (2) of subsection (e) to be provided by using new technologies. Such regulations shall ensure that at least one option for providing such notice is not dependent on new technologies.''

(2) CONFORMING AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

''Sec. 4980F. Failure to provide notice of pension plan amendments reducing benefit accruals.''

(b) AMENDMENT OF ERISA.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended to read as follows:

''(h)(1) If an applicable pension plan is amended so as to provide a significant reduction in the rate of future benefit accrual of 1 or more participants, the plan administrator shall, not later than the 45th day before the effective date of the amendment, provide written notice to each applicable individual (and to each employee organization representing applicable individuals) which—

''(A) sets forth a summary of the plan amendment and the effective date of the amendment,

''(B) includes a statement that the plan amendment is expected to significantly reduce the rate of future benefit accrual,

''(C) includes a description of the classes of employees reasonably expected to be affected by the reduction in the rate of future benefit accrual,

''(D) sets forth examples illustrating how the plan will change benefits for such classes of employees,

''(E) if paragraph (2) applies to the plan amendment, includes a notice that the plan administrator will provide a benefit estimation tool kit described in paragraph (2)(B) to each applicable individual no later than the date required under paragraph (2)(A), and

''(F) includes a notice of each applicable individual's right under Federal law to receive, and of the procedures for requesting, an annual benefit statement.

''(2)(A) If a plan amendment results in the significant restructuring of the plan benefit formula (as determined under regulations prescribed by the Secretary of the Treasury), the plan administrator shall, not later than the 15th day before the effective date of the amendment, provide a benefit estimation tool kit described in subparagraph (B) to each applicable individual. If such plan amendment occurs within 12 months of an event described in section 410(b)(6)(C) of the Internal Revenue Code of 1986, the plan administrator shall in no event be required to provide the benefit estimation tool kit to applicable individuals affected by the event before the date which is 12 months after the date on which notice under paragraph (1) is given to such applicable individuals.

''(B) The benefit estimation tool kit described in this subparagraph shall include the following information:

''(i) Sufficient information to enable an applicable individual to estimate the individual's projected benefits under the terms of the plan in effect both before and after the adoption of the amendment.

''(ii) The formulas and actuarial assumptions necessary to estimate under both such plan terms a single life annuity at appropriate ages, and, when available, a lump sum distribution.

''(iii) The interest rate used to compute a lump sum distribution and information as to whether the value of any early retirement benefit or retirement-type subsidy (within the meaning of subsection (g)(2)(A)) is included in the lump sum distribution.

''(3) Any notice under paragraph (1) or (2) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(4) The information required to be provided under this subsection shall be provided in a manner calculated to be reasonably understood by the average participant.

''(5)(A) In the case of any failure to exercise due diligence in meeting any requirement of this subsection with respect to any plan amendment, the provisions of the applicable pension plan shall be applied as if such plan amendment entitled all applicable individuals to the greater of—

''(i) the benefits to which they would have been entitled without regard to such amendment, or

''(ii) the benefits under the plan with regard to such amendment.

''(B) For purposes of subparagraph (A), there is a failure to exercise due diligence in meeting the requirements of this subsection if such failure is within the control of the plan sponsor and is—

''(i) an intentional failure (including any failure to promptly provide the required notice or information after the plan administrator discovers an unintentional failure to meet the requirements of this subsection),

''(ii) a failure to provide most of the individuals with most of the information they are entitled to receive under this subsection, or

''(iii) a failure to exercise due diligence which is determined under regulations prescribed by the Secretary of the Treasury.

''(C) For excise tax on failure to meet requirements, see section 4980F of the Internal Revenue Code of 1986.

''(5)(A) For purposes of this subsection, the term 'applicable individual' means, with respect to any plan amendment—

''(i) each participant in the plan, and

''(ii) any beneficiary who is an alternate payee (within the meaning of section 206(d)(3)(K)) under an applicable qualified domestic relations order (within the meaning of section 206(d)(3)(B)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(B) Such term shall not include a participant who has less than 1 year of participation (within the meaning of subsection (b)(4)) under the plan as of the effective date of the plan amendment.

''(6) For purposes of this subsection, the term 'applicable pension plan' means—

''(A) a defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 302.

''(7) For purposes of this subsection, a plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 204(g)(2)(A)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

''(8) The Secretary of the Treasury may by regulation allow any notice under this subsection to be provided by using new technologies. Such regulation shall ensure that at least one option for providing such notice is not dependent on new technologies.''

(c) REGULATIONS RELATING TO EARLY RETIREMENT SUBSIDIES.—The Secretary of the Treasury or the Secretary's delegate shall, not later than 1 year after the date of the enactment of this Act, issue regulations relating to early retirement benefits or retirement-type subsidies described in section 411(d)(6)(B)(i) of the Internal Revenue Code of 1986 and section 204(g)(2)(A) of the Employee Retirement Income Security Act of 1974.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under section 4980F(e)(2) of the Internal Revenue Code of 1986 and section 204(h)(2) of the Employee Retirement Income Security Act of 1974 (as added by the amendments made by this section), a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL NOTICE RULES.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

(d) STUDY.—The Secretary of the Treasury shall prepare a report on the effects of significant restructurings of plan benefit formulas of traditional defined benefit plans. Such study shall examine the effects of such restructurings on longer service participants, including the incidence and effects of ''wear away'' provisions under which participants earn no additional benefits for a period of time after restructuring. As soon as practicable, but not later than one year after the date of enactment of this Act, the Secretary shall submit such report, together

with recommendations thereon, to the Committee on Ways and Means and the Committee on Education and the Workforce of the House of Representatives and the Committee on Finance and the Committee on Health, Education, Labor, and Pensions of the Senate.

Subtitle F—Reducing Regulatory Burdens

SEC. 661. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) IN GENERAL.—Paragraph (9) of section 412(c) (relating to annual valuation) is amended to read as follows:

''(9) ANNUAL VALUATION.—

''(A) IN GENERAL.—For purposes of this section, a determination of experience gains and losses and a valuation of the plan's liability shall be made not less frequently than once every year, except that such determination shall be made more frequently to the extent required in particular cases under regulations prescribed by the Secretary.

''(B) VALUATION DATE.—

''(i) CURRENT YEAR.—Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) ELECTION TO USE PRIOR YEAR VALUATION.—The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) ADJUSTMENTS.—Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENT OF ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)'', and

(2) by adding at the end the following:

''(B)(i) Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 662. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

(b) LIMITATION ON AMOUNT OF DEDUCTION.—Section 404(k)(1) (relating to deduction for dividends paid on certain employer securities) is amended to read as follows:

''(1) DEDUCTION ALLOWED.—

''(A) IN GENERAL.—In the case of a C corporation, there shall be allowed as a deduction for the taxable year an amount equal to—

''(i) the amount of any applicable dividend described in clause (i), (ii), or (iv) of paragraph (2)(A), and

''(ii) the applicable percentage of any applicable dividend described in clause (iii),

paid in cash by such corporation during the taxable year with respect to applicable employer securities. Such deduction shall be in addition to the deduction allowed subsection (a).

''(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the applicable percentage shall be determined in accordance with the following table:

"For taxable years beginning in:	***The applicable percentage is:***
2002, 2003, and 2004	*25 percent*
2005, 2006, and 2007	*50 percent*
2008, 2009, and 2010	*75 percent*
2011 and thereafter	*100 percent.''.*

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 663. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 2001.

SEC. 664. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401(k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan; and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401(k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 665. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning advice or information provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 666. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $250,000 or less as of the close of the plan year and each plan year beginning on or after January 1, 1994, need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated); or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation);

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business;

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses);

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control; and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2002.

SEC. 667. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program;

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures;

(3) extending the duration of the self-correction period under the Self-Correction Program for significant compliance failures;

(4) expanding the availability to correct insignificant compliance failures under the Self-Correction Program during audit; and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 668. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 669. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test; and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test. Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2001.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2001.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2001, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 670. EXTENSION TO ALL GOVERNMENTAL PLANS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—

(1) Subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by striking ''section 414(d))'' and all that follows and inserting ''section 414(d)).''.

(2) Subparagraph (G) of section 401(k)(3) and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by striking ''maintained by a State or local government or political subdivision thereof (or agency or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subparagraph (G) of section 401(a)(5) is amended to read as follows: ''GOVERNMENTAL PLANS''.

(2) The heading for subparagraph (H) of section 401(a)(26) is amended to read as follows: ''EXCEPTION FOR GOVERNMENTAL PLANS''.

(3) Subparagraph (G) of section 401(k)(3) is amended by inserting ''GOVERNMENTAL PLANS.—'' after ''(G)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

Subtitle G—Other ERISA Provisions

SEC. 681. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsection:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

''(1) TRANSFER TO CORPORATION.—The plan administrator of a plan described in paragraph (4) may elect to transfer a missing participant's benefits to the corporation upon termination of the plan.

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

''(ii) which is not a plan described in paragraphs (2) through (11) of section 4021(b), and

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

''(5) CERTAIN PROVISIONS NOT TO APPLY.—Subsections (a)(1) and (a)(3) shall not apply to a plan described in paragraph (4).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 682. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subparagraph (A) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(A)) is amended—

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by two or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 683. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

''(V) 80 percent, for the fifth plan year.

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''.

(b) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)), as amended by section 682(b), is amended—

(1) by striking ''The'' in subparagraph (E)(i) and inserting ''Except as provided in subparagraph (G), the'', and

(2) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed $5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

''(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor's controlled group. In the case of a plan maintained by two or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether the 25-or-fewer-employees limitation has been satisfied.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2001.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2001.

SEC. 684. AUTHORIZATION FOR PBGC TO PAY INTEREST ON PREMIUM OVERPAYMENT REFUNDS.

(a) IN GENERAL.—Section 4007(b) of the Employment Retirement Income Security Act of 1974 (29 U.S.C. 1307(b)) is amended—

(1) by striking ''(b)'' and inserting ''(b)(1)'', and

(2) by inserting at the end the following new paragraph:

''(2) The corporation is authorized to pay, subject to regulations prescribed by the corporation, interest on the amount of any overpayment of premium refunded to a designated payor. Interest under this paragraph shall be calculated at the same rate and in the same manner as interest is calculated for underpayments under paragraph (1).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accruing for periods beginning not earlier than the date of the enactment of this Act.

SEC. 685. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following new paragraph:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following new subsection:

''(d) For purposes of subsection (b)(9), the term 'substantial owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2001, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on January 1, 2002.

Subtitle H—Miscellaneous Provisions

SEC. 691. TAX TREATMENT AND INFORMATION REQUIREMENTS OF ALASKA NATIVE SETTLEMENT TRUSTS.

(a) TREATMENT OF ALASKA NATIVE SETTLEMENT TRUSTS.—Subpart A of part I of subchapter J of chapter 1 (relating to general rules for taxation of trusts and estates) is amended by adding at the end the following new section:

''SEC. 646. TAX TREATMENT OF ELECTING ALASKA NATIVE SETTLEMENT TRUSTS.

''(a) IN GENERAL.—If an election under this section is in effect with respect to any Settlement Trust, the provisions of this section shall apply in determining the income tax treatment of the Settlement Trust and its beneficiaries with respect to the Settlement Trust.

''(b) TAXATION OF INCOME OF TRUST.—Except as provided in subsection (f)(1)(B)(ii)—

''(1) IN GENERAL.—There is hereby imposed on the taxable income of an electing Settlement Trust, other than its net capital gain, a tax at the lowest rate specified in section 1(c).

''(2) CAPITAL GAIN.—In the case of an electing Settlement Trust with a net capital gain for the taxable year, a tax is hereby imposed on such gain at the rate of tax which would apply to such gain if the taxpayer were subject to a tax on its other taxable income at only the lowest rate specified in section 1(c).

Any such tax shall be in lieu of the income tax otherwise imposed by this chapter on such income or gain.

''(c) ONE-TIME ELECTION.—

''(1) IN GENERAL.—A Settlement Trust may elect to have the provisions of this section apply to the trust and its beneficiaries.

''(2) TIME AND METHOD OF ELECTION.—An election under paragraph (1) shall be made by the trustee of such trust—

''(A) on or before the due date (including extensions) for filing the Settlement Trust's return of tax for the first taxable year of such trust ending after the date of the enactment of this section, and

''(B) by attaching to such return of tax a statement specifically providing for such election.

''(3) PERIOD ELECTION IN EFFECT.—Except as provided in subsection (f), an election under this subsection—

''(A) shall apply to the first taxable year described in paragraph (2)(A) and all subsequent taxable years, and

''(B) may not be revoked once it is made.

''(d) CONTRIBUTIONS TO TRUST.—

''(1) BENEFICIARIES OF ELECTING TRUST NOT TAXED ON CONTRIBUTIONS.—In the case of an electing Settlement Trust, no amount shall be includible in the gross income of a beneficiary of such trust by reason of a contribution to such trust.

''(2) EARNINGS AND PROFITS.—The earnings and profits of the sponsoring Native Corporation shall not be reduced on account of any contribution to such Settlement Trust:

''(e) TAX TREATMENT OF DISTRIBUTIONS TO BENEFICIARIES.—Amounts distributed by an electing Settlement Trust during any taxable year shall be considered as having the following characteristics in the hands of the recipient beneficiary:

''(1) First, as amounts excludable from gross income for the taxable year to the extent of the taxable income of such trust for such taxable year (decreased by any income tax paid by the trust with respect to the income) plus any amount excluded from gross income of the trust under section 103.

''(2) Second, as amounts excludable from gross income to the extent of the amount described in paragraph (1) for all taxable years for which an election is in effect under subsection (c) with respect to the trust, and not previously taken into account under paragraph (1).

''(3) Third, as amounts distributed by the sponsoring Native Corporation with respect to its stock (within the meaning of section 301(a)) during such taxable year and taxable to the recipient beneficiary as amounts described in section 301(c)(1), to the extent of current or accumulated earnings and profits of the sponsoring Native Corporation as of the close of such taxable year after proper adjustment is made for all distributions made by the sponsoring Native Corporation during such taxable year.

''(4) Fourth, as amounts distributed by the trust in excess of the distributable net income of such trust for such taxable year.

Amounts distributed to which paragraph (3) applies shall not be treated as a corporate distribution subject to section 311(b), and for purposes of determining the amount of a distribution for purposes of paragraph (3) and the basis to the

recipients, section 643(e) and not section 301(b) or (d) shall apply.

''(f) SPECIAL RULES WHERE TRANSFER RESTRICTIONS MODIFIED.—

''(1) TRANSFER OF BENEFICIAL INTERESTS.—If, at any time, a beneficial interest in an electing Settlement Trust may be disposed of to a person in a manner which would not be permitted by section 7(h) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(h)) if such interest were Settlement Common Stock—

''(A) no election may be made under subsection (c) with respect to such trust, and

''(B) if such an election is in effect as of such time—

''(i) such election shall cease to apply as of the first day of the taxable year in which such disposition is first permitted,

''(ii) the provisions of this section shall not apply to such trust for such taxable year and all taxable years thereafter, and

''(iii) the distributable net income of such trust shall be increased by the current or accumulated earnings and profits of the sponsoring Native Corporation as of the close of such taxable year after proper adjustment is made for all distributions made by the sponsoring Native Corporation during such taxable year.

In no event shall the increase under clause (iii) exceed the fair market value of the trust's assets as of the date the beneficial interest of the trust first becomes so disposable. The earnings and profits of the sponsoring Native Corporation shall be adjusted as of the last day of such taxable year by the amount of earnings and profits so included in the distributable net income of the trust.

''(2) STOCK IN CORPORATION.—If—

''(A) stock in the sponsoring Native Corporation may be disposed of to a person in a manner which would not be permitted by section 7(h) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(h)) if such stock were Settlement Common Stock, and

''(B) at any time after such disposition of stock is first permitted, such corporation transfers assets to a Settlement Trust,

paragraph (1)(B) shall be applied to such trust on and after the date of the transfer in the same manner as if the trust permitted dispositions of beneficial interests in the trust in a manner not permitted by such section 7(h).

''(3) CERTAIN DISTRIBUTIONS.—For purposes of this section, the surrender of an interest in a Native Corporation or an electing Settlement Trust in order to accomplish the whole or partial redemption of the interest of a shareholder or beneficiary in such corporation or trust, or to accomplish the whole or partial liquidation of such corporation or trust, shall be deemed to be a transfer permitted by section 7(h) of the Alaska Native Claims Settlement Act.

''(g) TAXABLE INCOME.—For purposes of this title, the taxable income of an electing Settlement Trust shall be determined under section 641(b) without regard to any deduction under section 651 or 661.

''(h) DEFINITIONS.—For purposes of this section—

''(1) ELECTING SETTLEMENT TRUST.—The term 'electing Settlement Trust' means a Settlement Trust which has made the election, effective for a taxable year, described in subsection (c).

''(2) NATIVE CORPORATION.—The term 'Native Corporation' has the meaning given such term by section 3(m) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m)).

''(3) SETTLEMENT COMMON STOCK.—The term 'Settlement Common Stock' has the meaning given such term by section 3(p) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(p)).

''(4) SETTLEMENT TRUST.—The term 'Settlement Trust' means a trust that constitutes a settlement trust under section 3(t) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(t)).

''(5) SPONSORING NATIVE CORPORATION.—The term 'sponsoring Native Corporation' means the Native Corporation which transfers assets to an electing Settlement Trust.

''(i) SPECIAL LOSS DISALLOWANCE RULE.—Any loss that would otherwise be recognized by a shareholder upon a disposition of a share of stock of a sponsoring Native Corporation shall be reduced (but not below zero) by the per share loss adjustment factor. The per share loss adjustment factor shall be the aggregate of all contributions to all electing Settlement Trusts sponsored by such Native Corporation made on or after the first day each trust is treated as an electing Settlement Trust expressed on a per share basis and determined as of the day of each such contribution.

''(j) CROSS REFERENCE.—

"For information required with respect to electing Settlement Trusts and sponsoring Native Corporations, see section 6039H.".

(b) REPORTING.—Subpart A of part III of subchapter A of chapter 61 of subtitle F (relating to information concerning persons subject to special provisions) is amended by inserting after section 6039G the following new section:

"SEC. 6039H. INFORMATION WITH RESPECT TO ALASKA NATIVE SETTLEMENT TRUSTS AND SPONSORING NATIVE CORPORATIONS.

''(a) REQUIREMENT.—The fiduciary of an electing Settlement Trust (as defined in section 646(h)(1)) shall include with the return of income of the trust a statement containing the information required under subsection (c).

''(b) APPLICATION WITH OTHER REQUIREMENTS.—The filing of any statement under this section shall be in lieu of the reporting requirements under section 6034A to furnish any statement to a beneficiary regarding amounts distributed to such beneficiary (and such other reporting rules as the Secretary deems appropriate).

''(c) REQUIRED INFORMATION.—The information required under this subsection shall include—

''(1) the amount of distributions made during the taxable year to each beneficiary,

''(2) the treatment of such distribution under the applicable provision of section 646, including the amount that is excludable from the recipient beneficiary's gross income under section 646, and

''(3) the amount (if any) of any distribution during such year that is deemed to have been made by the sponsoring Native Corporation (as defined in section 646(h)(5)).

''(d) SPONSORING NATIVE CORPORATION.—

''(1) IN GENERAL.—The electing Settlement Trust shall, on or before the date on which the statement under subsection (a) is required to be filed, furnish such statement to the sponsoring Native Corporation (as so defined).

''(2) DISTRIBUTEES.—The sponsoring Native Corporation shall furnish each recipient of a distribution described in section 646(e)(3) a statement containing the amount deemed to have been distributed to such recipient by such corporation for the taxable year.''.

(c) CLERICAL AMENDMENT.—

(1) The table of sections for subpart A of part I of subchapter J of chapter 1 of such Code is amended by adding at the end the following new item:

''Sec. 646. Tax treatment of electing Alaska Native Settlement Trusts.''.

(2) The table of sections for subpart A of part III of subchapter A of chapter 61 of subtitle F of such Code is amended by inserting after the item relating to section 6039G the following new item:

''Sec. 6039H. Information with respect to Alaska Native Settlement Trusts and sponsoring Native Corporations.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act and to contributions made to electing Settlement Trusts for such year or any subsequent year.

Subtitle I—Compliance With Congressional Budget Act

SEC. 695. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE VII—ALTERNATIVE MINIMUM TAX

Subtitle A—In General

SEC. 701. INCREASE IN ALTERNATIVE MINIMUM TAX EXEMPTION.

(a) IN GENERAL.—

(1) Subparagraph (A) of section 55(d)(1) (relating to exemption amount for taxpayers other than corporations) is amended by striking ''$45,000'' and inserting ''$45,000 ($49,000 in the case of taxable years beginning in 2001, 2002, 2003, 2004, 2005, and 2006)''.

(2) Subparagraph (B) of section 55(d)(1) (relating to exemption amount for taxpayers other than corporations) is amended by striking ''$33,750'' and inserting ''$33,750 ($35,750 in the case of taxable years beginning in 2001, 2002, 2003, 2004, 2005, and 2006)''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 55(d) is amended by striking ''and'' at the end of subparagraph (B), by striking subparagraph (C), and by inserting after subparagraph (B) the following new subparagraphs:

''(C) 50 percent of the dollar amount applicable under paragraph (1)(A) in the case of a married individual who files a separate return, and

''(D) $22,500 in the case of an estate or trust.''.

(2) Subparagraph (C) of section 55(d)(3) is amended by striking ''paragraph (1)(C)'' and inserting ''subparagraph (C) or (D) of paragraph (1)''.

(3) The last sentence of section 55(d)(3) is amended—

(A) by striking ''paragraph (1)(C)(i)'' and inserting ''paragraph (1)(C)''; and

(B) by striking ''$165,000 or (ii) $22,500'' and inserting ''the minimum amount of such income (as so determined) for which the exemption amount under paragraph (1)(C) is zero, or (ii) such exemption amount (determined without regard to this paragraph)''.

(c) EFFECTIVE DATE.—The amendments made by this section title shall apply to taxable years beginning after December 31, 2000.

Subtitle B—Compliance With Congressional Budget Act

SEC. 711. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE VIII—OTHER PROVISIONS

Subtitle A—In General

SEC. 801. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAXES.

Notwithstanding section 6655 of the Internal Revenue Code of 1986—

(1) 70 percent of the amount of any required installment of corporate estimated tax which is otherwise due in September 2001 shall not be due until October 1, 2001; and

(2) 20 percent of the amount of any required installment of corporate estimated tax which is otherwise due in September 2004 shall not be due until October 1, 2004.

SEC. 802. EXPANSION OF AUTHORITY TO POSTPONE CERTAIN TAX-RELATED DEADLINES BY REASON OF PRESIDENTIALLY DECLARED DISASTER.

(a) IN GENERAL.—Section 7508A (relating to authority to postpone certain tax-related deadlines by reason of presidentially declared disaster) is amended by adding at the end the following new subsection:

''(c) DUTIES OF DISASTER RESPONSE TEAM.—The Secretary shall establish as a permanent office in the national office of the Internal Revenue Service a disaster response team which, in

coordination with the Federal Emergency Management Agency, shall assist taxpayers in clarifying and resolving Federal tax matters associated with or resulting from any Presidentially declared disaster (as so defined). One of the duties of the disaster response team shall be to extend in appropriate cases the 90-day period described in subsection (a) by not more than 30 days.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of enactment of this Act.

SEC. 803. NO FEDERAL INCOME TAX ON RESTITUTION RECEIVED BY VICTIMS OF THE NAZI REGIME OR THEIR HEIRS OR ESTATES.

(a) IN GENERAL.—For purposes of the Internal Revenue Code of 1986, any excludable restitution payments received by an eligible individual (or the individual's heirs or estate)—

(1) shall not be included in gross income; and

(2) shall not be taken into account for purposes of applying any provision of such Code which takes into account excludable income in computing adjusted gross income, including section 86 of such Code (relating to taxation of social security benefits).

For purposes of such Code, the basis of any property received by an eligible individual (or the individual's heirs or estate) as part of an excludable restitution payment shall be the fair market value of such property as of the time of the receipt.

(b) COORDINATION WITH FEDERAL MEANS-TESTED PROGRAMS.—

(1) IN GENERAL.—Any excludable restitution payment shall be disregarded in determining eligibility for, and the amount of benefits or services to be provided under, any Federal or federally assisted program which provides benefits or service based, in whole or in part, on need.

(2) PROHIBITION AGAINST RECOVERY OF VALUE OF EXCESSIVE BENEFITS OR SERVICES.—No officer, agency, or instrumentality of any government may attempt to recover the value of excessive benefits or services provided under a program described in subsection (a) before January 1, 2000, by reason of any failure to take account of excludable restitution payments received before such date.

(3) NOTICE REQUIRED.—Any agency of government that has taken into account excludable restitution payments in determining eligibility for a program described in subsection (a) before January 1, 2000, shall make a good faith effort to notify any individual who may have been denied eligibility for benefits or services under the program of the potential eligibility of the individual for such benefits or services.

(4) COORDINATION WITH 1994 ACT.—Nothing in this Act shall be construed to override any right or requirement under ''An Act to require certain payments made to victims of Nazi persecution to be disregarded in determining eligibility for and the amount of benefits or services based on need'', approved August 1, 1994 (Public Law 103–286; 42 U.S.C. 1437a note), and nothing in that Act shall be construed to override any right or requirement under this Act.

(c) ELIGIBLE INDIVIDUAL.—For purposes of this section, the term ''eligible individual'' means a person who was persecuted for racial or religious reasons by Nazi Germany, any other Axis regime, or any other Nazi-controlled or Nazi-allied country.

(d) EXCLUDABLE RESTITUTION PAYMENT.—For purposes of this section, the term ''excludable restitution payment'' means any payment or distribution to an individual (or the individual's heirs or estate) which—

(1) is payable by reason of the individual's status as an eligible individual, including any amount payable by any foreign country, the United States of America, or any other foreign or domestic entity, or a fund established by any such country or entity, any amount payable as a result of a final resolution of a legal action, and any amount payable under a law providing for payments or restitution of property;

(2) constitutes the direct or indirect return of, or compensation or reparation for, assets stolen or hidden from, or otherwise lost to, the individual before, during, or immediately after World War II by reason of the individual's status as an eligible individual, including any proceeds of insurance under policies issued on eligible individuals by European insurance companies immediately before and during World War II; or

(3) consists of interest which is payable as part of any payment or distribution described in paragraph (1) or (2).

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—This section shall apply to any amount received on or after January 1, 2000.

(2) NO INFERENCE.—Nothing in this Act shall be construed to create any inference with respect to the proper tax treatment of any amount received before January 1, 2000.

SEC. 804. REMOVAL OF LIMITATION.

(a) IN GENERAL.—Section 101(h) of the Internal Revenue Code of 1986 (relating to exclusion of survivor benefits from gross income) is amended by adding after paragraph (2) the following new paragraph:

''(3) APPLICATION.—This subsection shall apply to amounts received after December 31, 2000.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.

SEC. 805. CIRCUIT BREAKER.

(a) IN GENERAL.—In any fiscal year beginning with fiscal year 2004, if the level of debt held by the public at the end of that fiscal year (as projected by the Office of Management and Budget sequestration update report on August 20th preceding the beginning of that fiscal year) would exceed the level of debt held by the public for that fiscal year set forth in the concurrent resolution on the budget for fiscal year 2002 (H. Con. Res. 83, 107th Congress), any Member of Congress may move to proceed to a bill that would make changes in law to reduce discretionary spending and direct spending (except for changes in social security, medicare and COLA's) and increase revenues in a manner that would reduce the debt held by the public for the fiscal year to a level not exceeding the level provided in that concurrent resolution for that fiscal year.

(b) CONSIDERATION OF LEGISLATION.—A bill considered under subsection (a) shall be considered as provided in section 310(e) of the Congressional Budget Act of 1974 (2 U.S.C. 641(e)).

(c) PROCEDURE.—It shall not be in order in the Senate to consider any bill, joint resolution, motion, amendment, or conference report, pursuant to this section, that contains any provisions other than those enumerated in sections 310(a)(1) and 310(a)(2) of the Congressional Budget Act of 1974. This point of order may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members duly chosen and sworn. An affirmative vote of three-fifths of the Members duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this paragraph.

SEC. 806. DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS INCREASED.

(a) IN GENERAL.—Section 162(l)(1) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse, and dependents.''.

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(l)(2)(B) (relating to other coverage) is amended to read as follows: ''Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 807. DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS INCREASED.

(a) IN GENERAL.—Section 162(l)(1) (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse, and dependents.''.

(b) CLARIFICATION OF LIMITATIONS ON OTHER COVERAGE.—The first sentence of section 162(l)(2)(B) (relating to other coverage) is amended to read as follows: ''Paragraph (1) shall not apply to any taxpayer for any calendar month for which the taxpayer participates in any subsidized health plan maintained by any employer (other than an employer described in section 401(c)(4)) of the taxpayer or the spouse of the taxpayer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 808. CHARITABLE CONTRIBUTIONS OF CERTAIN ITEMS CREATED BY THE TAXPAYER.

(a) IN GENERAL.—Subsection (e) of section 170 (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following new paragraph:

''(7) SPECIAL RULE FOR CERTAIN CONTRIBUTIONS OF LITERARY, MUSICAL, OR ARTISTIC COMPOSITIONS.—

''(A) IN GENERAL.—In the case of a qualified artistic charitable contribution—

''(i) the amount of such contribution shall be the fair market value of the property contributed (determined at the time of such contribution), and

''(ii) no reduction in the amount of such contribution shall be made under paragraph (1).

''(B) QUALIFIED ARTISTIC CHARITABLE CONTRIBUTION.—For purposes of this paragraph, the term 'qualified artistic charitable contribution' means a charitable contribution of any literary, musical, artistic, or scholarly composition, or similar property, or the copyright thereon (or both), but only if—

''(i) such property was created by the personal efforts of the taxpayer making such contribution no less than 18 months prior to such contribution,

''(ii) the taxpayer—

''(I) has received a qualified appraisal of the fair market value of such property in accordance with the regulations under this section, and

''(II) attaches to the taxpayer's income tax return for the taxable year in which such contribution was made a copy of such appraisal,

''(iii) the donee is an organization described in subsection (b)(1)(A),

''(iv) the use of such property by the donee is related to the purpose or function constituting the basis for the donee's exemption under section 501 (or, in the case of a governmental unit, to any purpose or function described under subsection (c)),

''(v) the taxpayer receives from the donee a written statement representing that the donee's use of the property will be in accordance with the provisions of clause (iv), and

''(vi) the written appraisal referred to in clause (ii) includes evidence of the extent (if any) to which property created by the personal efforts of the taxpayer and of the same type as the donated property is or has been—

''(I) owned, maintained, and displayed by organizations described in subsection (b)(1)(A), and

''(II) sold to or exchanged by persons other than the taxpayer, donee, or any related person (as defined in section 465(b)(3)(C)).

''(C) MAXIMUM DOLLAR LIMITATION; NO CARRYOVER OF INCREASED DEDUCTION.—The increase in the deduction under this section by reason of this paragraph for any taxable year—

''(i) shall not exceed the artistic adjusted gross income of the taxpayer for such taxable year, and

''(ii) shall not be taken into account in determining the amount which may be carried from such taxable year under subsection (d).

''(D) ARTISTIC ADJUSTED GROSS INCOME.—For purposes of this paragraph, the term 'artistic adjusted gross income' means that portion of the adjusted gross income of the taxpayer for the taxable year attributable to—

''(i) income from the sale or use of property created by the personal efforts of the taxpayer which is of the same type as the donated property, and

''(ii) income from teaching, lecturing, performing, or similar activity with respect to property described in clause (i).

''(E) PARAGRAPH NOT TO APPLY TO CERTAIN CONTRIBUTIONS.—Subparagraph (A) shall not apply to any charitable contribution of any letter, memorandum, or similar property which was written, prepared, or produced by or for an individual while the individual is an officer or employee of any person (including any government agency or instrumentality) unless such letter, memorandum, or similar property is entirely personal.

''(F) COPYRIGHT TREATED AS SEPARATE PROPERTY FOR PARTIAL INTEREST RULE.—In the case of a qualified artistic charitable contribution, the tangible literary, musical, artistic, or scholarly composition, or similar property and the copyright on such work shall be treated as separate properties for purposes of this paragraph and subsection (f)(3).''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after the date of the enactment of this Act in taxable years ending after such date.

SEC. 809. WAIVER OF STATUTE OF LIMITATION FOR TAXES ON CERTAIN FARM VALUATIONS.

If on the date of the enactment of this Act (or at any time within 1 year after the date of the enactment) a refund or credit of any overpayment of tax resulting from the application of section 2032A(c)(7)(E) of the Internal Revenue Code of 1986 is barred by any law or rule of law, the refund or credit of such overpayment shall, nevertheless, be made or allowed if claim therefor is filed before the date 1 year after the date of the enactment of this Act.

SEC. 810. RESEARCH CREDIT.

(a) PERMANENT EXTENSION OF RESEARCH CREDIT.—

(1) IN GENERAL.—Section 41 (relating to credit for increasing research activities) is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) is amended by striking subparagraph (D).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred after the date of the enactment of this Act.

(b) INCREASES IN RATES OF ALTERNATIVE INCREMENTAL CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 41(c)(4) (relating to election of alternative incremental credit) is amended—

(A) by striking ''2.65 percent'' and inserting ''3 percent'',

(B) by striking ''3.2 percent'' and inserting ''4 percent'', and

(C) by striking ''3.75 percent'' and inserting ''5 percent''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 811. CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 620, is amended by adding at the end the following new section:

''SEC. 45G. CREDIT FOR MEDICAL RESEARCH RELATED TO DEVELOPING VACCINES AGAINST WIDESPREAD DISEASES.

''(a) GENERAL RULE.—For purposes of section 38, the vaccine research credit determined under this section for the taxable year is an amount equal to 30 percent of the qualified vaccine research expenses for the taxable year.

''(b) QUALIFIED VACCINE RESEARCH EXPENSES.—For purposes of this section—

''(1) QUALIFIED VACCINE RESEARCH EXPENSES.—

''(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term 'qualified vaccine research expenses' means the amounts which are paid or incurred by the taxpayer during the taxable year which would be described in subsection (b) of section 41 if such subsection were applied with the modifications set forth in subparagraph (B).

''(B) MODIFICATIONS; INCREASED INCENTIVE FOR CONTRACT RESEARCH PAYMENTS.—For purposes of subparagraph (A), subsection (b) of section 41 shall be applied—

''(i) by substituting 'vaccine research' for 'qualified research' each place it appears in paragraphs (2) and (3) of such subsection, and

''(ii) by substituting '100 percent' for '65 percent' in paragraph (3)(A) of such subsection.

''(C) EXCLUSION FOR AMOUNTS FUNDED BY GRANTS, ETC.—The term 'qualified vaccine research expenses' shall not include any amount to the extent such amount is funded by any grant, contract, or otherwise by another person (or any governmental entity).

''(2) VACCINE RESEARCH.—The term 'vaccine research' means research to develop vaccines and microbicides for—

''(A) malaria,

''(B) tuberculosis,

''(C) HIV, or

''(D) any infectious disease (of a single etiology) which, according to the World Health Organization, causes over 1,000,000 human deaths annually.

''(c) COORDINATION WITH CREDIT FOR INCREASING RESEARCH EXPENDITURES.—

''(1) IN GENERAL.—Except as provided in paragraph (2), any qualified vaccine research expenses for a taxable year to which an election under this section applies shall not be taken into account for purposes of determining the credit allowable under section 41 for such taxable year.

''(2) EXPENSES INCLUDED IN DETERMINING BASE PERIOD RESEARCH EXPENSES.—Any qualified vaccine research expenses for any taxable year which are qualified research expenses (within the meaning of section 41(b)) shall be taken into account in determining base period research expenses for purposes of applying section 41 to subsequent taxable years.

''(d) SPECIAL RULES.—

''(1) LIMITATIONS ON FOREIGN TESTING.—No credit shall be allowed under this section with respect to any vaccine research (other than human clinical testing) conducted outside the United States.

''(2) PRE-CLINICAL RESEARCH.—No credit shall be allowed under this section for pre-clinical research unless such research is pursuant to a research plan an abstract of which has been filed with the Secretary before the beginning of such year. The Secretary, in consultation with the Secretary of Health and Human Services, shall prescribe regulations specifying the requirements for such plans and procedures for filing under this paragraph.

''(3) CERTAIN RULES MADE APPLICABLE.—Rules similar to the rules of paragraphs (1) and (2) of section 41(f) shall apply for purposes of this section.

''(4) ELECTION.—This section (other than subsection (e)) shall apply to any taxpayer for any taxable year only if such taxpayer elects to have this section apply for such taxable year.''.

(b) INCLUSION IN GENERAL BUSINESS CREDIT.—

(1) IN GENERAL.—Section 38(b), as amended by section 620, is amended by striking ''plus'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting '', plus'', and by adding at the end the following new paragraph:

''(16) the vaccine research credit determined under section 45G.''.

(2) TRANSITION RULE.—Section 39(d), as amended by section 620, is amended by adding at the end the following new paragraph:

''(12) NO CARRYBACK OF SECTION 45G CREDIT BEFORE ENACTMENT.—No portion of the unused business credit for any taxable year which is attributable to the vaccine research credit determined under section 45G may be carried back to a taxable year ending before the date of the enactment of section 45G.''.

(c) DENIAL OF DOUBLE BENEFIT.—Section 280C is amended by adding at the end the following new subsection:

''(d) CREDIT FOR QUALIFIED VACCINE RESEARCH EXPENSES.—

''(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified vaccine research expenses (as defined in section 45G(b)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 45G(a).

''(2) CERTAIN RULES TO APPLY.—Rules similar to the rules of paragraphs (2), (3), and (4) of subsection (c) shall apply for purposes of this subsection.''.

(d) DEDUCTION FOR UNUSED PORTION OF CREDIT.—Section 196(c) (defining qualified business credits) is amended by striking ''and'' at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting '', and'', and by adding at the end the following new paragraph:

''(10) the vaccine research credit determined under section 45G(a) (other than such credit determined under the rules of section 280C(d)(2)).''.

(e) TECHNICAL AMENDMENTS.—

(1) Section 1324(b)(2) of title 31, United States Code, is amended by inserting ''or from section 45G(e) of such Code,'' after ''1978,''.

(2) The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by section 620, is amended by adding at the end the following new item:

''Sec. 45G. Credit for medical research related to developing vaccines against widespread diseases.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

SEC. 812. ACCELERATION OF BENEFITS OF WAGE TAX CREDITS FOR EMPOWERMENT ZONES.

Section 113(d) of the Community Renewal Tax Relief Act of 2000 is amended by striking ''December 31, 2001'' and inserting ''the earlier of—

''(1) the date of the enactment of the Restoring Earnings To Lift Individuals and Empower Families (RELIEF) Act of 2001, or

''(2) July 1, 2001''.

SEC. 813. TREATMENT OF CERTAIN HOSPITAL SUPPORT ORGANIZATIONS AS QUALIFIED ORGANIZATIONS FOR PURPOSES OF DETERMINING ACQUISITION INDEBTEDNESS.

(a) IN GENERAL.—Subparagraph (C) of section 514(c)(9) (relating to real property acquired by a qualified organization) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting ''; or'', and by adding at the end the following new clause:

''(iv) a qualified hospital support organization (as defined in subparagraph (I)).''.

(b) QUALIFIED HOSPITAL SUPPORT ORGANIZATIONS.—Paragraph (9) of section 514(c) is amended by adding at the end the following new subparagraph:

''(I) QUALIFIED HOSPITAL SUPPORT ORGANIZATIONS.—For purposes of subparagraph (C)(iv), the term 'qualified hospital support organization' means, with respect to any eligible indebtedness (including any qualified refinancing of such eligible indebtedness), a support organization (as defined in section 509(a)(3)) which supports a hospital described in section 119(d)(4)(B) and with respect to which—

''(i) more than half of its assets (by value) at any time since its organization—

''(I) were acquired, directly or indirectly, by gift or devise, and

''(II) consisted of real property, and

''(ii) the fair market value of the organization's real estate acquired, directly or indirectly, by gift or devise, exceeded 10 percent of the fair market value of all investment assets held by the organization immediately prior to the time that the eligible indebtedness was incurred.

For purposes of this subparagraph, the term 'eligible indebtedness' means indebtedness secured by real property acquired by the organization, directly or indirectly, by gift or devise, the proceeds of which are used exclusively to acquire any leasehold interest in such real property or for improvements on, or repairs to, such real property. A determination under clauses (i) and (ii) of this subparagraph shall be made each time such an eligible indebtedness (or the qualified refinancing of such an eligible indebtedness) is incurred. For purposes of this subparagraph, a refinancing of such an eligible indebtedness shall be considered qualified if such refinancing does not exceed the amount of the refinanced eligible indebtedness immediately before the refinancing.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to indebtedness incurred after December 31, 2003.

SEC. 814. TAX-EXEMPT BOND AUTHORITY FOR TREATMENT FACILITIES REDUCING ARSENIC LEVELS IN DRINKING WATER.

(a) IN GENERAL.—Section 142(e) (relating to facilities for the furnishing of water) is amended—

(1) by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively,

(2) by striking ''For purposes'' and inserting the following:

''(1) IN GENERAL.—For purposes'', and

(3) by adding at the end the following:

''(2) FACILITIES REDUCING ARSENIC LEVELS INCLUDED.—Such term includes improvements to facilities in order to comply with the 10 parts per billion arsenic standard recommended by the National Academy of Sciences.''.

(b) FACILITIES NOT SUBJECT TO STATE CAP.—Section 146(g) (relating to exception for certain bonds) is amended—

(1) by striking ''and'' at the end of paragraph (3),

(2) by striking the period at the end of paragraph (4) and inserting '', and'', and

(3) by inserting after paragraph (4), the following new paragraph:

''(5) any exempt facility bond issued as part of an issue described in section 142(a)(4) (relating to facilities for the furnishing of water), but only to the extent the property to be financed by the net proceeds of the issue is described in section 142(e)(2).''.

(c) EXEMPT FROM AMT.—Section 57(a)(5)(C) (relating to tax-exempt interest of specified private activity bonds) is amended by adding at the end the following new clause:

''(v) EXCEPTION FOR CERTAIN WATER FACILITY BONDS.—For purposes of clause (i), the term 'private activity bond' shall not include any exempt facility bond issued as part of an issue described in section 142(a)(4) (relating to facilities for the furnishing of water), but only to the extent the property to be financed by the net proceeds of the issue is described in section 142(e)(2).''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after the date of the enactment of this Act.

SEC. 815. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAX PAYMENTS DUE IN 2011.

Notwithstanding section 6655 of the Internal Revenue Code of 1986, the amount of any required installment of any corporate estimated tax payment due under such section in July, August, or September of 2011 shall be equal to 170 percent of the amount of such installment determined without regard to this section.

SEC. 816. DISCLOSURE OF TAX INFORMATION TO FACILITATE COMBINED EMPLOYMENT TAX REPORTING.

Section 6103(d)(5) is amended to read as follows:

''(5) DISCLOSURE FOR COMBINED EMPLOYMENT TAX REPORTING.—The Secretary may disclose taxpayer identity information and signatures to any agency, body, or commission of any State for the purpose of carrying out with such agency, body, or commission a combined Federal and State employment tax reporting program approved by the Secretary. Subsections (a)(2) and (p)(4) and sections 7213 and 7213A shall not apply with respect to disclosures or inspections made pursuant to this paragraph.''.

Subtitle B—Compliance With Congressional Budget Act

SEC. 821. SUNSET OF PROVISIONS OF TITLE.

All provisions of, and amendments made by, this title which are in effect on September 30, 2011, shall cease to apply as of the close of September 30, 2011.

TITLE IX—SECTION 527 POLITICAL ORGANIZATION REPORTING REQUIREMENTS

SEC. 901. EXEMPTION FOR STATE AND LOCAL CANDIDATE COMMITTEES FROM NOTIFICATION REQUIREMENTS.

(a) EXEMPTION FROM NOTIFICATION REQUIREMENTS.—Paragraph (5) of section 527(i) (relating to organizations must notify Secretary that they are section 527 organizations) is amended by striking ''or'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', or'', and by adding at the end the following:

''(C) which is a political committee of a State or local candidate.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as if included in the amendments made by Public Law 106–230.

SEC. 902. EXEMPTION FOR CERTAIN STATE AND LOCAL POLITICAL COMMITTEES FROM REPORTING AND ANNUAL RETURN REQUIREMENTS.

(a) EXEMPTION FROM REPORTING REQUIREMENTS.—

(1) IN GENERAL.—Section 527(j)(5) (relating to coordination with other requirements) is amended by striking ''or'' at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting '', or'', and by adding at the end the following:

''(F) to any organization described in paragraph (7), but only if, during the calendar year—

''(i) such organization is required by State or local law to report, and such organization reports, information regarding each separate expenditure and contribution (including information regarding the person who makes such contribution or receives such expenditure) with respect to which information would otherwise be required to be reported under this subsection, and

''(ii) such information is made public by the agency with which such information is filed and is publicly available for inspection in a manner similar to reports under section 6104(d)(1).

An organization shall not be treated as failing to meet the requirements of subparagraph (F)(i) solely because the minimum amount of any expenditure or contribution required to be reported under State or local law is greater (but not by more than $100) than the minimum amount required under this subsection.''.

(2) DESCRIPTION OF ORGANIZATION.—Section 527(j) is amended by adding at the end the following:

''(7) CERTAIN ORGANIZATIONS.—An organization is described in this paragraph if—

''(A) such organization is not described in subparagraph (A), (B), (C), or (D) of paragraph (5),

''(B) such organization does not engage in any exempt function activities other than activities for the purpose of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any State or local public office or office in a State or local political organization, and

''(C) no candidate for Federal office or individual holding Federal office—

''(i) controls or materially participates in the direction of such organization,

''(ii) solicits any contributions to such organization, or

''(iii) directs, in whole or in part, any expenditure made by such organization.''.

(b) EXEMPTION FROM REQUIREMENTS FOR ANNUAL RETURN BASED ON GROSS RECEIPTS.—Paragraph (6) of section 6012(a) (relating to persons required to make returns of income) is amended by striking ''organization, which'' and all that follows through ''section)'' and inserting ''organization—

''(A) which has political organization taxable income (within the meaning of section 527(c)(1)) for the taxable year, or

''(B) which—

''(i) is not a political committee of a State or local candidate or an organization to which section 527 applies solely by reason of subsection (f)(1) of such section, and

''(ii) has gross receipts of—

''(I) in the case of political organization described in section 527(j)(5)(F), $100,000 or more for the taxable year, and

''(II) in the case of any other political organization, $25,000 or more for the taxable year''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the amendments made by Public Law 106–230.

SEC. 903. NOTIFICATION OF INTERACTION OF REPORTING REQUIREMENTS.

(a) IN GENERAL.—The Secretary of the Treasury, in consultation with the Federal Election Commission, shall publicize—

(1) the effect of the amendments made by this title, and

(2) the interaction of requirements to file a notification or report under section 527 of the Internal Revenue Code of 1986 and reports under the Federal Election Campaign Act of 1971.

(b) INFORMATION.—Information provided under subsection (a) shall be included in any appropriate form, instruction, notice, or other guidance issued to the public by the Secretary of the Treasury or the Federal Election Commission regarding reporting requirements of political organizations (as defined in section 527 of the Internal Revenue Code of 1986) or reporting requirements under the Federal Election Campaign Act of 1971.

SEC. 904. WAIVER OF PENALTIES.

(a) WAIVER OF FILING PENALTIES.—Section 527 is amended by adding at the end the following:

''(k) AUTHORITY TO WAIVE.—The Secretary may waive all or any portion of the—

''(1) tax assessed on an organization by reason of the failure of the organization to give notice under subsection (i), or

''(2) penalty imposed under subsection (j) for a failure to file a report,

on a showing that such failure was due to reasonable cause and not due to willful neglect.''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to any tax assessed or penalty imposed after June 30, 2000.

LEGISLATION INTRODUCED MAY 24, 2001

Due to electronic transmission difficulties, the text of several bills, resolutions, and amendments introduced or modified on May 24, 2001, were omitted from the RECORD. The text of these items follows:

S. 945

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Home-Office Deduction Simplification Act of 2001''.

SEC. 2. REPEAL OF RECOGNITION OF GAIN RULE FOR HOME OFFICE.

(a) IN GENERAL.—Subsection (d) of section 121 of the Internal Revenue Code of 1986 (relating to exclusion of gain from sale of principal residence) is amended by striking paragraph (6) and redesignating paragraphs (7) and (8) as paragraphs (6) and (7), respectively.

(b) EXCEPTION TO TREATMENT AS GAIN FROM DISPOSITION OF PRINCIPAL RESIDENCE.—Subsection (d) of section 1250 of the Internal Revenue Code of 1986 (relating to gain from dispositions of certain depreciable realty) is amended by adding at the end the following new paragraph:

''(9) HOME OFFICE.—Subsection (a) shall not apply to property described in section 280A(c)(1) which is a portion of the principal residence (within the meaning of section 121) of the taxpayer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales and exchanges occurring after December 31, 2000.

S. 948

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Community Rail Line Relocation Assistance Act of 2001''.

SEC. 2. RAIL LINE RELOCATION GRANT PROGRAM.

(a) ESTABLISHMENT.—

(1) AUTHORITY.—Chapter 2 of title 23, United States Code, is amended by inserting after section 206 the following:

''§ 207. Capital grants for rail line relocation projects

''(a) ESTABLISHMENT OF PROGRAM.—The Secretary shall carry out a grant program to provide financial assistance for local rail line relocation projects.

''(b) ELIGIBILITY.—A State is eligible for a grant under this section for any project for the improvement of the route or structure of a rail line passing through a municipality of the State that—

''(1) is carried out for the purpose of mitigating the adverse effects of rail traffic on safety, motor vehicle traffic flow, or economic development in the municipality;

''(2) involves a lateral or vertical relocation of any portion of the rail line within the municipality to avoid a closing of a grade crossing or the construction of a road underpass or overpass; and

''(3) meets the costs-benefits requirement set forth in subsection (c).

''(c) COSTS-BENEFITS REQUIREMENT.—A grant may be awarded under this section for a project for the relocation of a rail line only if the benefits of the project for the period equal to the estimated economic life of the relocated rail line exceed the costs of the project for that period, as determined by the Secretary considering the following factors:

''(1) The effects of the rail line and the rail traffic on motor vehicle and pedestrian traffic, safety, and area commerce if the rail line were not so relocated.

''(2) The effects of the rail line, relocated as proposed, on motor vehicle and pedestrian traffic, safety, and area commerce.

''(3) The effects of the rail line, relocated as proposed, on the freight and passenger rail operations on the rail line.

''(d) CONSIDERATIONS FOR APPROVAL OF GRANT APPLICATIONS.—In addition to considering the relationship of benefits to costs in determining whether to award a grant to an eligible State under this section, the Secretary shall consider the following factors:

''(1) The capability of the State to fund the rail line relocation project without Federal grant funding.

''(2) The requirement and limitation relating to allocation of grant funds provided in subsection (e).

''(3) Equitable treatment of the various regions of the United States.

''(e) ALLOCATION REQUIREMENTS.—

''(1) PROJECTS UNDER $20,000,000.—At least 50 percent of all grant funds awarded under this section out of funds appropriated for a fiscal year shall be provided for rail line relocation projects that have an estimated project cost of less than $20,000,000 each.

''(2) LIMITATION PER PROJECT.—Not more than 25 percent of the total amount available for carrying out this section for a fiscal year may be provided for any one project in that fiscal year.

''(f) FEDERAL SHARE.—The total amount of a grant awarded under this section for a rail line relocation project shall be 90 percent of the shared costs of the project, as determined under subsection (g)(4).

''(g) STATE SHARE.—

''(1) PERCENTAGE.—A State shall pay 10 percent of the shared costs of a project that is funded in part by a grant awarded under this section.

''(2) FORMS OF CONTRIBUTIONS.—The share required by paragraph (1) may be paid in cash or in kind.

''(3) IN-KIND CONTRIBUTIONS.—The in-kind contributions that are permitted to be counted under paragraph (2) for a project for a State are as follows:

''(A) A contribution of real property or tangible personal property (whether provided by the State or a person for the State).

''(B) A contribution of the services of employees of the State, calculated on the basis of costs incurred by the State for the pay and benefits of the employees, but excluding overhead and general administrative costs.

''(C) A payment of any costs that were incurred for the project before the filing of an application for a grant for the project under this section, and any in-kind contributions that were made for the project before the filing of the application, if and to the extent that the costs were incurred or in-kind contributions were made, as the case may be, to comply with a provision of a statute required to be satisfied in order to carry out the project.

''(4) COSTS NOT SHARED.—

''(A) IN GENERAL.—For the purposes of subsection (f) and this subsection, the shared costs of a project in a municipality do not include any cost that is defrayed with any funds or in-kind contribution that a source other than the municipality makes available for the use of the municipality without imposing at least one of the following conditions:

''(i) The condition that the municipality use the funds or contribution only for the project.

''(ii) The condition that the availability of the funds or contribution to the municipality is contingent on the execution of the project.

''(B) DETERMINATIONS OF THE SECRETARY.—The Secretary shall determine the amount of the costs, if any, that are not shared costs under this paragraph and the total amount of the shared costs. A determination of the Secretary shall be final.

''(h) MULTISTATE AGREEMENTS TO COMBINE AMOUNTS.—Two or more States (not including political subdivisions of States) may, pursuant to an agreement entered into by the States, combine any part of the amounts provided through grants for a project under this section if—

''(1) the project will benefit each of the States entering into the agreement; and

''(2) the agreement is not a violation of a law of any such State.

''(i) REGULATIONS.—The Secretary shall prescribe regulations for carrying out this section.

''(j) STATE DEFINED.—In this section, the term 'State' includes, except as otherwise specifically provided, a political subdivision of a State.

''(k) AUTHORIZATION OF APPROPRIATIONS.—Funds are hereby authorized to be appropriated from the general fund of the Treasury for carrying out this section for fiscal years and in amounts as follows:

''(1) For fiscal year 2001, $250,000,000.

''(2) For fiscal year 2002, $500,000,000.

''(3) For fiscal year 2003, $500,000,000.

''(4) For fiscal year 2004, $500,000,000.

''(5) For fiscal year 2005, $500,000,000.

''(6) For fiscal year 2006, $500,000,000.''.

(2) TABLE OF SECTIONS.—The table of sections at the beginning of chapter 2 of title 23, United States Code, is amended by inserting after the item relating to section 206 the following:

''207. Capital grants for rail line relocation projects.''.

(b) REGULATIONS.—

(1) INTERIM REGULATIONS.—Not later than December 31, 2001, the Secretary of Transportation shall issue temporary regulations to implement the grant program under section 207 of title 23, United States Code, as added by subsection (a). Subchapter II of chapter 5 of title 5, United States Code, shall not apply to the issuance of a temporary regulation under this paragraph or of any amendment of such a temporary regulation.

(2) FINAL REGULATIONS.—Not later than October 1, 2002, the Secretary shall issue final regulations implementing the program.

S. 949

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

SECTION 1. PERMANENT RESIDENT STATUS FOR ZHENGFU GE.

(a) IN GENERAL.—Notwithstanding subsections (a) and (b) of section 201 of the Immigration and Nationality Act, Zhenfu Ge shall be eligible for issuance of an immigrant visa or for adjustment of status to that of an alien lawfully admitted for permanent residence upon filing an application for issuance of an immigrant visa under section 204 of such Act or for adjustment of status to lawful permanent resident.

(b) ADJUSTMENT OF STATUS.—If Zhengfu Ge enters the United States before the filing deadline specified in subsection (c), she shall be considered to have entered and remained lawfully and shall, if otherwise eligible, be eligible for adjustment of status under section 245 of the Immigration and Nationality Act as of the date of enactment of this Act.

(c) DEADLINE FOR APPLICATION AND PAYMENT OF FEES.—Subsections (a) and (b) shall apply only if the application for issuance of an immigrant visa or the application for adjustment of status are filed with appropriate fees within 2 years after the date of enactment of this Act.

(d) REDUCTION OF IMMIGRANT VISA NUMBER.—Upon the granting of an immigrant visa or permanent residence to Zhenfu Ge, the Secretary of State shall instruct the proper officer to reduce by one, during the current or next following fiscal year, the total number of immigrant visas that are made available to natives of the country of the alien's birth under section 203(a) of the Immigration and Nationality Act or, if applicable, the total number of immigrant visas that are made available to natives of the country of the alien's birth under section 202(e) of such Act.

S. 950

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Federal Reformulated Fuels Act of 2001''.

SEC. 2. LEAKING UNDERGROUND STORAGE TANKS.

(a) USE OF LUST FUNDS FOR REMEDIATION OF MTBE CONTAMINATION.—Section 9003(h) of the Solid Waste Disposal Act (42 U.S.C. 6991b(h)) is amended—

(1) in paragraph (7)(A)—

(A) by striking ''paragraphs (1) and (2) of this subsection'' and inserting ''paragraphs (1), (2), and (12)''; and

(B) by inserting ''and section 9010(a)'' before ''if''; and

(2) by adding at the end the following:

''(12) REMEDIATION OF MTBE CONTAMINATION.—

''(A) IN GENERAL.—The Administrator and the States may use funds made available under section 9011(1) to carry out corrective actions with respect to a release of methyl tertiary butyl ether that presents a threat to human health, welfare, or the environment.

''(B) APPLICABLE AUTHORITY.—Subparagraph (A) shall be carried out—

''(i) in accordance with paragraph (2); and

''(ii) in the case of a State, in accordance with a cooperative agreement entered into by the Administrator and the State under paragraph (7).''.

(b) RELEASE PREVENTION AND COMPLIANCE.—Subtitle I of the Solid Waste Disposal Act (42 U.S.C. 6991 et seq.) is amended by striking section 9010 and inserting the following:

''SEC. 9010. RELEASE PREVENTION AND COMPLIANCE.

''Funds made available under section 9011(2) from the Leaking Underground Storage Tank Trust Fund may be used for conducting inspections, or for issuing orders or bringing actions under this subtitle—

''(1) by a State (pursuant to section 9003(h)(7)) acting under—

''(A) a program approved under section 9004; or

''(B) State requirements regulating underground storage tanks that are similar or identical to this subtitle; and

''(2) by the Administrator, acting under this subtitle or a State program approved under section 9004.

''SEC. 9011. AUTHORIZATION OF APPROPRIATIONS.

''In addition to amounts made available under section 2007(f), there are authorized to be appropriated from the Leaking Underground Storage Tank Trust Fund—

''(1) to carry out section 9003(h)(12), $200,000,000 for fiscal year 2002, to remain available until expended; and

''(2) to carry out section 9010—

''(A) $50,000,000 for fiscal year 2002; and

''(B) $30,000,000 for each of fiscal years 2003 through 2007.''.

(c) TECHNICAL AMENDMENTS.—

(1) Section 1001 of the Solid Waste Disposal Act (42 U.S.C. prec. 6901) is amended by striking the item relating to section 9010 and inserting the following:

''Sec. 9010. Release prevention and compliance.

''Sec. 9011. Authorization of appropriations.''.

(2) Section 9001(3)(A) of the Solid Waste Disposal Act (42 U.S.C. 6991(3)(A)) is amended by striking ''sustances'' and inserting ''substances''.

(3) Section 9003(f)(1) of the Solid Waste Disposal Act (42 U.S.C. 6991b(f)(1)) is amended by striking ''subsection (c) and (d) of this section'' and inserting ''subsections (c) and (d)''.

(4) Section 9004(a) of the Solid Waste Disposal Act (42 U.S.C. 6991c(a)) is amended in the second sentence by striking ''referred to'' and all that follows and inserting ''referred to in subparagraph (A) or (B), or both, of section 9001(2).''.

(5) Section 9005 of the Solid Waste Disposal Act (42 U.S.C. 6991d) is amended—

(A) in subsection (a), by striking ''study taking'' and inserting ''study, taking'';

(B) in subsection (b)(1), by striking ''relevent'' and inserting ''relevant''; and

(C) in subsection (b)(4), by striking ''Evironmental'' and inserting ''Environmental''.

SEC. 3. AUTHORITY FOR WATER QUALITY PROTECTION FROM FUELS.

(a) IN GENERAL.—Section 211(c) of the Clean Air Act (42 U.S.C. 7545(c)) is amended—

(1) in paragraph (1)(A)—

(A) by inserting ''fuel or fuel additive or'' after ''Administrator any''; and

(B) by striking ''air pollution which'' and inserting ''air pollution, or water pollution, that'';

(2) in paragraph (4)(B), by inserting ''or water quality protection,'' after ''emission control,''; and

(3) by adding at the end the following:

''(5) BAN ON THE USE OF MTBE.—Not later than 4 years after the date of enactment of this paragraph, the Administrator shall ban use of methyl tertiary butyl ether in motor vehicle fuel.''.

(b) NO EFFECT ON LAW REGARDING STATE AUTHORITY.—The amendments made by subsection (a) have no effect on the law in effect on the day before the date of enactment of this Act regarding the authority of States to limit the use of methyl tertiary butyl ether in gasoline.

SEC. 4. WAIVER OF OXYGEN CONTENT REQUIREMENT FOR REFORMULATED GASOLINE.

Section 211(k)(1) of the Clean Air Act (42 U.S.C. 7545(k)(1)) is amended—

(1) by striking ''Within 1 year after the enactment of the Clean Air Act Amendments of 1990,'' and inserting the following:

''(A) IN GENERAL.—Not later than November 15, 1991,''; and

(2) by adding at the end the following:

''(B) WAIVER OF OXYGEN CONTENT REQUIREMENT.—

''(i) AUTHORITY OF THE GOVERNOR.—

''(I) IN GENERAL.—Notwithstanding any other provision of this subsection, a Governor of a State, upon notification by the Governor to the Administrator during the 90-day period beginning on the date of enactment of this subparagraph, or during the 90-day period beginning on the date on which an area in the State becomes a covered area by operation of the second sentence of paragraph (11)(D), may waive the application of paragraphs (2)(B) and (3)(A)(v) to gasoline sold or dispensed in the State.

''(II) OPT-IN AREAS.—A Governor of a State that submits an application under paragraph (6) may, as part of that application, waive the application of paragraphs (2)(B) and (3)(A)(v) to gasoline sold or dispensed in the State.

''(ii) TREATMENT AS REFORMULATED GASOLINE.—In the case of a State for which the Governor invokes the waiver described in clause (i), gasoline that complies with all provisions of this subsection other than paragraphs (2)(B) and (3)(A)(v) shall be considered to be reformulated gasoline for the purposes of this subsection.

''(iii) EFFECTIVE DATE OF WAIVER.—A waiver under clause (i) shall take effect on the earlier of—

''(I) the date on which the performance standards under subparagraph (C) take effect; or

''(II) the date that is 270 days after the date of enactment of this subparagraph.

''(C) MAINTENANCE OF TOXIC AIR POLLUTANT EMISSION REDUCTIONS.—

''(i) IN GENERAL.—As soon as practicable after the date of enactment of this subparagraph, the Administrator shall—

''(I) promulgate regulations consistent with subparagraph (A) and paragraph (3)(B)(ii) to ensure that reductions of toxic air pollutant emissions achieved under the reformulated gasoline program under this section before the date of enactment of this subparagraph are maintained in States for which the Governor waives the oxygenate requirement under subparagraph (B)(i); or

''(II) determine that the requirement described in clause (iv)—

''(aa) is consistent with the bases for performance standards described in clause (ii); and

''(bb) shall be deemed to be the performance standards under clause (ii) and shall be applied in accordance with clause (iii).

''(ii) PADD PERFORMANCE STANDARDS.—The Administrator, in regulations promulgated under clause (i)(I), shall establish annual average performance standards for each Petroleum Administration for Defense District (referred to in this subparagraph as a 'PADD') based on—

''(I) the average of the annual aggregate reductions in emissions of toxic air pollutants achieved under the reformulated gasoline program in each PADD during calendar years 1999 and 2000, determined on the basis of the 1999 and 2000 Reformulated Gasoline Survey Data, as collected by the Administrator; and

''(II) such other information as the Administrator determines to be appropriate.

''(iii) APPLICABILITY.—

''(I) IN GENERAL.—The performance standards under this subparagraph shall be applied on an annual average importer or refinery-by-refinery basis to reformulated gasoline that is sold or introduced into commerce in a State for which the Governor waives the oxygenate requirement under subparagraph (B)(i).

''(II) MORE STRINGENT REQUIREMENTS.—The performance standards under this subparagraph shall not apply to the extent that any requirement under section 202(l) is more stringent than the performance standards.

''(III) STATE STANDARDS.—The performance standards under this subparagraph shall not

apply in any State that has received a waiver under section 209(b).

''(IV) CREDIT PROGRAM.—The Administrator shall provide for the granting of credits for exceeding the performance standards under this subparagraph in the same manner as provided in paragraph (7).

''(iv) STATUTORY PERFORMANCE STANDARDS.—

''(I) IN GENERAL.—Subject to subclause (IV), if the regulations under clause (i)(I) have not been promulgated by the date that is 270 days after the date of enactment of this subparagraph, the requirement described in subclause (III) shall be deemed to be the performance standards under clause (ii) and shall be applied in accordance with clause (iii).

''(II) PUBLICATION IN FEDERAL REGISTER.—Not later than 30 days after the date of enactment of this subparagraph, the Administrator shall publish in the Federal Register, for each PADD, the percentage equal to the average of the annual aggregate reductions in the PADD described in clause (ii)(I).

''(III) TOXIC AIR POLLUTANT EMISSIONS.—The annual aggregate emissions of toxic air pollutants from baseline vehicles when using reformulated gasoline in each PADD shall be not greater than—

''(aa) the aggregate emissions of toxic air pollutants from baseline vehicles when using baseline gasoline in the PADD; reduced by

''(bb) the quantity obtained by multiplying the aggregate emissions described in item (aa) for the PADD by the percentage published under subclause (II) for the PADD.

''(IV) SUBSEQUENT REGULATIONS.—Through promulgation of regulations under clause (i)(I), the Administrator may modify the performance standards established under subclause (I) to require each PADD to achieve a greater percentage reduction than the percentage published under subclause (II) for the PADD.''.

SEC. 5. PUBLIC HEALTH AND ENVIRONMENTAL IMPACTS OF FUELS AND FUEL ADDITIVES.

Section 211(b) of the Clean Air Act (42 U.S.C. 7545(b)) is amended—

(1) in paragraph (2)—

(A) by striking ''may also'' and inserting ''shall, on a regular basis,''; and

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

''(A) to conduct tests to determine potential public health and environmental effects of the fuel or additive (including carcinogenic, teratogenic, or mutagenic effects); and''; and

(2) by adding at the end the following:

''(4) ETHYL TERTIARY BUTYL ETHER.—

''(A) IN GENERAL.—Not later than 2 years after the date of enactment of this paragraph, the Administrator shall—

''(i) conduct a study on the effects on public health, air quality, and water resources of increased use of, and the feasibility of using as substitutes for methyl tertiary butyl ether in gasoline—

''(I) ethyl tertiary butyl ether; and

''(II) other ethers, as determined by the Administrator; and

''(ii) submit to the Committee on Energy and Commerce of the House of Representatives and the Committee on Environment and Public Works of the Senate a report describing the results of the study.

''(B) CONTRACTS FOR STUDY.—In carrying out this paragraph, the Administrator may enter into 1 or more contracts with nongovernmental entities.''.

SEC. 6. ANALYSES OF MOTOR VEHICLE FUEL CHANGES.

Section 211 of the Clean Air Act (42 U.S.C. 7545) is amended—

(1) by redesignating subsection (o) as subsection (p); and

(2) by inserting after subsection (n) the following:

''(o) ANALYSES OF MOTOR VEHICLE FUEL CHANGES AND EMISSIONS MODEL.—

''(1) ANTI-BACKSLIDING ANALYSIS.—

''(A) DRAFT ANALYSIS.—Not later than 4 years after the date of enactment of this subsection, the Administrator shall publish for public comment a draft analysis of the changes in emissions of air pollutants and air quality due to the use of motor vehicle fuel and fuel additives resulting from implementation of the amendments made by the Federal Reformulated Fuels Act of 2001.

''(B) FINAL ANALYSIS.—After providing a reasonable opportunity for comment but not later than 5 years after the date of enactment of this subsection, the Administrator shall publish the analysis in final form.

''(2) EMISSIONS MODEL.—For the purposes of this subsection, as soon as the necessary data are available, the Administrator shall develop and finalize an emissions model that reasonably reflects the effects of fuel characteristics or components on emissions from vehicles in the motor vehicle fleet during calendar year 2005.''.

SEC. 7. ELIMINATION OF ETHANOL WAIVER.

Section 211(h) of the Clean Air Act (42 U.S.C. 7545(h)) is amended—

(1) by striking paragraph (4); and

(2) by redesignating paragraph (5) as paragraph (4).

SEC. 8. ADDITIONAL OPT-IN AREAS UNDER REFORMULATED GASOLINE PROGRAM.

Section 211(k)(6) of the Clean Air Act (42 U.S.C. 7545(k)(6)) is amended—

(1) by striking ''(6) OPT-IN AREAS.—(A) Upon'' and inserting the following:

''(6) OPT-IN AREAS.—

''(A) CLASSIFIED AREAS.—

''(i) IN GENERAL.—Upon'';

(2) in subparagraph (B), by striking ''(B) If'' and inserting the following:

''(ii) EFFECT OF INSUFFICIENT DOMESTIC CAPACITY TO PRODUCE REFORMULATED GASOLINE.—If'';

(3) in subparagraph (A)(ii) (as so redesignated)—

(A) in the first sentence, by striking ''subparagraph (A)'' and inserting ''clause (i)''; and

(B) in the second sentence, by striking ''this paragraph'' and inserting ''this subparagraph''; and

(4) by adding at the end the following:

''(B) NONCLASSIFIED AREAS.—

''(i) IN GENERAL.—In accordance with section 110, a State may submit to the Administrator, and the Administrator may approve, a State implementation plan revision that provides for application of the prohibition specified in paragraph (5) in any portion of the State that is not a covered area or an area referred to in subparagraph (A)(i).

''(ii) PERIOD OF EFFECTIVENESS.—Under clause (i), the State implementation plan shall establish a period of effectiveness for applying the prohibition specified in paragraph (5) to a portion of a State that—

''(I) commences not later than 1 year after the date of approval by the Administrator of the State implementation plan; and

''(II) ends not earlier than 4 years after the date of commencement under subclause (I).''.

SEC. 9. MTBE MERCHANT PRODUCER CONVERSION ASSISTANCE.

Section 211(c) of the Clean Air Act (42 U.S.C. 7545(c)) (as amended by section 3(a)(3)) is amended by adding at the end the following:

''(6) MTBE MERCHANT PRODUCER CONVERSION ASSISTANCE.—

''(A) IN GENERAL.—The Administrator may make grants to merchant producers of methyl tertiary butyl ether in the United States to assist the producers in the conversion of eligible production facilities described in subparagraph (B) to the production of other fuel additives that—

''(i) will be consumed in nonattainment areas;

''(ii) will assist the nonattainment areas in achieving attainment with a national primary ambient air quality standard;

''(iii) will not degrade air quality or surface or ground water quality or resources; and

''(iv) have been registered and tested in accordance with the requirements of this section.

''(B) ELIGIBLE PRODUCTION FACILITIES.—A production facility shall be eligible to receive a grant under this paragraph if the production facility—

''(i) is located in the United States; and

''(ii) produced methyl tertiary butyl ether for consumption in nonattainment areas during the period—

''(I) beginning on the date of enactment of this paragraph; and

''(II) ending on the effective date of the ban on the use of methyl tertiary butyl ether under paragraph (5).

''(C) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this paragraph $250,000,000 for each of fiscal years 2002 through 2004.''.

S. 952

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Public Safety Employer-Employee Cooperation Act of 2001''.

SEC. 2. DECLARATION OF PURPOSE AND POLICY.

The Congress declares that the following is the policy of the United States:

(1) Labor-management relationships and partnerships are based on trust, mutual respect, open communication, bilateral consensual problem solving, and shared accountability. Labor-management cooperation fully utilizes the strengths of both parties to best serve the interests of the public, operating as a team, to carry out the public safety mission in a quality work environment. In many public safety agencies it is the union that provides the institutional stability as elected leaders and appointees come and go.

(2) The Federal Government needs to encourage conciliation, mediation, and voluntary arbitration to aid and encourage employers and their employees to reach and maintain agreements concerning rates of pay, hours, and working conditions, and to make all reasonable efforts through negotiations to settle their differences by mutual agreement reached through collective bargaining or by such methods as may be provided for in any applicable agreement for the settlement of disputes.

(3) The absence of adequate cooperation between public safety employers and employees has implications for the security of employees and can affect interstate and intrastate commerce. The lack of such labor-management cooperation can detrimentally impact the upgrading of police and fire services of local communities, the health and well-being of public safety officers, and the morale of the fire and police departments. Additionally, these factors could have significant commercial repercussions. Moreover, providing minimal standards for collective bargaining negotiations in the public safety sector can prevent industrial strife between labor and management that interferes with the normal flow of commerce.

SEC. 3. DEFINITIONS.

In this Act:

(1) AUTHORITY.—The term ''Authority'' means the Federal Labor Relations Authority.

(2) EMERGENCY MEDICAL SERVICES PERSONNEL.—The term ''emergency medical services personnel'' means an individual who provides out-of-hospital emergency medical care, including an emergency medical technician, paramedic, or first responder.

(3) EMPLOYER; PUBLIC SAFETY AGENCY.—The terms ''employer'' and ''public safety agency'' mean any State, political subdivision of a State, the District of Columbia, or any territory or possession of the United States that employs public safety officers.

(4) FIREFIGHTER.—The term ''firefighter'' has the meaning given the term ''employee engaged in fire protection activities'' in section 3(y) of the Fair Labor Standards Act (29 U.S.C.203(y)).

(5) LABOR ORGANIZATION.—The term ''labor organization'' means an organization composed in whole or in part of employees, in which employees participate, and which represents such employees before public safety agencies concerning grievances, conditions of employment and related matters.

(6) LAW ENFORCEMENT OFFICER.—The term ''law enforcement officer'' has the meaning given such term in section 1204(5) of the Omnibus Crime Control and Safe Streets Act of 1968 (42 U.S.C. 3796b(5)).

(7) MANAGEMENT AUTHORITY.—The term ''management employee'' has the meaning given such term under applicable State law in effect on the date of enactment of this Act. If no such State law is in effect, the term means an individual employed by a public safety employer in a position that requires or authorizes the individual to formulate, determine, or influence the policies of the employer.

(8) PUBLIC SAFETY OFFICER.—The term ''public safety officer''—

(A) means an employee of a public safety agency who is a law enforcement officer, a firefighter, or an emergency medical services personnel;

(B) includes an individual who is temporarily transferred to a supervisory or management position; and

(C) does not include a permanent supervisory or management employee.

(9) SUBSTANTIALLY PROVIDES.—The term ''substantially provides'' means compliance with the essential requirements of this Act, specifically, the right to form and join a labor organization, the right to bargain over wages, hours and conditions of employment, the right to sign an enforceable contract, and availability of some form of mechanism to break an impasse, such as arbitration, mediation, or fact finding.

(10) SUPERVISORY EMPLOYEE.—The term ''supervisory employee'' has the meaning given such term under applicable State law in effect on the date of enactment of this Act. If no such State law is in effect, the term means an individual, employed by a public safety employer, who—

(A) has the authority in the interest of the employer to hire, direct, assign, promote, reward, transfer, furlough, lay off, recall, suspend, discipline, or remove public safety officers, to adjust their grievances, or to effectively recommend such action, if the exercise of the authority is not merely routine or clerical in nature but requires the consistent exercise of independent judgment; and

(B) devotes a majority of time at work exercising such authority.

SEC. 4. DETERMINATION OF RIGHTS AND RESPONSIBILITIES.

(a) DETERMINATION.—

(1) IN GENERAL.—Not later than 180 days after the date of enactment of this Act, the Authority shall make a determination as to whether a State substantially provides for the rights and responsibilities described in subsection (b).

(2) SUBSEQUENT DETERMINATIONS.—

(A) IN GENERAL.—A determination made pursuant to paragraph (1) shall remain in effect unless and until the Authority issues a subsequent determination, in accordance with the procedures set forth in subparagraph (B).

(B) PROCEDURES FOR SUBSEQUENT DETERMINATIONS.—Upon establishing that a material change in State law or its interpretation has occurred, an employer or a labor organization may submit a written request for a subsequent determination. If satisfied that a material change in State law or its interpretation has occurred, the Director shall issue a subsequent determination not later than 30 days after receipt of such request.

(3) JUDICIAL REVIEW.—Any State, political subdivision of a State, or person aggrieved by a determination of the Authority under this section may, during the 60 day period beginning on the date on which the determination was made, petition any United States Court of Appeals in the circuit in which the person resides or transacts business or in the District of Columbia circuit, for judicial review. In any judicial review of a determination by the Authority, the procedures contained in subsections (c) and (d) of section 7123 of title 5, United States Code, shall be followed, except that any final determination of the Authority with respect to questions of fact or law shall be found to be conclusive unless the court determines that the Authority's decision was arbitrary and capricious.

(b) RIGHTS AND RESPONSIBILITIES.—In making a determination described in subsection (a), the Authority shall consider whether State law provides rights and responsibilities comparable to or greater than the following:

(1) Granting public safety officers the right to form and join a labor organization, which may exclude management and supervisory employees, that is, or seeks to be, recognized as the exclusive bargaining representative of such employees.

(2) Requiring public safety employers to recognize the employees' labor organization (freely chosen by a majority of the employees), to agree to bargain with the labor organization, and to commit any agreements to writing in a contract or memorandum of understanding.

(3) Permitting bargaining over hours, wages, and terms and conditions of employment.

(4) Requiring an interest impasse resolution mechanism, such as fact-finding, mediation, arbitration or comparable procedures.

(5) Requiring enforcement through State courts of—

(A) all rights, responsibilities, and protections provided by State law and enumerated in this section; and

(B) any written contract or memorandum of understanding.

(c) FAILURE TO MEET REQUIREMENTS.—If the Authority determines, acting pursuant to its authority under subsection (a), that a State does not substantially provide for the rights and responsibilities described in subsection (b), such State shall be subject to the regulations and procedures described in section 5.

SEC. 5. ROLE OF FEDERAL LABOR RELATIONS AUTHORITY.

(a) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Authority shall issue regulations in accordance with the rights and responsibilities described in section 4(b) establishing collective bargaining procedures for public safety employers and officers in States which the Authority has determined, acting pursuant to its authority under section 4(a), do not substantially provide for such rights and responsibilities.

(b) ROLE OF THE FEDERAL LABOR RELATIONS AUTHORITY.—The Authority, to the extent provided in this Act and in accordance with regulations prescribed by the Authority, shall—

(1) determine the appropriateness of units for labor organization representation;

(2) supervise or conduct elections to determine whether a labor organization has been selected as an exclusive representative by a majority of the employees in an appropriate unit;

(3) resolve issues relating to the duty to bargain in good faith;

(4) conduct hearings and resolve complaints of unfair labor practices;

(5) resolve exceptions to the awards of arbitrators; and

(6) take such other actions as are necessary and appropriate to effectively administer this Act, including issuing subpoenas requiring the attendance and testimony of witnesses and the production of documentary or other evidence from any place in the United States, and administering oaths, taking or ordering the taking of depositions, ordering responses to written interrogatories, and receiving and examining witnesses.

(c) ENFORCEMENT.—

(1) AUTHORITY TO PETITION COURT.—The Authority may petition any United States Court of Appeals with jurisdiction over the parties, or the United States Court of Appeals for the District of Columbia Circuit, to enforce any final orders under this section, and for appropriate temporary relief or a restraining order. Any petition under this section shall be conducted in accordance with subsections (c) and (d) of section 7123 of title 5, United States Code, except that any final order of the Authority with respect to questions of fact or law shall be found to be conclusive unless the court determines that the Authority's decision was arbitrary and capricious.

(2) PRIVATE RIGHT OF ACTION.—Unless the Authority has filed a petition for enforcement as provided in paragraph (1), any party has the right to file suit in a State court of competent jurisdiction to enforce compliance with the regulations issued by the Authority pursuant to subsection (b), and to enforce compliance with any order issued by the Authority pursuant to this section. The right provided by this subsection to bring a suit to enforce compliance with any order issued by the Authority pursuant to this section shall terminate upon the filing of a petition seeking the same relief by the Authority.

SEC. 6. STRIKES AND LOCKOUTS PROHIBITED.

A public safety employer, officer, or labor organization may not engage in a lockout, sickout, work slowdown, or strike or engage in any other action that is designed to compel an employer, officer, or labor organization to agree to the terms of a proposed contract and that will measurably disrupt the delivery of emergency services, except that it shall not be a violation of this section for an employer, officer, or labor organization to refuse to provide services not required by the terms and conditions of an existing contract.

SEC. 7. EXISTING COLLECTIVE BARGAINING UNITS AND AGREEMENTS.

A certification, recognition, election-held, collective bargaining agreement or memorandum of understanding which has been issued, approved, or ratified by any public employee relations board or commission or by any State or political subdivision or its agents (management officials) in effect on the day before the date of enactment of this Act shall not be invalidated by the enactment of this Act.

SEC. 8. CONSTRUCTION AND COMPLIANCE.

(a) CONSTRUCTION.—Nothing in this Act shall be construed—

(1) to invalidate or limit the remedies, rights, and procedures of any law of any State or political subdivision of any State or jurisdiction that provides collective bargaining rights for public safety officers that are equal to or greater than the rights provided under this Act; or

(2) to prevent a State from prohibiting bargaining over issues which are traditional and customary management functions, except as provided in section 4(b)(3).

(b) COMPLIANCE.—No State shall preempt laws or ordinances of any of its political subdivisions if such laws provide collective bargaining rights for public safety officers that are equal to or greater than the rights provided under this Act.

SEC. 9. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act.

S. 958

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Western Shoshone Claims Distribution Act''.

SEC. 2. DISTRIBUTION OF DOCKET 326–K FUNDS.

The funds appropriated in satisfaction of the judgment award granted to the Western Shoshone Indians in Docket Number 326–K before the Indian Claims Commission, including all earned interest, shall be distributed as follows:

(1) The Secretary shall establish a Western Shoshone Judgment Roll consisting of all Western Shoshones who—

(A) have at least ¼ degree of Western Shoshone Blood;

(B) are citizens of the United States; and

(C) are living on the date of enactment of this Act.

(2) Any individual determined or certified as eligible by the Secretary to receive a per capita payment from any other judgment fund awarded by the Indian Claims Commission, the United States Claims Court, or the United States Court of Federal Claims, that was appropriated on or before the date of enactment of this Act, shall not be eligible for enrollment under this Act.

(3) The Secretary shall publish in the Federal Register rules and regulations governing the establishment of the Western Shoshone Judgment Roll and shall utilize any documents acceptable to the Secretary in establishing proof of eligibility. The Secretary's determination on all applications for enrollment under this paragraph shall be final.

(4) Upon completing the Western Shoshone Judgment Roll under paragraph (1), the Secretary shall make a per capita distribution of 100 percent of the funds described in this section, in a sum as equal as possible, to each person listed on the Roll.

(5)(A) With respect to the distribution of funds under this section, the per capita shares of living competent adults who have reached the age of 19 years on the date of the distribution provided for under paragraph (4), shall be paid directly to them.

(B) The per capita shares of deceased individuals shall be distributed to their heirs and legatees in accordance with regulations prescribed by the Secretary.

(C) The shares of legally incompetent individuals shall be administered pursuant to regulations and procedures established by the Secretary under section 3(b)(3) of Public Law 93-134 (25 U.S.C. 1403(b)(3)).

(D) The shares of minors and individuals who are under the age of 19 years on the date of the distribution provided for under paragraph (4) shall be held by the Secretary in supervised individual Indian money accounts. The funds from such accounts shall be disbursed over a period of 4 years in payments equaling 25 percent of the principal, plus the interest earned on that portion of the per capita share. The first payment shall be disbursed to individuals who have reached the age of 18 years if such individuals are deemed legally competent. Subsequent payments shall be disbursed within 90 days of the individual's following 3 birthdays.

(6) All funds distributed under this Act are subject to the provisions of section 7 of Public Law 93-134 (25 U.S.C. 1407).

(7) All per capita shares belonging to living competent adults certified as eligible to share in the judgment fund distribution under this section, and the interest earned on those shares, that remain unpaid for a period of 6-years shall be added to the principal funds that are held and invested in accordance with section 3, except that in the case of a minor, such 6-year period shall not begin to run until the minor reaches the age of majority.

(8) Any other residual principal and interest funds remaining after the distribution under paragraph (4) is complete shall be added to the principal funds that are held and invested in accordance with section 3.

(9) Receipt of a share of the judgment funds under this section shall not be construed as a waiver of any existing treaty rights pursuant to the ''1863 Treaty of Ruby Valley'', inclusive of all Articles I through VIII, and shall not prevent any Western Shoshone Tribe or Band or individual Shoshone Indian from pursuing other rights guaranteed by law.

SEC. 3. DISTRIBUTION OF DOCKETS 326–A–1 AND 326–A–3.

The funds appropriated in satisfaction of the judgment awards granted to the Western Shoshone Indians in Docket Numbers 326–A–1 and 326–A–3 before the United States Court of Claims, and the funds referred to under paragraphs (7) and (8) of section 2, together with all earned interest, shall be distributed as follows:

(1)(A) Not later than 120 days after the date of enactment of this Act, the Secretary shall establish in the Treasury of the United States a trust fund to be known as the ''Western Shoshone Educational Trust Fund'' for the benefit of the Western Shoshone members. There shall be credited to the Trust Fund the funds described in the matter preceding this paragraph.

(B) The principal in the Trust Fund shall not be expended or disbursed. The Trust Fund shall be invested as provided for in section 1 of the Act of June 24, 1938 (25 U.S.C. 162a).

(C)(i) All accumulated and future interest and income from the Trust Fund shall be distributed, subject to clause (ii)—

(I) as educational grants and as other forms of educational assistance determined appropriate by the Administrative Committee established under paragraph (2) to individual Western Shoshone members as required under this Act; and

(II) to pay the reasonable and necessary expenses of such Administrative Committee (as defined in the written rules and procedures of such Committee).

(ii) Funds shall not be distributed under this paragraph on a per capita basis.

(2)(A) An Administrative Committee to oversee the distribution of the educational grants and assistance authorized under paragraph (1)(C) shall be established as provided for in this paragraph.

(B) The Administrative Committee shall consist of 1 representative from each of the following organizations:

(i) The Western Shoshone Te-Moak Tribe.

(ii) The Duckwater Shoshone Tribe.

(iii) The Yomba Shoshone Tribe.

(iv) The Ely Shoshone Tribe.

(v) The Western Shoshone Business Council of the Duck Valley Reservation.

(vi) The Fallon Band of Western Shoshone.

(vii) The at large community.

(C) Each member of the Committee shall serve for a term of 4 years. If a vacancy remains unfilled in the membership of the Committee for a period in excess of 60 days, the Committee shall appoint a replacement from among qualified members of the organization for which the replacement is being made and such member shall serve until the organization to be represented designates a replacement.

(D) The Secretary shall consult with the Committee on the management and investment of the funds subject to distribution under this section.

(E) The Committee shall have the authority to disburse the accumulated interest fund under this Act in accordance with the terms of this Act. The Committee shall be responsible for ensuring that the funds provided through grants and assistance under paragraph (1)(C) are utilized in a manner consistent with the terms of this Act. In accordance with paragraph (1)(C)(i)(II), the Committee may use a portion of the interest funds to pay all of the reasonable and necessary expenses of the Committee, including per diem rates for attendance at meetings that are the same as those paid to Federal employees in the same geographic location.

(F) The Committee shall develop written rules and procedures that include such matters as operating procedures, rules of conduct, eligibility criteria for receipt of educational grants or assistance (such criteria to be consistent with this Act), application selection procedures, appeal procedures, fund disbursement procedures, and fund recoupment procedures. Such rules and procedures shall be subject to the approval of the Secretary. A portion of the interest funds in the Trust Fund, not to exceed $100,000, may be used by the Committee to pay the expenses associated with developing such rules and procedures. At the discretion of the Committee, and with the approval of the appropriate tribal governing body, jurisdiction to hear appeals of the Committee's decisions may be exercised by a tribal court, or a court of Indian offenses operated under section 11 of title 25, Code of Federal Regulations.

(G) The Committee shall employ an independent certified public accountant to prepare an annual financial statement that includes the operating expenses of the Committee and the total amount of educational grants or assistance disbursed for the fiscal year for which the statement is being prepared under this section. The Committee shall compile a list of names of all individuals approved to receive such grants or assistance during such fiscal year. The financial statement and the list shall be distributed to each organization represented on the Committee and the Secretary and copies shall be made available to the Western Shoshone members upon request.

SEC. 4. DEFINITIONS

In this Act:

(1) ADMINISTRATIVE COMMITTEE; COMMITTEE.—The terms ''Administrative Committee'' and ''Committee'' mean the Administrative Committee established under section 3(2).

(2) SECRETARY.—The term ''Secretary'' means the Secretary of the Interior.

(3) TRUST FUND.—The term ''Trust Fund'' means the Western Shoshone Educational Trust Fund established under section 3(1).

(4) WESTERN SHOSHONE MEMBERS.—The term ''Western Shoshone members'' means an individual who appears on the Western Shoshone Judgment Roll established under section 2(1), or an individual who is the lineal descendant of an individual appearing on the roll, and who—

(A) satisfies all eligibility criteria established by the Administrative Committee under section 3(F);

(B) fulfills all application requirements established by the Committee; and

(C) agrees to utilize funds distributed in accordance with section 3(1)(C)(i)(I) in a manner approved by the Committee for educational purposes.

SEC. 5. REGULATIONS.

The Secretary may promulgate such regulations as are necessary to carry out this Act.

S. 959

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Montana Rural Aviation Improvement Act''.

SEC. 2. MONTANA RURAL AVIATION IMPROVEMENT.

(a) IN GENERAL.—Section 40113 of title 49, United States Code, is amended by adding at the end the following:

''(g) APPLICATION OF CERTAIN REGULATIONS TO MONTANA.—In amending title 14, Code of Federal Regulations, in a manner affecting intrastate aviation in Montana, the Administrator of the Federal Aviation Administration shall consider the impact of severe weather conditions on Montana's aviation public and shall, on the basis of such considerations, establish regulatory distinctions consistent with those applied to the State of Alaska for mike-in-hand weather observation.''.

(b) IMPROVED AVAILABILITY OF INFORMATION ON WEATHER OBSERVATIONS.—

(1) FINDING.—Congress finds that the on-site certified weather observation programs at Service Level D sites in Montana are part of the essential air services in Montana and are frequently used by pilots of aircraft under emergency circumstances.

(2) MIKE-IN-HAND WEATHER OBSERVATION.—

(A) REQUIREMENT.—On-site weather observers at sites referred to in paragraph (1) shall use a mike-in-hand weather observation and reporting technique to correct and supplement weather information derived from Automated Surface Observation Sensors (ASOS) at the sites.

(B) MIKE-IN-HAND TECHNIQUE.—For the purposes of this paragraph, a mike-in-hand weather observation and reporting technique is a routine practice by which a weather observer uses radio communication to report information on weather observations directly to a pilot requesting the information, thereby ensuring that the pilot has nearly real-time access to the information.

(C) PERSONNEL TO WHICH APPLICABLE.—This paragraph applies to—

(i) on-site weather observers who are Federal Aviation Administration employees, National Weather Service employees, other Federal Government employees, or State employees; and

(ii) persons providing on-site weather observation services on a full-time or part-time basis under a contract for such services entered into by an official of the Federal Government, an official of the Government of Montana, or an official of a political subdivision of Montana.

S. 960

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Medicare Medical Nutrition Therapy Amendment Act of 2001''.

SEC. 2. COVERAGE OF MEDICAL NUTRITION THERAPY SERVICES FOR BENEFICIARIES WITH CARDIOVASCULAR DISEASES.

(a) IN GENERAL.—Section 1861(s)(2)(V) of the Social Security Act (42 U.S.C. 1395x(s)(2)(V)), as added by subsection (a) of section 105 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (114 Stat. 2763A–471), as enacted into law by section 1(a)(6) of Public Law 106–554, is amended to read as follows:

''(V) medical nutrition therapy services (as defined in subsection (vv)(1)) in the case of a beneficiary—

''(i) with a cardiovascular disease (including congestive heart failure, arteriosclerosis, hyperlipidemia, hypertension, and hypercholesterolemia), diabetes, or a renal disease (or a combination of such conditions) who—

''(I) has not received diabetes outpatient self-management training services within a time period determined by the Secretary;

''(II) is not receiving maintenance dialysis for which payment is made under section 1881; and

''(III) meets such other criteria determined by the Secretary after consideration of protocols established by dietitian or nutrition professional organizations; or

''(ii) with a combination of such conditions who—

''(I) is not described in clause (i) because of the application of subclause (I) or (II) of such clause;

''(II) receives such medical nutrition therapy services in a coordinated manner (as determined appropriate by the Secretary) with any services described in such subclauses that the beneficiary is receiving; and

''(III) meets such other criteria determined by the Secretary after consideration of protocols established by dietitian or nutrition professional organizations;''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect as if included in the enactment of such section 105.

S. 962

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Government Neutrality in Contracting Act''.

SEC. 2. PURPOSES.

It is the purpose of this Act to—

(1) promote and ensure open competition on Federal and federally funded or assisted construction projects;

(2) maintain Federal Government neutrality towards the labor relations of Federal Government contractors on Federal and federally funded or assisted construction projects;

(3) reduce construction costs to the Federal Government and to the taxpayers;

(4) expand job opportunities, especially for small and disadvantaged businesses; and

(5) prevent discrimination against Federal Government contractors or their employees based upon labor affiliation or the lack thereof, thereby promoting the economical, nondiscriminatory, and efficient administration and completion of Federal and federally funded or assisted construction projects.

SEC. 3. PRESERVATION OF OPEN COMPETITION AND FEDERAL GOVERNMENT NEUTRALITY.

(a) PROHIBITION.—

(1) GENERAL RULE.—The head of each executive agency that awards any construction contract after the date of enactment of this Act, or that obligates funds pursuant to such a contract, shall ensure that the agency, and any construction manager acting on behalf of the Federal Government with respect to such contract, in its bid specifications, project agreements, or other controlling documents does not—

(A) require or prohibit a bidder, offeror, contractor, or subcontractor from entering into, or adhering to, agreements with 1 or more labor organization, with respect to that construction project or another related construction project; or

(B) otherwise discriminate against a bidder, offeror, contractor, or subcontractor because such bidder, offeror, contractor, or subcontractor—

(i) became a signatory, or otherwise adhered to, an agreement with 1 or more labor organization with respect to that construction project or another related construction project; or

(ii) refused to become a signatory, or otherwise adhere to, an agreement with 1 or more labor organization with respect to that construction project or another related construction project.

(2) APPLICATION OF PROHIBITION.—The provisions of this section shall not apply to contracts awarded prior to the date of enactment of this Act, and subcontracts awarded pursuant to such contracts regardless of the date of such subcontracts.

(3) RULE OF CONSTRUCTION.—Nothing in paragraph (1) shall be construed to prohibit a contractor or subcontractor from voluntarily entering into an agreement described in such paragraph.

(b) RECIPIENTS OF GRANTS AND OTHER ASSISTANCE.—The head of each executive agency that awards grants, provides financial assistance, or enters into cooperative agreements for construction projects after the date of enactment of this Act, shall ensure that—

(1) the bid specifications, project agreements, or other controlling documents for such construction projects of a recipient of a grant or financial assistance, or by the parties to a cooperative agreement, do not contain any of the requirements or prohibitions described in subparagraph (A) or (B) of subsection (a)(1); or

(2) the bid specifications, project agreements, or other controlling documents for such construction projects of a construction manager acting on behalf of a recipient or party described in paragraph (1), do not contain any of the requirements or prohibitions described in subparagraph (A) or (B) of subsection (a)(1)

(c) FAILURE TO COMPLY.—If an executive agency, a recipient of a grant or financial assistance from an executive agency, a party to a cooperative agreement with an executive agency, or a construction manager acting on behalf of such an agency, recipient or party, fails to comply with subsection (a) or (b), the head of the executive agency awarding the contract, grant, or assistance, or entering into the agreement, involved shall take such action, consistent with law, as the head of the agency determines to be appropriate.

(d) EXEMPTIONS.—

(1) SPECIAL CIRCUMSTANCES.—

(A) IN GENERAL.—The head of an executive agency may exempt a particular project, contract, subcontract, grant, or cooperative agreement from the requirements of 1 or more of the provisions of subsections (a) and

(b) if the head of such agency determines that special circumstances exist that require an exemption in order to avert an imminent threat to public health or safety or to serve the national security.

(B) DEFINITION.—For purposes of subparagraph (A), a finding of ''special circumstances'' may not be based on the possibility or existence of a labor dispute concerning contractors or subcontractors that are nonsignatories to, or that otherwise do not adhere to, agreements with 1 or more labor organization, or labor disputes concerning employees on the project who are not members of, or affiliated with, a labor organization.

(2) ADDITIONAL EXEMPTION FOR CERTAIN PROJECTS.—The head of an executive agency, upon the application of an awarding authority, a recipient of grants or financial assistance, a party to a cooperative agreement, or a construction manager acting on behalf of any of such entities, may exempt a particular project from the requirements of any or all of the provisions of subsections (a) or (c), if the agency head finds—

(A) that the awarding authority, recipient of grants or financial assistance, party to a cooperative agreement, or construction manager acting on behalf of any of such entities had issued or was a party to, as of the date of the enactment of this Act, bid specifications, project agreements, agreements with one or more labor organizations, or other controlling documents, with respect to that particular project, which contained any of the requirements or prohibitions set forth in subsection (a)(1); and

(B) that one or more construction contracts subject to such requirements or prohibitions had been awarded as of the date of the enactment of this Act.

(e) FEDERAL ACQUISITION REGULATORY COUNCIL.—With respect to Federal contracts to which this section applies, not later than 60 days after the date of enactment of this Act, the Federal Acquisition Regulatory Council shall take appropriate action to amend the Federal Acquisition Regulation to implement the provisions of this section.

(f) DEFINITIONS.—In this section:

(1) CONSTRUCTION CONTRACT.—The term ''construction contract'' means any contract for the construction, rehabilitation, alteration, conversion, extension, or repair of buildings, highways, or other improvements to real property.

(2) EXECUTIVE AGENCY.—The term ''executive agency'' has the meaning given such term in section 105 of title 5, United States Code, except that such term shall not include the General Accounting Office.

(3) LABOR ORGANIZATION.—The term ''labor organization'' has the meaning given such term in section 701(d) of the Civil Rights Act of 1964 (42 U.S.C. 2000e(d)).

S. RES. 94

Whereas the House and Senate have passed measuresthat will expedite the long-overdue memorial commemorating the sacrifices of those who fought and died in World War II;

Whereas with the completion of the World War II Memorial, there will be memorials in the capital of our Nation for each of the major conflicts of the last century;

Whereas approximately 650 members of the Armed Services have been killed in hostile action since the end of the Vietnam War;

Whereas the circumstances surrounding these deaths have been characterized both by large scale conflicts and a number of smaller incidents and actions which have received little attention;

Whereas the sacrifice of these men and women is held as dearly by their fellow citizens as the sacrifice of those claimed by earlier struggles; and

Whereas the loss of these men and women stands in testament to the risks undertaken by all members of the Armed Services each day as they carry out their duty to support and defend the Constitution: Now, therefore, be it

Resolved, That it is the sense of the Senate—

(1) to designate May 28, 2001, as a special day for recognizing the sacrifice of the members of the Armed Forces killed in hostile action since the end of the Vietnam War, and the sacrifices of the families of the members;

(2) to make the designation under paragraph (1) on May 28, 2001, in light of the traditional Memorial Day recognition of the veterans of the United States who have given their lives in defense of our Nation;

(3) to recognize that we live in a time of international unrest and that military service in such a time is inherently dangerous and requires the willingness to face the most extreme hazards at unexpected times and places; and

(4) to acknowledge that the people of the United States owe a debt of gratitude to all members of the Armed Services who place themselves in harm's way each day, and to their families.

S. CON. RES. 43

Whereas the Government of the Republic of Korea over many years has provided aid to the Korean automotive industry enabling that industry to develop into the fourth largest automotive industry in the world, after the United States, Japan, and the European Union;

Whereas the domestic automotive market of the Republic of Korea was completely closed to all international automotive manufacturers until 1990, and not completely open to all automotive manufacturers until 1999;

Whereas in response to complaints by the United States that the Government of the Republic of Korea was practicing unfair trade in the automotive sector, and that there was continuing anti-import bias and increasing disparity in market access for foreign motor vehicles, the Government of Korea signed two Memorandums of Understanding (MOU) with the United States in 1995 and 1998 in an effort to help increase foreign motor vehicle access to the Korean automotive market;

Whereas in the 1998 MOU, the Government of the Republic of Korea pledged specifically to simplify its tax regime in a manner that enhanced market access for foreign motor vehicles, improve the perception of foreign motor vehicles in Korea, simplify and streamline Korea's type-approval system procedures for foreign motor vehicles and other standards issues, and establish a mortgage system for motor vehicles;

Whereas 3 years after signing the 1998 MOU, the Government of the Republic of Korea has not substantially increased market access for foreign motor vehicles and its motor vehicle market still does not operate according to market principles, as evidenced by the fact that the share of the market held by foreign motor vehicles was lower in 2000 than it was in 1998, and remains the lowest of any industrialized nation;

Whereas 3 years after signing the 1998 MOU, the Government of the Republic of Korea has not made sufficient advances in simplifying its tax regime for motor vehicles or improving the perception of foreign motor vehicles in Korea;

Whereas 3 years after signing the 1998 MOU, the Government of the Republic of Korea has not taken the necessary steps to implement the MOU fully and effectively, as evidenced by the extraordinarily low foreign motor vehicle presence in Korea;

Whereas Korea is a major exporter of motor vehicles and automotive parts to the United States, reaching over a total value of $5,910,000,000 last year, compared to a total value of $480,000,000 in United States motor vehicles and automotive parts exported to Korea last year, resulting in a total automotive trade deficit of $5,300,000,000;

Whereas the extremely low level of United States vehicle sales in the Republic of Korea means that there is great difficulty in selling United States made automotive components, systems, and parts in Korea;

Whereas 1,057,620 motor vehicles were sold in the Republic of Korea in 2000, only 4,414 (or 0.42 percent) were imported and only 1,268 of those vehicles (or 0.12 percent) were made in the United States;

Whereas one Korean auto maker maintains monopolistic control of over 75 percent of Korea's domestic market; and

Whereas some Korean organizations and institutions continue to support anticompetitive activities that perpetuate entrenched commercial interests at the expense of free trade, Korean consumers, and the overall Korean economy: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That Congress—

(1) believes strongly that an economically stable Republic of Korea is in the best overall foreign policy and economic interests of the United States;

(2) notes that past practices, such as protection from international competition, preferential access to credit, low interest loans, and the policy of providing assistance to chaebols in general, and the automotive sector specifically, contributed to the 1997–1998 Asian financial crisis, threatened the economic stability of the Republic of Korea and undermined the relationship between the United States and the Republic of Korea;

(3) believes that economic policies and practices effectively limiting United States manufacturers' access to the Korean automotive sector are inconsistent with the general trend toward a market-oriented approach, and that the relationship between the United States and the Republic of Korea has been, and will continue to be, significantly harmed by unfair treatment of imports of United States motor vehicles;

(4) calls on the Republic of Korea to immediately end the practices that have led to the disparity in market access, as well as to take proactive steps to repair the damage done by past policies and practices;

(5) calls on the Republic of Korea to meet the letter and spirit of the commitments contained in the 1998 Memorandum of Understanding it signed with the United States; and

(6) calls on the United States Trade Representative, the Secretary of Commerce, and the Secretary of State to monitor and report to Congress on the steps that have been taken to end the disparity in market access for imported motor vehicles in the Republic of Korea.

AMENDMENT NO. 767 (AS MODIFIED)

At the end of subtitle A of title VIII add the following:

SEC. ___. EXPANSION OF WORK OPPORTUNITY TAX CREDIT.

(a) IN GENERAL.—Section 51(d)(1) (relating to members of targeted groups) is amended by striking ''or'' at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting '', or'', and by adding at the end the following:

''(I) a qualified low-income veteran.''

(b) QUALIFIED LOW-INCOME VETERAN.—Section 51(d) (relating to members of targeted groups) is amended by redesignating paragraphs (10) through (12) as paragraphs (11)

through (13), respectively, and by inserting after paragraph (9) the following:

''(10) QUALIFIED LOW-INCOME VETERAN.—

''(A) IN GENERAL.—The term 'qualified low-income veteran' means any veteran whose gross income for the taxable year preceding the taxable year including the hiring date, was below the poverty line (as defined by the Office of Management and Budget) for such preceding taxable year .

''(B) VETERAN.—The term 'veteran' has the meaning given such term by paragraph (3)(B).

''(C) SPECIAL RULES FOR DETERMINING AMOUNT OF CREDIT.—For purposes of applying this subpart to wages paid or incurred to any qualified low-income veteran—

''(i) subsection (a) shall be applied by substituting '50 percent of the qualified first-year wages and 25 percent of the qualified second-year wages' for '40 percent of the qualified first year wages', and

''(ii) in lieu of paragraphs (2) and (3) of subsection (b), the following definitions and special rule shall apply:

''(I) QUALIFIED FIRST-YEAR WAGES.—The term 'qualified first-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning with the day the individual begins work for the employer.

''(II) QUALIFIED SECOND-YEAR WAGES.—The term 'qualified second-year wages' means, with respect to any individual, qualified wages attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to such individual determined under subclause (I).

''(III) ONLY FIRST $20,000 OF WAGES PER YEAR TAKEN INTO ACCOUNT.—The amount of the qualified first and second year wages which may be taken into account with respect to any individual shall not exceed $20,000 per year.''.

(c) PERMANENCE OF CREDIT.—Section 51(c)(4) (relating to termination) is amended by inserting ''(except for wages paid to a qualified low-income veteran)'' after ''individual''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to individuals who begin work for the employer after the date of the enactment of this Act.

On page 9, strike the table between lines 11 and 12 and insert:

In the case of taxable years beginning during calendar year:	The corresponding percentages shall be substituted for the following percentages:			
	28%	31%	36%	39.6%
2002, 2003, and 2004	27%	30%	35%	38.60%
2005 and 2006	26%	29%	34%	37.60%
2007 and thereafter	25%	28%	33%	36.05%

AMENDMENT NO. 790

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Veterans' Survivor Benefits Improvements Act of 2001''.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.
Sec. 2. References to title 38, United States Code. .....
Sec. 3. Eligibility for benefits under CHAMPVA for veterans' survivors who are eligible for hospital insurance benefits under the medicare program. .....
Sec. 4. Family coverage under Servicemembers' Group Life Insurance. .....
Sec. 5. Retroactive applicability of increase in maximum SGLI benefit for members dying in performance of duty on or after October 1, 2000.
Sec. 6. Expansion of outreach efforts to eligible dependents. .....
Sec. 7. Technical amendments to the Montgomery GI Bill statute. .....
Sec. 8. Miscellaneous technical amendments. .....

SEC. 2. REFERENCES TO TITLE 38, UNITED STATES CODE.

Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 38, United States Code.

SEC. 3. ELIGIBILITY FOR BENEFITS UNDER CHAMPVA FOR VETERANS' SURVIVORS WHO ARE ELIGIBLE FOR HOSPITAL INSURANCE BENEFITS UNDER THE MEDICARE PROGRAM.

Subsection (d) of section 1713 is amended to read as follows:

''(d)(1)(A) An individual otherwise eligible for medical care under this section who is also entitled to hospital insurance benefits under part A of the medicare program is eligible for medical care under this section only if the individual is also enrolled in the supplementary medical insurance program under part B of the medicare program.

''(B) The limitation in subparagraph (A) does not apply to an individual who—

''(i) has attained 65 years of age as of the date of the enactment of the Veterans' Survivor Benefits Improvements Act of 2001; and

''(ii) is not enrolled in the supplementary medical insurance program under part B of the medicare program as of that date.

''(2) Subject to paragraph (3), if an individual described in paragraph (1) receives medical care for which payment may be made under both this section and the medicare program, the amount payable for such medical care under this section shall be the amount by which (A) the costs for such medical care exceed (B) the sum of—

''(i) the amount payable for such medical care under the medicare program; and

''(ii) the total amount paid or payable for such medical care by third party payers other than the medicare program.

''(3) The amount payable under this subsection for medical care may not exceed the total amount that would be paid under subsection (b) if payment for such medical care were made solely under subsection (b).

''(4) In this paragraph:

''(A) The term 'medicare program' means the program of health insurance administered by the Secretary of Health and Human Services under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.).

''(B) The term 'third party' has the meaning given that term in section 1729(i)(3) of this title.''.

SEC. 4. FAMILY COVERAGE UNDER SERVICEMEMBERS' GROUP LIFE INSURANCE.

(a) INSURABLE DEPENDENTS.—(1) Section 1965 is amended by adding at the end the following new paragraph:

''(10) The term 'insurable dependent', with respect to a member, means the following:

''(A) The member's spouse.

''(B) The member's child, as defined in the first sentence of section 101(4)(A) of this title.''.

(2) Section 101(4)(A) is amended in the matter preceding clause (i) by inserting ''(other than with respect to a child who is an insurable dependent under section 1965(10)(B) of such chapter)'' after ''except for purposes of chapter 19 of this title''.

(b) INSURANCE COVERAGE.—(1) Subsection (a) of section 1967 is amended to read as follows:

''(a)(1) Subject to an election under paragraph (2), any policy of insurance purchased by the Secretary under section 1966 of this title shall automatically insure the following persons against death:

''(A) In the case of any member of a uniformed service on active duty (other than active duty for training)—

''(i) the member; and

''(ii) each insurable dependent of the member.

''(B) Any member of a uniformed service on active duty for training or inactive duty training scheduled in advance by competent authority.

''(C) In the case of any member of the Ready Reserve of a uniformed service who meets the qualifications set forth in section 1965(5)(B) of this title—

''(i) the member; and

''(ii) each insurable dependent of the member.

''(2)(A) A member may elect in writing not to be insured under this subchapter.

''(B) A member may elect in writing not to insure the member's spouse under this subchapter.

''(3)(A) Subject to subparagraphs (B) and (C), the amount for which a person is insured under this subchapter is as follows:

''(i) In the case of a member, $250,000.

''(ii) In the case of a member's spouse, $100,000.

''(iii) In the case of a member's child, $10,000.

''(B) A member may elect in writing to be insured or to insure the member's spouse in an amount less than the amount provided for under subparagraph (A). The member may not elect to insure the member's child in an amount less than $10,000. The amount of insurance so elected shall, in the case of a member or spouse, be evenly divisible by $10,000.

''(C) In no case may the amount of insurance coverage under this subsection of a member's spouse exceed the amount of insurance coverage of the member.

''(4)(A) An insurable dependent of a member is not insured under this chapter unless the member is insured under this subchapter.

''(B) An insurable dependent who is a child may not be insured at any time by the insurance coverage under this chapter of more than one member. If an insurable dependent who is a child is otherwise eligible to be insured by the coverage of more than one member under this chapter, the child shall be insured by the coverage of the member whose eligibility for insurance under this subchapter occurred first, except that if that member does not have legal custody of the child, the child shall be insured by the coverage of the member who has legal custody of the child.

''(5) The insurance shall be effective with respect to a member and the insurable dependents of the member on the latest of the following dates:

''(A) The first day of active duty or active duty for training.

''(B) The beginning of a period of inactive duty training scheduled in advance by competent authority.

''(C) The first day a member of the Ready Reserve meets the qualifications set forth in section 1965(5)(B) of this title.

''(D) The date certified by the Secretary to the Secretary concerned as the date Servicemembers' Group Life Insurance under this subchapter for the class or group concerned takes effect.

''(E) In the case of an insurable dependent who is a spouse, the date of marriage of the spouse to the member.

''(F) In the case of an insurable dependent who is a child, the date of birth of such child or, if the child is not the natural child of the

member, the date on which the child acquires status as an insurable dependent of the member.''.

(2) Subsection (c) of such section is amended by striking the first sentence and inserting the following: ''If a person eligible for insurance under this subchapter is not so insured, or is insured for less than the maximum amount provided for the person under subparagraph (A) of subsection (a)(3), by reason of an election made by a member under subparagraph (B) of that subsection, the person may thereafter be insured under this subchapter in the maximum amount or any lesser amount elected as provided in such subparagraph (B) upon written application by the member, proof of good health of each person (other than a child) to be so insured, and compliance with such other terms and conditions as may be prescribed by the Secretary.''.

(c) TERMINATION OF COVERAGE.—(1) Subsection (a) of section 1968 is amended—

(A) in the matter preceding paragraph (1), by inserting ''and any insurance thereunder on any insurable dependent of such a member,'' after ''any insurance thereunder on any member of the uniformed services,''; and

(B) by adding at the end the following new paragraph:

''(5) With respect to an insurable dependent of the member, insurance under this subchapter shall cease—

''(A) 120 days after the date of an election made in writing by the member to terminate the coverage; or

''(B) on the earliest of—

''(i) 120 days after the date of the member's death;

''(ii) 120 days after the date of termination of the insurance on the member's life under this subchapter; or

''(iii) 120 days after the termination of the dependent's status as an insurable dependent of the member.''.

(2) Such subsection is further amended—

(A) in the matter preceding paragraph (1), by striking '', and such insurance shall cease—'' and inserting ''and such insurance shall cease as follows:'';

(B) by striking ''with'' after the paragraph designation in each of paragraphs (1), (2), (3), and (4) and inserting ''With'';

(C) in paragraph (1)—

(i) in the matter preceding subparagraph (A), by striking ''thirty-one days—'' and inserting ''31 days, insurance under this subchapter shall cease—'';

(ii) in subparagraph (A)—

(I) by striking ''one hundred and twenty days'' after ''(A)'' and inserting ''120 days''; and

(II) by striking ''prior to the expiration of one hundred and twenty days'' and inserting ''before the end of 120 days''; and

(iii) by striking the semicolon at the end of subparagraph (B) and inserting a period;

(D) in paragraph (2)—

(i) by striking ''thirty-one days'' and inserting ''31 days,'';

(ii) by striking ''one hundred and twenty days'' both places it appears and inserting ''120 days''; and

(iii) by striking the semicolon at the end and inserting a period;

(E) in paragraph (3)—

(i) by inserting a comma after ''competent authority'';

(ii) by striking ''one hundred and twenty days'' both places it appears and inserting ''120 days''; and

(iii) by striking ''; and'' at the end and inserting a period; and

(F) in paragraph (4), by inserting ''insurance under this subchapter shall cease'' before ''120 days after '' the first place it appears.

(3) Subsection (b)(1)(A) of such section is amended by inserting ''(to insure against death of the member only)'' after ''converted to Veterans' Group Life Insurance''.

(d) PREMIUMS.—Section 1969 is amended by adding at the end the following new subsections:

''(g)(1)(A) During any period in which a spouse of a member is insured under this subchapter and the member is on active duty, there shall be deducted each month from the member's basic or other pay until separation or release from active duty an amount determined by the Secretary as the premium allocable to the pay period for providing that insurance coverage. No premium may be charged for providing insurance coverage for a child.

''(B) During any month in which a member is assigned to the Ready Reserve of a uniformed service under conditions which meet the qualifications set forth in section 1965(5)(B) of this title and the spouse of the member is insured under a policy of insurance purchased by the Secretary under section 1966 of this title, there shall be contributed from the appropriation made for active duty pay of the uniformed service concerned an amount determined by the Secretary (which shall be the same for all such members) as the share of the cost attributable to insuring the spouse of such member under this policy, less any costs traceable to the extra hazards of such duty in the uniformed services. Any amounts so contributed on behalf of any individual shall be collected by the Secretary concerned from such individual (by deduction from pay or otherwise) and shall be credited to the appropriation from which such contribution was made.

''(2)(A) The Secretary shall determine the premium amounts to be charged for life insurance coverage for spouses of members under this subchapter.

''(B) The premium amounts shall be determined on the basis of sound actuarial principles and shall include an amount necessary to cover the administrative costs to the insurer or insurers providing such insurance.

''(C) Each premium rate for the first policy year shall be continued for subsequent policy years, except that the rate may be adjusted for any such subsequent policy year on the basis of the experience under the policy, as determined by the Secretary in advance of that policy year.

''(h) Any overpayment of a premium for insurance coverage for an insurable dependent of a member that is terminated under section 1968(a)(5) of this title shall be refunded to the member.''.

(e) PAYMENTS OF INSURANCE PROCEEDS.—Section 1970 is amended by adding at the end the following new subsection:

''(i) Any amount of insurance in force on an insurable dependent of a member under this subchapter on the date of the dependent's death shall be paid, upon the establishment of a valid claim therefor, to the member or, in the event of the member's death before payment to the member can be made, then to the person or persons entitled to receive payment of the proceeds of insurance on the member's life under this subchapter.''.

(f) CONVERSION OF SGLI TO PRIVATE LIFE INSURANCE.—Section 1968(b) is amended by adding at the end the following new paragraph:

''(3)(A) In the case of a policy purchased under this subchapter for an insurable dependent who is a spouse, upon election of the spouse, the policy may be converted to an individual policy of insurance under the same conditions as described in section 1977(e) of this title (with respect to conversion of a Veterans' Group Life Insurance policy to such an individual policy) upon written application for conversion made to the participating company selected by the spouse and payment of the required premiums. Conversion of such policy to Veterans' Group Life Insurance is prohibited.

''(B) In the case of a policy purchased under this subchapter for an insurable dependent who is a child, such policy may not be converted under this subsection.''.

(g) EFFECTIVE DATE AND INITIAL IMPLEMENTATION.—(1) The amendments made by this section shall take effect on the first day of the first month that begins more than 120 days after the date of the enactment of this Act.

(2) Each Secretary concerned, acting in consultation with the Secretary of Veterans Affairs, shall take such action as is necessary to ensure that during the period between the date of the enactment of this Act and the effective date determined under paragraph (1) each eligible member—

(A) is furnished an explanation of the insurance benefits available for dependents under the amendments made by this section; and

(B) is afforded an opportunity before such effective date to make elections that are authorized under those amendments to be made with respect to dependents.

(3) For purposes of paragraph (2):

(A) The term ''Secretary concerned'' has the meaning given that term in section 101 of title 38, United States Code.

(B) The term ''eligible member'' means a member of the uniformed services described in subparagraph (A) or (C) of section 1967(a)(1) of title 38, United States Code, as amended by subsection (b)(1).

SEC. 5. RETROACTIVE APPLICABILITY OF INCREASE IN MAXIMUM SGLI BENEFIT FOR MEMBERS DYING IN PERFORMANCE OF DUTY ON OR AFTER OCTOBER 1, 2000.

(a) APPLICABILITY OF INCREASE IN BENEFIT.—Notwithstanding subsection (c) of section 312 of the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419; 114 Stat. 1854), the amendments made by subsection (a) of that section shall take effect on October 1, 2000, with respect to any member of the uniformed services who died in the performance of duty (as determined by the Secretary concerned) during the period beginning on October 1, 2000, and ending at the close of March 31, 2001, and who on the date of death was insured under the Servicemembers' Group Life Insurance program under subchapter III of chapter 19 of title 38, United States Code, for the maximum coverage available under that program.

(b) DEFINITIONS.—In this section:

(1) The term ''Secretary concerned'' has the meaning given that term in section 101(25) of title 38, United States Code.

(2) The term ''uniformed services'' has the meaning given that term in section 1965(6) of title 38, United States Code.

SEC. 6. EXPANSION OF OUTREACH EFFORTS TO ELIGIBLE DEPENDENTS.

(a) AVAILABILITY OF OUTREACH SERVICES FOR CHILDREN, SPOUSES, SURVIVING SPOUSES, AND DEPENDENT PARENTS.—Paragraph (2) of section 7721(b) is amended to read as follows:

''(2) the term 'eligible dependent' means a spouse, surviving spouse, child, or dependent parent of a person who served in the active military, naval, or air service.''.

(b) IMPROVED OUTREACH PROGRAM.—(1) Subchapter II of chapter 77 is amended by adding at the end the following new section:

''§ 7727. Outreach for eligible dependents

''(a) In carrying out this subchapter, the Secretary shall ensure that the needs of eligible dependents are fully addressed.

''(b) The Secretary shall ensure that the availability of outreach services and assistance for eligible dependents under this subchapter is made known through a variety of means, including the Internet, announcements in veterans publications, and announcements to the media.''.

(2) The table of sections at the beginning of that chapter is amended by inserting after the item relating to section 7726 the following new item:

''7727. Outreach for eligible dependents.''.

SEC. 7. TECHNICAL AMENDMENTS TO THE MONTGOMERY GI BILL STATUTE.

(a) CLARIFICATION OF ELIGIBILITY REQUIREMENT FOR BENEFITS.—

(1) IN GENERAL.—Clause (i) of section 3011(a)(1)(A), as amended by section 103(a)(1)(A) of the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419; 114 Stat. 1825), is amended by striking ''serves an obligated period of active duty of'' and inserting ''(I) in the case of an individual whose obligated period of active duty is three years or more, serves at least three years of continuous active duty in the Armed Forces, or (II) in the case of an individual whose obligated period of active duty is less than three years, serves''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if enacted on November 1, 2000, immediately after the enactment of the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419).

(b) ENTITLEMENT CHARGE FOR OFF-DUTY TRAINING AND EDUCATION.—

(1) IN GENERAL.—Section 3014(b)(2) is amended—

(A) in subparagraph (A), by striking ''(without regard to'' and all that follows through ''this subsection''; and

(B) by adding at the end the following new subparagraph:

''(C) The number of months of entitlement charged under this chapter in the case of an individual who has been paid a basic educational assistance allowance under this subsection shall be equal to the number (including any fraction) determined by dividing the total amount of such educational assistance allowance paid the individual by the full-time monthly institutional rate of educational assistance which such individual would otherwise be paid under subsection (a)(1), (b)(1), (c)(1), (d)(1), or (e)(1) of section 3015 of this title, as the case may be.''.

(2) CONFORMING AMENDMENTS.—(A) Section 3015 is amended—

(i) in subsections (a)(1) and (b)(1), by inserting ''subsection (h)'' after ''from time to time under''; and

(ii) by striking the subsection that was inserted as subsection (g) by section 1602(b)(3)(C) of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (as enacted by Public Law 106–398; 114 Stat. 1654A–359) and redesignated as subsection (h) by 105(b)(2) of the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419; 114 Stat. 1829).

(B) Section 3032(b) is amended—

(i) by striking ''the lesser of'' and inserting ''the least of the following:'';

(ii) by striking ''or'' after ''chapter,''; and

(iii) by inserting before the period at the end the following: '', or (3) the amount of the charges of the educational institution elected by the individual under section 3014(b)(1) of this title''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if enacted on November 1, 2000, immediately after the enactment of the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419).

(c) INCREMENTAL INCREASES FOR CONTRIBUTING ACTIVE DUTY MEMBERS.—

(1) ACTIVE DUTY PROGRAM.—Section 3011(e), as added by section 105(a)(1) of the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419; 114 Stat. 1828), is amended—

(A) in paragraph (2), by inserting '', but not more frequently than monthly'' before the period;

(B) in paragraph (3), by striking ''$4'' and inserting ''$20''; and

(C) in paragraph (4)—

(i) by striking ''Secretary. The'' and inserting ''Secretary of the military department concerned. That''; and

(ii) by striking ''by the Secretary''.

(2) SELECTED RESERVE PROGRAM.—Section 3012(f), as added by section 105(a)(2) of such Act, is amended—

(A) in paragraph (2), by inserting '', but not more frequently than monthly'' before the period;

(B) in paragraph (3), by striking ''$4'' and inserting ''$20''; and

(C) in paragraph (4)—

(i) by striking ''Secretary. The'' and inserting ''Secretary of the military department concerned. That''; and

(ii) by striking ''by the Secretary''.

(3) INCREASED ASSISTANCE AMOUNT.—Section 3015(g), as added by section 105(b)(3) of such Act, is amended—

(A) in the matter preceding paragraph (1), by inserting ''effective as of the first day of the enrollment period following receipt of such contributions from such individual by the Secretary concerned,'' after ''by section 3011(e) or 3012(f) of this title,''; and

(B) in paragraph (1)—

(i) by striking ''$1'' and inserting ''$5'';

(ii) by striking ''$4'' and inserting ''$20''; and

(iii) by inserting ''of this title'' after ''section 3011(e) or 3012(f)''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in the enactment of section 105 of the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419; 114 Stat. 1828).

(d) DEATH BENEFITS.—

(1) IN GENERAL.—Paragraph (1) of section 3017(b) is amended to read as follows:

''(1) the total of—

''(A) the amount reduced from the individual's basic pay under section 3011(b), 3012(c), 3018(c), 3018A(b), 3018B(b), 3018C(b), or 3018C(e) of this title;

''(B) the amount reduced from the individual's retired pay under section 3018C(e) of this title;

''(C) the amount collected from the individual by the Secretary under section 3018B(b), 3018C(b), or 3018C(e) of this title; and

''(D) the amount of any contributions made by the individual under section 3011(c) or 3012(f) of this title, less''.

(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as of May 1, 2001.

(e) CLARIFICATION OF CONTRIBUTIONS REQUIRED BY VEAP PARTICIPANTS WHO ENROLL IN BASIC EDUCATIONAL ASSISTANCE.—

(1) CLARIFICATION.—Section 3018C(b), as amended by section 104(b) of the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419; 114 Stat. 1828), is amended by striking ''or (e)''.

(2) TREATMENT OF CERTAIN CONTRIBUTIONS.—Any amount collected under section 3018C(b) of title 38, United States Code (whether by reduction in basic pay under paragraph (1) of that section, collection under paragraph (2) of that section, or both), with respect to an individual who enrolled in basic educational assistance under section 3018C(e) of that title, during the period beginning on November 1, 2000, and ending on the date of the enactment of this Act, shall be treated as an amount collected with respect to the individual under section 3018C(e)(3)(A) of that title (whether as a reduction in basic pay under clause (i) of that section, a collection under clause (ii) of that section, or both) for basic educational assistance under section 3018C of that title.

(f) CLARIFICATION OF TIME PERIOD FOR ELECTION OF BEGINNING OF CHAPTER 35 ELIGIBILITY FOR DEPENDENTS.—

(1) IN GENERAL.—(A) Section 3512(a)(3)(B), as amended by section 112 of the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419; 114 Stat. 1831), is amended to read as follows:

''(B) the eligible person elects that beginning date by not later than the end of the 60-day period beginning on the date on which the Secretary provides written notice to that person of that person's opportunity to make such election, such notice including a statement of the deadline for the election imposed under this subparagraph; and''.

(B) Section 3512(a)(3)(C), as so amended, is amended by striking ''between the dates described in'' and inserting ''the date determined pursuant to''.

(2) EFFECTIVE DATE.—The amendments made by paragraph (1) shall take effect as if enacted on November 1, 2000, immediately after the enactment of the Veterans Benefits and Health Care Improvement Act of 2000.

SEC. 8. MISCELLANEOUS TECHNICAL AMENDMENTS.

(a) TITLE 38, UNITED STATES CODE.—Title 38, United States Code, is amended as follows:

(1) Effective as of November 1, 2000, section 107 is amended—

(A) in the second sentence of subsection (a), by inserting ''or (d)'' after ''subsection (c)'';

(B) by redesignating the second subsection (c) (added by section 332(a)(2) of the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419)) as subsection (d); and

(C) in subsection (d), as so redesignated, by striking ''In'' in paragraph (1) and inserting ''With respect to benefits under chapter 23 of this title, in''.

(2) Section 1710B(c)(2)(B) is amended by striking ''on the date of the enactment of the Veterans Millennium Health Care and Benefits Act'' and inserting ''November 30, 1999''.

(3) Section 2301(f) is amended—

(A) in the matter in paragraph (1) preceding subparagraph (A), by striking ''(as'' and all that follows through ''in section'' and inserting ''(as described in section''; and

(B) in paragraph (2), by striking ''subparagraphs'' and inserting ''subparagraph''.

(4) Section 3452 is amended—

(A) in subsection (a)(1)—

(i) by striking ''or'' at the end of subparagraph (A); and

(ii) by striking ''clause (B) of this paragraph'' in subparagraph (C) and inserting ''subparagraph (B)'';

(B) in subsection (a)(2)—

(i) by striking ''paragraph (1)(A) or (B)'' and inserting ''subparagraph (A) or (B) of paragraph (1)''; and

(ii) by striking ''one hundred and eighty days'' and inserting ''180 days'';

(C) in subsection (a)(3), by striking ''section 511(d) of title 10'' and inserting ''section 12103(d) of title 10''; and

(D) in subsection (e), by striking ''chapter 4C of title 29,'' and inserting ''the Act of August 16, 1937, popularly known as the 'National Apprenticeship Act' (29 U.S.C. 50 et seq.),''.

(5) Section 3462(a) is amended by striking paragraph (3).

(6) Section 3512 is amended—

(A) in subsection (a)(5), by striking ''clause (4) of this subsection'' and inserting ''paragraph (4)''; and

(B) in subsection (b)(2), by striking ''willfull'' and inserting ''willful''.

(7) Section 3674 is amended—

(A) in subsection (a)(2)—

(i) in subparagraph (A)—

(I) by striking '', effective at the beginning of fiscal year 1988,''; and

(II) by striking ''section 3674A(a)(4)'' and inserting ''section 3674A(a)(3)'';

(ii) in subparagraph (B), by striking ''paragraph (3)(A)'' and inserting ''paragraph (3)''; and

(iii) in subparagraph (C), by striking ''section 3674A(a)(4)'' and inserting ''section 3674A(a)(3)''; and

(B) in subsection (c)—

(i) by striking ''on September 30, 1978, and''; and

(ii) by striking ''thereafter,''.

(8) Section 3674A(a)(2) is amended by striking ''clause (1)'' and inserting ''paragraph (1)''.

(9) Section 3734(a) is amended—

(A) by striking ''United States Code,'' in the matter preceding paragraph (1); and

(B) by striking ''appropriations in'' in paragraph (2) and inserting ''appropriations for''.

(10) Section 4104 is amended—

(A) in subsection (a)(1)—

(i) by striking ''Beginning with fiscal year 1988,'' and inserting ''For any fiscal year,'';

(ii) by striking ''clause'' in subparagraph (B) and inserting ''subparagraph''; and

(iii) by striking ''clauses'' in subparagraph (C) and inserting ''subparagraphs'';

(B) in subsection (a)(4), by striking ''on or after July 1, 1988''; and

(C) in subsection (b)—

(i) by striking ''shall—'' in the matter preceding paragraph (1) and inserting ''shall perform the following functions:''

(ii) by capitalizing the initial letter of the first word of each of paragraphs (1) through (12);

(iii) by striking the semicolon at the end of each of paragraphs (1) through (10) and inserting a period; and

(iv) by striking ''; and'' at the end of paragraph (11) and inserting a period.

(11) Section 4303(13) is amended by striking the second period at the end.

(12) Section 5103(b)(1) is amended by striking ''1 year'' and inserting ''one year''.

(13) Section 5701(g) is amended by striking ''clause'' in paragraphs (2)(B) and (3) and inserting ''subparagraph''.

(14)(A) Section 7367 is repealed.

(B) The table of sections at the beginning of chapter 73 is amended by striking the item relating to section 7367.

(15) Section 8125(d) is amended—

(A) in paragraph (1), by striking ''(beginning in 1992)'';

(B) in paragraph (2), by striking ''(beginning in 1993)''; and

(C) by striking paragraph (3).

(16) The following provisions are each amended by striking ''hereafter'' and inserting ''hereinafter'': sections 545(a)(1), 1710B(e)(1), 3485(a)(1), 3537(a), 3722(a), 3763(a), 5121(a), 7101(a), 7105(b)(1), 7671, 7672(e)(1)(B), 7681(a)(1), 7801, and 8520(a).

(b) PUBLIC LAW 106–419.—Effective as of November 1, 2000, and as if included therein as originally enacted, the Veterans Benefits and Health Care Improvement Act of 2000 (Public Law 106–419) is amended as follows:

(1) Section 111(f)(3) (114 Stat. 1831) is amended by striking ''3654'' and inserting ''3564''.

(2) Section 323(a)(1) (114 Stat. 1855) is amended by inserting a comma in the second quoted matter therein after ''duty''.

(3) Section 401(e)(1) (114 Stat. 1860) is amended by striking ''this'' both places it appears in quoted matter and inserting ''This''.

(4) Section 402(b) (114 Stat. 1861) is amended by striking the close quotation marks and period at the end of the table in paragraph (2) of the matter inserted by the amendment made that section.

(c) PUBLIC LAW 102–590.—Section 3(a)(1) of the Homeless Veterans Comprehensive Service Programs Act of 1992 (38 U.S.C. 7721 note) is amended by striking '', during,''.

Amend the title so as to read ''An Act to amend title 38, United States Code, to expand eligibility for CHAMPVA, to provide for family coverage and retroactive expansion of the increase in maximum benefits under Servicemembers' Group Life Insurance, to make technical amendments, and for other purposes.''.

EXECUTIVE SESSION

EXECUTIVE CALENDAR

Mr. BOND. Mr. President, in executive session, I ask unanimous consent that the Senate proceed to the consideration of the following nominations en bloc: Nos. 79, 80, 81, 82, 99, 100, 101, 135 through 154, 156, 157, 160, 167, and all nominations on the Secretary's desk; and reported by the Commerce Committee, Timothy Muris, PN267. I also ask unanimous consent that the HELP Committee be discharged from further consideration of the nomination of Donald Findlay, PN372, and the Senate proceed to its consideration. I further ask unanimous consent that the nominations be confirmed, the motions to reconsider be laid upon the table, any statements relating to the nominations be printed in the RECORD, the President be immediately notified of the Senate's action, and the Senate then return to legislative session.

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

The nominations considered and confirmed, en bloc, are as follows:

DEPARTMENT OF ENERGY

Bruce Marshall Carnes, of Virginia, to be Chief Financial Officer, Department of Energy.

David Garman, of Virginia, to be an Assistant Secretary of Energy (Energy Efficiency and Renewable Energy).

Francis S. Blake, of Connecticut, to be Deputy Secretary of Energy.

Robert Gordon Card, of Colorado, to be Under Secretary of Energy.

Patrick Henry Wood III, of Texas, to be a Member of the Federal Energy Regulatory Commission for the term expiring June 30, 2005.

Nora Mead Brownell, of Pennsylvania, to be a member of the Federal Energy Regulatory Commission for a term expiring June 30, 2006. (Reappointment)

Nora Mead Brownell, of Pennsylvania, to be a Member of the Federal Energy Regulatory Commission for the remainder of the term expiring June 30, 2001.

DEPARTMENT OF COMMERCE

Maria Cino, of Virginia, to be Assistant Secretary of Commerce and Director General of the United States and Foreign Commercial Service.

Bruce P. Mehlman, of Maryland, to be Assistant Secretary of Commerce for Technology Policy.

Kathleen B. Cooper, of Texas, to be Under Secretary of Commerce for Economic Affairs.

DEPARTMENT OF TRANSPORTATION

Sean B. O'Hollaren, of Oregon, to be an Assistant Secretary of Transportation.

Donna R. McLean, of the District of Columbia, to be an Assistant Secretary of Transportation.

FEDERAL COMMUNICATIONS COMMISSION

Michael K. Powell, of Virginia, to be a Member of the Federal Communications Commission for a term of five years from July 1, 2002. (Reappointment)

Kathleen Q. Abernathy, of Maryland, to be a Member of the Federal Communications Commission for a term of five years from July 1, 1999.

Kevin J. Martin, of North Carolina, to be a Member of the Federal Communications Commission for a term of five years from July 1, 2001.

Michael Joseph Copps, of Virginia, to be a Member of the Federal Communications Commission for a term of five years from July 1, 2000.

FEDERAL TRADE COMMISSION

Timothy J. Muris, of Virginia, to be a Federal Trade Commissioner for the unexpired term of seven years from September 26, 1994.

DEPARTMENT OF STATE

Stephen Brauer, of Missouri, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Belgium.

A. Elizabeth Jones, of Maryland, a Career Member of the Senior Foreign Service, Class of Career Minister, to be an Assistant Secretary of State (European Affairs).

Walter H. Kansteiner, of Virginia, to be an Assistant Secretary of State (African Affairs).

Lorne W. Craner, of Virginia, to be Assistant Secretary of State for Democracy, Human Rights, and Labor.

William J. Burns, of the District of Columbia, a Career Member of the Senior Foreign Service, Class of Minister-Counselor, to be an Assistant Secretary of State (Near Eastern Affairs).

Ruth A. Davis, of Georgia, a Career Member of the Senior Foreign Service, Class of Career Minister, to be Director General of the Foreign Service.

Carl W. Ford, Jr., of Arkansas, to be an Assistant Secretary of State (Intelligence and Research).

Christina B. Rocca, of Virginia, to be Assistant Secretary of State for South Asian Affairs.

Paul Vincent Kelly, of Virginia, to be an Assistant Secretary of State (Legislative Affairs).

Donald Burnham Ensenat, of Louisiana, to be Chief of Protocol, and to have the rank of Ambassador during his tenure of service.

OVERSEAS PRIVATE INVESTMENT CORPORATION

Peter S. Watson, of California, to be President of the Overseas Private Investment Corporation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Piyush Jindal, of Louisiana, to be an Assistant Secretary of Health and Human Services.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Thomas Scully, of Virginia, to be Administrator of the Health Care Financing Administration.

IN THE NAVY

The following named officer for appointment in the United States Navy to the grade indicated while assigned to a position of importance and responsibility under title 10, U.S.C., section 601:

To be vice admiral

Vice Adm. Edmund P. Giambastiani, Jr., 8318

FEDERAL TRADE COMMISSION

Timothy J. Muris, of Virginia, to be a Federal Trade Commissioner for the term of seven years from September 26, 2001.

NOMINATIONS PLACED ON THE SECRETARY'S DESK

PN271. Foreign Service nominations (5) beginning Laron L. Jensen, and ending Karen L. Zens, which nominations were received by the Senate and appeared in the Congressional Record of April 23, 2001.

PN272. Foreign Service nominations (150) beginning Ralph K. Bean, and ending Richard Oliver Lankford, which nominations were received by the Senate and appeared in the Congressional Record of April 23, 2001.

PN372. Donald Cameron Findlay, of Illinois, to be Deputy Secretary of Labor.

NOMINATION OF LORNE CRANER

Mr. MCCAIN. Mr. President, one of the few benefits of growing old is watching young people you've been privileged to know grow, both personally and professionally. We would like to think that members of younger generations who have become important and compassionate people have done so because of us, that our wisdom has rubbed off on them, and that the world is better off for it.

The world is better off for having Lorne Craner in it, but the credit is all Lorne's. I am happy that my former staff member and the President of the International Republican Institute, which I chair, now moves to the State Department, where he will serve as Assistant Secretary for Democracy, Human Rights, and Labor. More importantly, persecuted masses around the world who are deprived of their rights and freedoms, the right to choose what government represents them, the right to live and speak freely, and the right to organize for safe and decent working conditions, have an important ally in Lorne.

America's foreign relations rightly reflect our belief that our most basic values as a nation are universal values; and that citizens in dictatorships cherish these values as much as we do, despite what tyrannical leaders may do to subjugate them. Our values are contagious, which is why autocrats fear them so. Lorne has dedicated his career to promoting these values and advancing our national interest worldwide, to the benefit of many of its citizens.

Lorne served on my staff for 6 years in both the House and Senate and was a wonderful asset to me. He was such a wonderful asset that President Bush and Secretary of State Baker tapped him to be Deputy Assistant Secretary of State for Legislative Affairs when they took office. Lorne served with distinction in that job, and as Director for Asian Affairs on President Bush's National Security Council.

As Vice President and then President of the International Republican Institute from 1993 until today, Lorne invigorated an organization created by President Reagan to shine the light of freedom upon the darkest corners of the Earth. Lorne's vision and management of the Institute, which operates in over 30 countries under sometimes trying conditions, have earned IRI the respect and gratitude of democrats from Serbia to South Africa, Cuba to Cambodia, and Azerbaijan to Zimbabwe. In many countries, the struggle continues, while in others, ruling democrats speak glowingly of how IRI helped them set their people free. Lorne and the IRI staff have been integral to these democratic advances.

We have much to do yet as a country to improve human rights, labor rights, and political freedom overseas. As Secretary Powell's point man on these critical issues, Lorne has his work cut out for him. But he is ready. I am very proud of him, and I know his late father, my dear friend, would be also.

NOMINATION OF STEPHEN BRAUER

Mr. BOND. Mr. President, the nomination just confirmed, No. 145, Stephen Brauer to be Ambassador to Belgium, is a great personal pleasure for me. Stephen Brauer has been a terrific leader in the St. Louis community. He is a man who distinguished himself in Vietnam and won the Vietnam medal, who has served as honorary counsel to Belgium and has done business throughout Europe. He will be a great representative for the people of the United States. We wish him well as he goes to prepare for the visit of President Bush on June 13.

LEGISLATIVE SESSION

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

NATIONAL CHILD'S DAY

Mr. BOND. I ask unanimous consent that the Judiciary Committee be discharged from consideration of S. Res. 90, and the Senate then proceed to its immediate consideration.

The PRESIDING OFFICER. The clerk will report the resolution by title.

The assistant legislative clerk read as follows:

A resolution (S. Res. 90) designating June 3, 2001, as National Child's Day.

There being no objection, the Senate proceeded to consider the resolution.

Mr. BOND. I ask unanimous consent that the resolution and preamble be agreed to en bloc and the motion to reconsider be laid upon the table with no intervening action.

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

The preamble was agreed to.

The resolution (S. Res. 90) was agreed to.

The resolution, with its preamble, reads as follows:

S. RES. 90

Whereas June 3, 2001, the first Sunday of June, falls between Mother's Day and Father's Day;

Whereas each child is unique, is a blessing, and holds a distinct place in the family unit;

Whereas the people of the United States should celebrate children as the most valuable asset of the United States;

Whereas the children represent the future, hope, and inspiration of the United States;

Whereas the children of the United States should be allowed to feel that their ideas and dreams will be respected because adults in the United States take time to listen;

Whereas many children of the United States face crises of grave proportions, especially as they enter adolescent years;

Whereas it is important for parents to spend time listening to their children on a daily basis;

Whereas modern societal and economic demands often pull the family apart;

Whereas, whenever practicable, it is important for both parents to be involved in their child's life;

Whereas encouragement should be given to families to set aside special time for all family members to engage together in family activities;

Whereas adults in the United States should have an opportunity to reminisce about their youth to recapture some of the fresh insight, innocence, and dreams that they may have lost through the years;

Whereas the designation of a day to commemorate the children of the United States will provide an opportunity to emphasize to children the importance of their developing an ability to make the choices necessary to distance themselves from impropriety and to contribute to their communities;

Whereas the people of the United States should emphasize to children the importance of family life, education, and spiritual qualities;

Whereas because children are the responsibility of all people of the United States, everyone should celebrate children, whose questions, laughter, and dreams are important to the existence of the United States; and

Whereas the designation of a day to commemorate our children will emphasize to the people of the United States the importance of the role of the child within the family and society: Now, therefore, be it

Resolved, That the Senate—

(1) designates June 3, 2001, as ''National Child's Day''; and

(2) requests the President to issue a proclamation calling on the people of the United States to observe the day with appropriate ceremonies and activities.

WELCOMING HIS HOLINESS KAREKIN II, SUPREME PATRIARCH AND CATHOLICOS OF ALL ARMENIANS

Mr. BOND. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of H. Con. Res. 139 received from the House.

The PRESIDING OFFICER. The clerk will report the concurrent resolution by title.

The assistant legislative clerk read as follows:

A concurrent resolution (H. Con. Res 139) welcoming His Holiness Karekin II, Supreme Patriarch and Catholicos of All Armenians, on his visit to the United States and commemorating the 1700th anniversary of the acceptance of Christianity in Armenia.

There being no objection, the Senate proceeded to consider the concurrent resolution.

Mr. BOND. I ask unanimous consent that the concurrent resolution and preamble be agreed to en bloc, the motion to reconsider be laid upon the table, without any intervening action.

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

The resolution (H. Con. Res. 139) was agreed to.

The preamble was agreed to.

MEASURE READ THE FIRST TIME—S. 964

Mr. BOND. Mr. President, I understand S. 964, introduced earlier today by Senators KENNEDY, AKAKA, and others, is at the desk. I ask for its first reading.

The PRESIDING OFFICER. The clerk will read the bill by title.

The legislative clerk read as follows:

A bill (S. 964) to amend the Fair Labor Standards Act of 1938 to provide for an increase in the Federal minimum wage.

Mr. BOND. I now ask for its second reading and object to my own request.

The PRESIDING OFFICER. Objection is heard. The bill will be read for the second time on the next legislative day.

ORDERS FOR SATURDAY, MAY 26, 2001

Mr. BOND. Mr. President, I now ask unanimous consent that when the Senate completes its business today, it adjourn until the hour of 10 a.m. on Saturday, May 26. I further ask unanimous consent that on Saturday, immediately following the prayer, the Journal of proceedings be approved to date, the morning hour be deemed expired, the time for the two leaders be reserved for their use later in the day, and the Senate then begin a period of morning business with Senators speaking for up to 10 minutes each.

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

PROGRAM

Mr. BOND. For the information of all Senators, the Senate will be in a period of morning business until the tax reconciliation conference report is received from the House of Representatives. It is anticipated the Senate will be able to begin consideration of the tax reconciliation conference report shortly after convening.

As a reminder, there are up to 10 hours for debate on the conference report. Therefore, a vote is expected to occur late morning or tomorrow afternoon.

ORDER FOR ADJOURNMENT

Mr. BOND. If there is no further business to come before the Senate, I now ask unanimous consent, following the remarks of Senator TORRICELLI, the Senate stand in adjournment under the previous order.

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

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

The PRESIDING OFFICER (Mr. HUTCHINSON). In my capacity as a Senator from the State of Arkansas, I ask unanimous consent the order for the quorum call be rescinded.

Without objection, it is so ordered.

ADJOURNMENT UNTIL 10 A.M. TOMORROW

The PRESIDING OFFICER. Under the previous order, the Senate stands in adjournment until 10 a.m. tomorrow morning.

Thereupon, the Senate, at 4:05 p.m., adjourned until Saturday, May 26, 2001, at 10 a.m.

NOMINATIONS

Executive nominations received by the Senate May 25, 2001:

THE JUDICIARY

CHARLES W. PICKERING, SR., OF MISSISSIPPI, TO BE UNITED STATES CIRCUIT JUDGE FOR THE FIFTH CIRCUIT, VICE HENRY A. POLITZ, RETIRED.

TIMOTHY M. TYMKOVICH, OF COLORADO, TO BE UNITED STATES CIRCUIT JUDGE FOR THE TENTH CIRCUIT, VICE JOHN C. PORFILIO, RETIRED.

CONFIRMATIONS

Executive nominations confirmed by the Senate May 25, 2001:

DEPARTMENT OF ENERGY

BRUCE MARSHALL CARNES, OF VIRGINIA, TO BE CHIEF FINANCIAL OFFICER, DEPARTMENT OF ENERGY.

DAVID GARMAN, OF VIRGINIA, TO BE AN ASSISTANT SECRETARY OF ENERGY (ENERGY EFFICIENCY AND RENEWABLE ENERGY).

FRANCIS S. BLAKE, OF CONNECTICUT, TO BE DEPUTY SECRETARY OF ENERGY.

ROBERT GORDON CARD, OF COLORADO, TO BE UNDER SECRETARY OF ENERGY.

PATRICK HENRY WOOD III, OF TEXAS, TO BE A MEMBER OF THE FEDERAL ENERGY REGULATORY COMMISSION OR THE TERM EXPIRING JUNE 30, 2005.

NORA MEAD BROWNELL, OF PENNSYLVANIA, TO BE A MEMBER OF THE FEDERAL ENERGY REGULATORY COMMISSION FOR A TERM EXPIRING JUNE 30, 2006.

NORA MEAD BROWNELL, OF PENNSYLVANIA, TO BE A MEMBER OF THE FEDERAL ENERGY REGULATORY COMMISSION FOR THE REMAINDER OF THE TERM EXPIRING JUNE 30, 2001.

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.

DEPARTMENT OF COMMERCE

MARIA CINO, OF VIRGINIA, TO BE ASSISTANT SECRETARY OF COMMERCE AND DIRECTOR GENERAL OF THE UNITED STATES AND FOREIGN COMMERCIAL SERVICE.

BRUCE P. MEHLMAN, OF MARYLAND, TO BE ASSISTANT SECRETARY OF COMMERCE FOR TECHNOLOGY POLICY.

KATHLEEN B. COOPER, OF TEXAS, TO BE UNDER SECRETARY OF COMMERCE FOR ECONOMIC AFFAIRS.

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.

DEPARTMENT OF TRANSPORTATION

SEAN B. O'HOLLAREN, OF OREGON, TO BE AN ASSISTANT SECRETARY OF TRANSPORTATION.

DONNA R. MCLEAN, OF THE DISTRICT OF COLUMBIA, TO BE AN ASSISTANT SECRETARY OF TRANSPORTATION.

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.

FEDERAL COMMUNICATIONS COMMISSION

MICHAEL K. POWELL, OF VIRGINIA, TO BE A MEMBER OF THE FEDERAL COMMUNICATIONS COMMISSION FOR A TERM OF FIVE YEARS FROM JULY 1, 2002.

KATHLEEN Q. ABERNATHY, OF MARYLAND, TO BE A MEMBER OF THE FEDERAL COMMUNICATIONS COMMISSION FOR A TERM OF FIVE YEARS FROM JULY 1, 1999.

KEVIN J. MARTIN, OF NORTH CAROLINA, TO BE A MEMBER OF THE FEDERAL COMMUNICATIONS COMMISSION FOR A TERM OF FIVE YEARS FROM JULY 1, 2001.

MICHAEL JOSEPH COPPS, OF VIRGINIA, TO BE A MEMBER OF THE FEDERAL COMMUNICATIONS COMMISSION FOR A TERM OF FIVE YEARS FROM JULY 1, 2000.

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.

FEDERAL TRADE COMMISSION

TIMOTHY J. MURIS, OF VIRGINIA, TO BE A FEDERAL TRADE COMMISSIONER FOR THE UNEXPIRED TERM OF SEVEN YEARS FROM SEPTEMBER 26, 1994.

THE ABOVE NOMINATION WAS APPROVED SUBJECT TO THE NOMINEE'S COMMITMENT TO RESPOND TO REQUESTS TO APPEAR AND TESTIFY BEFORE ANY DULY CONSTITUTED COMMITTEE OF THE SENATE.

DEPARTMENT OF STATE

STEPHEN BRAUER, OF MISSOURI, TO BE AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNITED STATES OF AMERICA TO BELGIUM.

A. ELIZABETH JONES, OF MARYLAND, A CAREER MEMBER OF THE SENIOR FOREIGN SERVICE, CLASS OF CAREER MINISTER, TO BE AN ASSISTANT SECRETARY OF STATE (EUROPEAN AFFAIRS).

WALTER H. KANSTEINER, OF VIRGINIA, TO BE AN ASSISTANT SECRETARY OF STATE (AFRICAN AFFAIRS).

LORNE W. CRANER, OF VIRGINIA, TO BE ASSISTANT SECRETARY OF STATE FOR DEMOCRACY, HUMAN RIGHTS, AND LABOR.

WILLIAM J. BURNS, OF THE DISTRICT OF COLUMBIA, A CAREER MEMBER OF THE SENIOR FOREIGN SERVICE, CLASS OF MINISTER-COUNSELOR, TO BE AN ASSISTANT SECRETARY OF STATE (NEAR EASTERN AFFAIRS).

RUTH A. DAVIS, OF GEORGIA, A CAREER MEMBER OF THE SENIOR FOREIGN SERVICE, CLASS OF CAREER MINISTER, TO BE DIRECTOR GENERAL OF THE FOREIGN SERVICE.

CARL W. FORD, JR., OF ARKANSAS, TO BE AN ASSISTANT SECRETARY OF STATE (INTELLIGENCE AND RESEARCH).

CHRISTINA B. ROCCA, OF VIRGINIA, TO BE ASSISTANT SECRETARY OF STATE FOR SOUTH ASIAN AFFAIRS.

PAUL VINCENT KELLY, OF VIRGINIA, TO BE AN ASSISTANT SECRETARY OF STATE (LEGISLATIVE AFFAIRS).

DONALD BURNHAM ENSENAT, OF LOUISIANA, TO BE CHIEF OF PROTOCOL, AND TO HAVE THE RANK OF AMBASSADOR DURING HIS TENURE OF SERVICE.

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.

OVERSEAS PRIVATE INVESTMENT CORPORATION

PETER S. WATSON, OF CALIFORNIA, TO BE PRESIDENT OF THE OVERSEAS PRIVATE INVESTMENT CORPORATION.

THE ABOVE NOMINATION WAS APPROVED SUBJECT TO THE NOMINEE'S COMMITMENT RESPOND TO REQUESTS TO APPEAR AND TESTIFY BEFORE ANY DULY CONSTITUTED COMMITTEE OF THE SENATE.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

PIYUSH JINDAL, OF LOUISIANA, TO BE AN ASSISTANT SECRETARY OF HEALTH AND HUMAN SERVICES.

THOMAS SCULLY, OF VIRGINIA, TO BE ADMINISTRATOR OF THE HEALTH CARE FINANCING ADMINISTRATION.

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.

FEDERAL TRADE COMMISSION

TIMOTHY J. MURIS, OF VIRGINIA, TO BE A FEDERAL TRADE COMMISSIONER FOR THE TERM OF SEVEN YEARS FROM SEPTEMBER 26, 2001.

THE ABOVE NOMINATION WAS APPROVED SUBJECT TO THE NOMINEE'S COMMITMENT TO RESPOND TO REQUESTS TO APPEAR AND TESTIFY BEFORE ANY DULY CONSTITUTED COMMITTEE OF THE SENATE.

DEPARTMENT OF LABOR

DONALD CAMERON FINDLAY, OF ILLINOIS, TO BE DEPUTY SECRETARY OF LABOR.

IN THE NAVY

THE FOLLOWING NAMED OFFICER FOR APPOINTMENT IN THE UNITED STATES NAVY TO THE GRADE INDICATED WHILE ASSIGNED TO A POSITION OF IMPORTANCE AND RESPONSIBILITY UNDER TITLE 10, U.S.C., SECTION 601:

To be vice admiral

VICE ADM. EDMUND P. GIAMBASTIANI, JR., 0000

FOREIGN SERVICE

FOREIGN SERVICE NOMINATIONS BEGINNING LARON L. JENSEN, AND ENDING KAREN L. ZENS, WHICH NOMINATIONS WERE RECEIVED BY THE SENATE AND APPEARED IN THE CONGRESSIONAL RECORD ON APRIL 23, 2001.

FOREIGN SERVICE NOMINATIONS BEGINNING RALPH K. BEAN, AND ENDING RICHARD OLIVER LANKFORD, WHICH NOMINATIONS WERE RECEIVED BY THE SENATE AND APPEARED IN THE CONGRESSIONAL RECORD ON APRIL 23, 2001.