SENATE—*Friday, September 24, 1982*

(Legislative day of Wednesday, September 8, 1982)

The Senate met at 9 a.m., on the expiration of the recess, and was called to order by the President pro tempore (Mr. THURMOND).

PRAYER

The Chaplain, the Reverend Richard C. Halverson, D.D., offered the following prayer:

Let us pray:

Behold, how good and how pleasant it is for brethren to dwell together in unity!—Psalm 133: 1

Sovereign Lord of the universe, Thou hast declared that Thy purpose for history is to unite all things. As Thou art in the uniting business, help us to see that dissension is contrary to Thy will. We accept the Democratic process which involves controversy, debate and compromise, but deliver us Lord from discord.

In our disagreement keep us from being disagreeable. Keep us humble when we are right, patient, and loving when we are wrong. As the pressure of a loaded agenda with limited time heats emotions, keep us cool in the knowledge that we have common goals however divergent the means we advocate.

Give us grace to love our adversaries, to honor their convictions and support them in their right to be different. Lead us to truth and justice and give us the will to abide by them. In the name of Him who suffered the indignities and cruelties of those for whom He laid down his life. Amen.

RECOGNITION OF THE MAJORITY LEADER

The PRESIDENT pro tempore. The majority leader is recognized.

THE JOURNAL

Mr. BAKER. Mr. President, I ask unanimous consent that the Journal of the proceedings of the Senate be approved to date.

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

SENATE SCHEDULE

Mr. BAKER. Mr. President, there are four special orders this morning. It would be my hope that at least some of them might be vitiated so that we could get on with the HUD appropriations bill earlier than we might otherwise. There is an order to proceed to the consideration of the HUD appropriations bill after the close of the time provided for the transaction of routine morning business.

Later today it is my hope that we can obtain unanimous consent to limit the time on the HUD appropriations bill. We were close to that last evening, but I did not put the request because certain Senators wished to examine the matter further and to give me a response this morning. I hope they will do so and I hope their response will be in the affirmative.

Mr. President, after we do the HUD appropriations bill we are going to go either to the reclamation conference report or to the banking bill. They are the conference report on the Buffalo Bill dam legislation, S. 1409, and the depository institutions bill, S. 2879, better known as the banking bill. We need to do those three items today, and we can do them.

It would be my hope that we would not have votes after about 4 p.m. The possibility of a Saturday session has been brought to my attention by the distinguished minority leader. He is absolutely correct in saying that there are matters that we must do that have not been included in my list this morning but were included in my list of last evening, and I urge Members to attempt to work out agreement on how this might be accomplished.

Mr. President, I ask the assistant majority leader if he has matters he wishes to discuss, and if he does I am prepared to yield him the remainder of my time.

Mr. STEVENS. Mr. President, I thank the distinguished majority leader and good friend, and I am pleased he has mentioned these other matters that are most pressing, bills that have come from the Commerce Committee, both the shipping bill and the railroad bill.

There is no question that a time agreement is necessary, and if it becomes necessary to proceed with those bills late in the evening and tomorrow, the Senator from Washington (Mr. GORTON) and I are prepared to make that request. We have been trying now for a period of weeks to get those bills cleared, and they are not cleared, and I intend to press for them to the best of my ability.

CRIME LEGISLATION

Mr. STEVENS. Mr. President, I have asked the majority leader for a portion of the leader's time this morning to comment on an issue which I hope Congress will not let slip by. I know the distinguished majority leader has in our planning sessions for the remainder of the session mentioned the crime package, the problem of reforming our Federal criminal code, particularly the insanity defense, which is a very pressing one, and it is one that must be taken care of this year.

We do have the appropriation bills and the continuing resolution which are most urgent, and I recognize that as a member of the Appropriations Committee. But I submit to the Senate that there are some matters which we must deal with before we recess, and I am delighted to see the distinguished chairman of the Judiciary Committee here because I know the Senate realizes he has been pressing us to get to this problem.

Crime is one of our basic problems in the country, and Congress has yet to pass a single piece of what I would call a major criminal justice reform act in this Congress. The country badly needs, and the people who are trying to enforce our criminal laws deserve, legislation which focuses on the worst of the problems that exist in this country, and that is crime in America.

We are scheduled, I hope, to take up Senator THURMOND's bill, which is S. 2572, the Violent Crime and Drug Enforcement Improvements Act of 1982, and I, for one, would be most happy if this piece of legislation could be passed quickly in both the Senate and the House.

Just this last Sunday, Mr. President, the Bureau of Justice Statistics announced that close to 25 million households, 30 percent of the Nation's total, were touched by a crime of violence or theft in 1981.

With that kind of statistic, most families can say that one of its members is more likely to be victimized by rape, robbery, or aggravated assault than to have its home touched by what we have previously thought as the dread of all perils—fire.

Last month the FBI released the "Uniform Crime Reports for the United States" in 1981. Forcible rape was up 29 percent from 1977 to 1981. Street robbery is up 67 percent from 1977 to 1981.

Crime is rising at a rapid pace, in my home State as well as here in the District of Columbia where we must work.

Recent polls suggest that this rapid increase in crime has not gone unnoticed by the public. Americans are becoming increasingly fearful of crime. Violent crime by strangers (or street

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

crime) and burglary are major sources of this public concern.

Here in the Nation's Capital street crime has become a great problem. A few months ago many of my colleagues heard me criticize the city because of the plight of citizens in this, our Nation's Capital. The right of a citizen to be safe is very much in jeopardy here in our Capital City.

Mr. President, my good friend Senator D'AMATO and I are working with the city of Washington's officials to assist them in their efforts to combat crime in the District of Columbia, and I am most pleased to report there has been a firm response from the officials of this city to the problem which they acknowledge.

Senator D'AMATO is doing a superb job in concentrating on improvements in the District's court system and police force. Senator WEICKER and his staff, working with mine and with the staff of Senator D'AMATO have been working with the Department of Justice on a study of crime victimization and crime patterns in the District of Columbia generally, and particularly in the Capitol Hill area.

This study should be of great value to Congress and the Mayor's Commission on Crime and Justice here in the District of Columbia.

I hope we will be able to take up the bill of the distinguished senior Senator from South Carolina, the chairman of the Judiciary Committee. It is worthy of the full attention of the Senate and speedy action. There are other Members of the Senate who I believe share my frustration at Congress inability to act upon reforms to our judicial system and our criminal justice system. The Judiciary Committee and particularly the Subcommittee on Criminal Law have done excellent work in this Congress and it should not be left on the desk when we adjourn.

The avoidance on the part of the Congress of this problem probably was one of the things that led the President to submit to us his Criminal Reform Act of 1982. In his transmittal message to Congress he quoted the Attorney General, Mr. William French Smith, as saying that:

> Through actions by the courts and inaction by Congress, an imbalance has arisen in the scales of justice * * * in favor of the rights of the criminal and against the rights of society.

Mr. President, nowhere is this problem more apparent than in the case of the habitual offender. Earlier this year the Senator from Pennsylvania (Mr. SPECTER) introduced the Career Criminal Life Sentence Act of 1981, S. 1688. It would make it a Federal offense for individuals to continue a career of robberies and burglaries if, in the last offense, the person used a gun. That would be the nexus of criminal jurisdiction through the Federal system. And it would provide for punishment through a mandatory sentence of life imprisonment for habitual offenders of this type.

Now, I am sure that that approach does not warm the hearts of some because it is the antithesis of the treatment and rehabilitation approach in the modern corrections theory. But something must be done, Mr. President. I am a former U.S. attorney, my wife is a former district attorney, and we feel that there are offenders for which treatment and rehabilitation is inappropriate and incarceration is the most appropriate response to protect the public through our criminal system.

My whole point, Mr. President, is that we have not yet had the time to consider some of these ideas—those of Senator THURMOND, Senator SPECTER, and others—because we have been too busy with other issues. I urge the Senate to give its close consideration to this bill, and, above all, I urge that Members of the Senate listen to us when we say we must have time agreements in order to get to the work that is at hand. And one of the things that is holding up some of these measures is the failure of some of our Members to agree to reasonable time agreements as we come to the end of this session.

I thank the Chair.

The PRESIDING OFFICER (Mr. COCHRAN). The time of the majority leader has expired.

Mr. THURMOND. Mr. President, I ask unanimous consent that I may be recognized for 1 minute.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. THURMOND. Mr. President, I wish to commend the able assistant majority leader, the senior Senator from Alaska, for the remarks he just made. I hope the Senate will heed his remarks. We have had these crime bills on the calendar since last year. It is hard to explain to the public why we do not take action.

So, again, I thank the distinguished Senator for what he has had to say.

Mr. STEVENS. I thank the Senator.

RECOGNITION OF THE ACTING MINORITY LEADER

The PRESIDING OFFICER. Under the previous order, the acting Senate Democratic leader is recognized.

Mr. BRADLEY. Mr. President, I reserve the remainder of the leadership time and I am prepared now to move on to those who are to be recognized under special orders.

RECOGNITION OF SENATOR GRASSLEY

The PRESIDING OFFICER. Under the previous order, the Senator from Iowa (Mr. GRASSLEY) is recognized for not to exceed 15 minutes.

THE GREAT TAX DEBATE REVISITED

Mr. GRASSLEY. Mr. President, on August 24, an editorial in the Washington Post entitled "The Next Tax Bill" called for further tax increases. This hardly came as a surprise to me or probably to many other Members of this body. The editorial reflects a general misunderstanding about the tax work that we on the Finance Committee did this year and about the direction future tax reform should take.

This year's tax legislation was an attempt to spread out the burden of tax payments so that a fair share would be paid by all. The combination of tax compliance and loophole closings accounted for over four-fifths of the tax bill.

In another sense, the $98 billion tax bill restored much of the tax base that was eroded following the 1981 "Christmas tree" type bill and also from the weakening of the economy that resulted from reduced and delayed incentive-oriented tax cuts in the 1981 tax bill. The eroded tax base, coupled with insufficient budget cuts, helped produce a trend of rising future deficits.

The next step to be taken with regard to fiscal policy is not to further increase taxes, as the Post would argue, but rather to determine the direction of tax reform and then proceed to reform the system.

Certainly, further loophole closings are justifiable. There are both economic and ethical reasons for such measures. But, in a strict economic sense, further reductions in these "tax expenditures" should be accompanied by a simultaneous reduction in personal tax rates. If Congress were to package another $98 billion tax bill next year in much the same manner of closing loopholes, taxing consumption and increasing reporting requirements, as in the 1982 bill, we could lower marginal tax rates across the board by another 10 percent, in addition to the 10 percent already scheduled for July 1983.

This year's revenue bill was a corrective measure taken to repair the damage done by the previous year's excesses. Last year's "Christmas tree" read like a gift list to Santa from every special interest group in the country. Baltimore Sun White House Correspondent Fred Barnes recently recounted the makings of that bill in an August 24 Sun article, adapted from the September Reader's Digest. The article kindles memories of how the bill evolved from a clean, simple rate-reduction measure to a basket of rich goodies. Once the goods were picked,

only a weakened tax base and a large deficit remained.

Already, voices like the Washington Post are calling for still higher taxes to further restore the tax base. The problem with this is that although the tax base is narrower than pre-1981, the tax burden is greater, thanks to bracket creep and increased social security taxes. If revenues are to increase further, as they must, they should be increased through economic growth.

It is time we restructured our Tax Code away from favoring consumption and debt and instead direct it toward establishing neutrality, which would have a positive impact on work incentive and savings. That would mean closing loopholes and eliminating credits and deductions on the one hand, and lowering marginal tax rates along with repealing the tax on earned interest and investment on the other. This alone, in conjunction with a sound money policy, will allow the economy to grow to the extent that revenues will increase without a tax increase. This is the most efficient way of broadening the tax base.

The key to this policy, though, is swift and timely action. We cannot waste time in shifting our economy toward a work-and-save environment. The last time we failed to act swiftly on fiscal reform, a recession resulted. We are presently trying to emerge from that recession.

The Reagan administration came to Washington with the intention of reversing recent economic policy from loose money and high taxes to sound money and lower taxes. Lower taxes would be needed to prevent a recession in the wake of tight money. The tax stimulus would prevent a fall off in demand by creating demand through additional productivity. The Federal Reserve, however, put on the monetary brakes long before tax reduction ever took place. Money was tightened immediately after the November 1980 elections, while meaningful tax reduction, in an aggregate sense, has still not occurred. This combination of tight money and high taxes choked off the economy and sent us into a recession that we are hopefully now coming out of.

The prevailing wisdom for correcting the economy is to loosen up on the money supply and balance the budget through further tax increases. Although guised in all kinds of nifty rhetoric, this could be a return to pre-Reagan policy, the policy of the inflation/stagnation-ridden 1970's. No matter what the rhetoric, artifically lower interest rates do not yield steady economic growth, but rather steadily growing inflation. And higher taxes to balance the budget do not yield fiscal responsibility, but rather economic contraction. A return to this tried-and-failed policy would certainly be a prescription for economic chaos.

Again, it must be understood that the economy needs to grow at once. If we follow a path of tight money to abate inflation, we must also follow a path of restoring work-and-save incentives to assist in economic expansion. Interest rates will come down if after-tax returns increase and inflation continues to subside. If tax reform tradeoffs are done swiftly and in proper fashion, then projected deficits should be only temporarily large.

The only alternative to this policy course, economically, is to systematically cut Federal spending until deficits are drastically lowered. Congress demonstrated aversion to cutting back further on spending has rendered this a less realistic basis for future fiscal policy. Spending reforms in the budget process are needed in order to get a handle on an uncontrolled budget. But the real problem is a structural relationship between the tax base and our spending goals.

If Congress is determined to provide for the security and social needs and desires of the public, then we must find ways to create appropriate and new resources. This can be done only through economic growth, through a prudent and sensible tax policy which will unleash productivity.

Mr. President, I ask unanimous consent that the two articles, one by Fred Barnes of the Baltimore Sun and the other the editorial from the Washington Post, be reprinted in the RECORD for the benefit of my colleagues.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Washington Post, Aug. 24, 1982]

THE NEXT TAX BILL

Congress and President Reagan made a substantial beginning, with the two bills passed last week, in the job of squeezing down the deficit. But there's still a long way to go. Further tax increases are going to be necessary, and it's worth considering the general shape that the future American tax system ought to take.

A few numbers are useful here, to suggest the magnitude of what's being done and what's still to do. The beginning point is an estimate of the federal deficit that would have occurred if last week's legislation had failed. For the fiscal year 1983, which begins on Oct. 1, it would have been in the neighborhood of $180 billion. That estimate has been moving upward all year because the recession has been more severe, and lasted longer, than most people, ourselves included, expected.

The new tax bill that Congress passed last Thursday will increase revenues about $18 billion in fiscal 1983. But it also contains spending cuts amounting to $3.6 billion that year. They are mostly in Medicare, incidentally, and fall primarily on doctors' fees rather than on the coverage of elderly patients. The bill further included about $1 billion in increased unemployment benefits. But last week, Congress also passed, separately, the legislation that reconciles some of the big benefit programs to its spending targets. The reconciliation bill will cut another $3.3 billion, most of it in agricultural programs and federal pensions. When you add all of it together, it comes to $24 billion in deficit reductions. Against the original estimate of $180 billion, it suggests that the legislation has brought the probable estimate for next year down to roughly $156 billion.

But there's more. Other things are happening, outside Congress, that will help. The recent drop in interest rates saves the government money. If the rates were to stay at their present levels through the coming year, that would lower the direct interest cost to the government by another $15 billion or more. Beyond that, the low rates would certainly encourage economic growth. The size of the deficit ultimately depends on all of the uncertainties of recession and growth. That's why you need to regard all of these numbers as illustrative, rather than precise forecasts.

But they make three points worth noting. Number one, a large part of the present deficit is the result of the recession; resumed growth will help bring the deficit down. But, number two, even with growth, further legislation will be necessary. Number three, while last week's two bills both raised taxes and cut spending, the tax increase was three times as great as all the spending cuts together. Both the White House and Congress are finding it harder and harder to locate tolerable cuts in spending. To keep closing the deficit, they are going to have to rely mainly on taxation.

What form should future tax bills take? Since Mr. Reagan took office, the income tax has become somewhat less progressive. The balance has been shifted slightly from income taxes to consumption taxes. The question, not only for tax specialists but for voters, is whether to pursue this trend farther—and how far.

[From the Baltimore Sun, Aug. 24, 1982]

THE MAKING OF A TAX BILL

(By Fred Barnes)

Fresh from his landslide election victory, President Reagan set out to produce a clean, incentive-oriented tax cut to restore competitive strength to the American economy. Then the single interest lobbying began. . .

For example:

Before the trucking industry was deregulated by the Motor Carrier Act of 1980, government-granted operating licenses to interstate trucking firms had been bought and sold for millions. But since deregulation, thousands of new licenses have been issued, making the old ones worthless as salable assets. The IRS and a federal court had balked at allowing firms to claim this loss of monopoly rights as a true tax-deductible business loss. So the industry now sought passage of a special tax break for established trucking companies.

In normal times, interest groups like the trucking industry have had little difficulty persuading Congress to decorate tax laws with special favors. Last year, however, such tax breaks faced a new powerful obstacle—President Reagan.

In the case of the truckers' assault on the tax legislation, J. D. Williams, a Democrat and one of the top lobbyists in Washington, was well aware of the administration's opposition. So he turned to Congress. Support for his plan blossomed quickly in the House, where vote-rich factions were easy to win over, and where Mr. William's friend, Representative Dan Rostenkowski (D., Ill.),

heads the tax-writing committee. But not so the Republican-controlled Senate. Senator Robert Dole (R., Kan.), as adamantly opposed to the truckers' tax benefit as is the president, is chairman of the Finance Committee.

Mr. Williams launched a campaign to recruit a majority on Senator Dole's committee. Gaining access was no problem. As a former Senate aide and a regional director in Hubert Humphrey's 1968 presidential campaign, Mr. Williams is well known to nearly every member and, like other lobbyists, contributes to election campaigns.

He and his client, the American Trucking Associations, Inc., summoned trucking executives to visit their senators. And Mr. Williams enlisted all the committee Democrats plus two Republicans. The result: In June, 1981, the committee voted 11 to 6 for the truckers' tax break.

Other groups also helped turn Mr. Reagan's incentive-oriented tax measure into something resembling previous special-interest "Christmas tree" tax bills. The oil industry got lavish concessions. Unprofitable companies were given a unique break. And even racehorse breeders improved their lot with retention of a tax write-off which cost an estimated $200 million in lost revenues by 1986.

After two humiliating House defeats on Reagan budget cuts in the spring and summer of 1981, the Democrats were shopping for a means to derail the administration's tax bill. And Dick Kline, Washington representative of an oil-producer's organization, the Domestic Wildcatters Association, had the tool.

Mr. Kline went to Representative Charles Wilson (D., Tex.), a favorite of the independent oil-producers lobby, with a scheme that would embellish the Democratic alternative tax bill with such hefty breaks to oil interests that it might attract enough Democrats from the oil-producing states to thwart the Reagan reforms. Mr. Wilson quickly forged a deal with House Ways and Means Chairman Rostenkowski. If Mr. Wilson could sign up 10 Democrats who had sided with Mr. Reagan on the budget votes, Mr. Rostenkowski would add tax relief for royalty owners and independent oil producers to the Democrat's bill. Mr. Wilson recruited the necessary congressmen, and Ways and Means approved a measure with over $9 billion in new write-offs for the oil industry. It seemed likely to triumph on the House floor.

Oil lobbyists now had the Reagan administration wallowing in apprehension over prospects for its tax bill. Meeting with administration officials, Representative Kent Hance (D., Tex.), co-sponsor of the Reagan bill, informed them that they were "a good 30 votes" short of a majority. He recommended outbidding the Democrats on oil breaks. Treasury Secretary Donald Regan huffily dismissed the idea, but Representative Jack Kemp (R., N.Y.), though strongly favoring a clean bill, urged Secretary Regan to mollify Mr. Hance. He quickly scribbled a note: "Without Hance and those other Texans, we are going to lose big." Administration officials didn't just mollify Mr. Hance. They actually assigned him to draft new oil provisions for the Reagan bill.

Eventually, $12 billion in oil tax reductions ended up in the tax law. Half went to royalty owners and involved tax concessions for established wells, which rank lowest in the stimulation of new oil production.

Another administration concession of dubious economic value permitted the sale of tax write-offs by floundering companies (which cannot use them because they don't have profits to be taxed) to wealthy companies that can. This tax provision—safe harbor tax leasing—could be extraordinarily costly to a deficit-ridden Treasury—perhaps costing as much as *$60 billion* over five years.

In its successful outbidding of Democratic tax writers, the administration wound up accepting *in toto* a number of provisions that lobbyists and Congressmen had forced into the Democratic bill. One costly scheme grants tax-free status to dividends reinvested in some public utilities. This will boost the federal deficit by $1.6 billion over the next five years.

Another plan lifted from the Democratic bill granted new tax write-offs to state legislators. Pressure was applied by the California Senate and Assembly, several of whose members were feuding with the IRS over certain deductions. The IRS insisted that legislators actually be away from home overnight to qualify for write-off of expenses. The legislators argued otherwise, and they had a powerful weapon: reapportionment of Congressional districts. There were veiled threats that this would go poorly for incumbents if the broadened tax break were not enacted.

Into the Reagan bill went a provision that established something of a precedent: Legislators need no longer be away from home overnight to claim deductible expenses. Congress then decided to adopt this benefit for its own members, voting in December to create a $75 deduction for each senator and representative for each day Congress is in session—a "gift" of about $19,000 a year. (When this embarrassing write-off caused a political furor, Congress voted last summer to repeal it.)

The squabbling that resulted as high-voltage lobbyists and congressmen grabbed for tax-break goodies reinforces the adage, most recently voiced by Christine Vaughn, a tax specialist for the Treasury Department: "Tax law is like sausage. You don't want to see it being made."

Budget Director David Stockman, who did see the Reagan tax legislation in the making, told Atlantic magazine writer William Greider, "The greed level, the level of opportunism, just got out of control."

The final irony is that in response to congressional concern over the projected size of the federal deficit the White House eventually agreed to reduce its supply-side tax cut for individuals from 10 percent to 5 percent and postponed its implementation. By 1986 the deficit savings from this fallback are supposed to amount to $100 billion.

Yet Congress's apparent concern over soaring deficits was quickly abandoned in the rush to appease special interests. The $100-billion savings from trimmed personal tax relief was more than gobbled up by special-interest breaks.

Who were the big losers from this scrambling for selfish advantage? The Treasury, the national economy and you.

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

ORDER OF PROCEDURE

The PRESIDING OFFICER. Under the previous order, the Senator from Georgia (Mr. NUNN) and the Senator from Missouri (Mr. EAGLETON) were to be recognized on special orders. However, these Senators are not in the Chamber at this time.

RECOGNITION OF SENATOR BRADLEY

The PRESIDING OFFICER. Under the previous order, the Senator from New Jersey (Mr. BRADLEY) is recognized for not to exceed 15 minutes.

EASTERN EUROPEAN DEBT TO THE WEST

Mr. BRADLEY. Mr. President, today I am continuing my discussion of the risks to the international financial system with an examination of the debt of the Eastern European nonmarket countries to Western governments and banks. Since the nonmarket economies are closed, all debt estimates are rough, but the debt of the members of the Council for Mutual Economic Assistance, CMEA, plus Yugoslavia is on the order of $80 billion—the equivalent of another Brazil or Mexico.

These countries are Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania, and the Soviet Union. Their debt to the West piled up rapidly during the 1970's, starting at about $9 billion, and reaching over $80 billion by 1980.

The repression in Poland called attention to the expanding role of Western institutions in financing nonmarket economies and the resulting exposure of our banks to their economic and social failures. The Polish experience raised a political question in the West—whether our interests are served or not served by fostering Eastern bloc economic development and interdependence with us.

Western nations will debate this political question for some time to come, and the debate will shape the level and pattern of western lending to the East in the future just as it will affect our global foreign policy strategy.

But today, my concern is a critical economic question surfaced by the Polish crisis—how should we in the West respond to the risks posed by the exposure of our banks to the functioning of European economies. The safety of loans to these countries is an important concern for Western nations, regardless of the political merits of encouraging economic ties to Soviet-bloc countries. I believe that a close look at the risks to Western economies which could grow out of the exposure of our banks to events in Eastern Europe strengthen the case for a contingency plan to safeguard our international financial system.

Poland's debt problem today is the most serious, but its features are not unique. From 1970 to 1980, Poland's net hard currency debt to the West

swelled from $1.1 billion to $22 billion. By 1979, Poland's gross debt was 3⅓ times the size of its earnings from exports to non-Communist countries. Its yearly debt service to the West—equal to 92 percent of its exports to the West—just about consumed each year's hard currency earnings. Measured another way, by 1979, 85 cents of every dollar Poland borrowed from us was needed just to service debt to us. In short, Poland borrowed primarily to repay its past loans. Under these circumstances, Poland's external balance with the West had become unmanageable long before Solidarity freedom strikes and martial law repression disrupted its domestic economy. On the contrary, Poland's current account constraints precipitated domestic economic policies which, to some degree, fired underlying political unrest.

How did Poland get into this economic predicament?

In 1971, Poland's new First Party Secretary, Gierek, launched a development strategy for modernization based on importing Western technology and credits, to build industries able to export to Western markets. Gierek's growth strategy seemed to work at first. But poor investment decisions, the inappropriate use of technology, and depressed sales in Western markets began to erode Poland's external account in the mid-1970's. Further, bad weather and Gierek's diversion of resources to industry weakened Poland's agricultural sector, forcing Poland's people to look for food to Western markets. As imports rose, and exports lagged, Poland's debt accumulated. Its debt service increasingly cut into its shrinking hard currency earnings.

By the end of the 1970's, these domestic policy errors combined with external factors such as the effects of oil shocks and slow growth of the West combined to mire Poland hopelessly in debt.

Despite signs that Poland was heading toward insolvency, the banks of the West kept their windows open, reassured by their faith in a Soviet "umbrella" covering Poland's obligations, and by the Western government guarantees that backed many of their loans. Moreover, banks make money by lending deposits, and the international banks had hefty OPEC petrodollar deposits that had to be lent to someone. The East looked attractive when the West was in recession, and East European countries steadily became a familiar customer. By 1976, most U.S. banks had leveled off their lending to Poland, but the banks of Western Europe increased their exposure.

As noted, by 1979, Poland's debt service was consuming most of its hard currency earnings. That year for the first time since World War II, its national income fell. The next year, Poland's leaders sought to curb spending and restrain costs by reducing meat subsidies and holding down wages. Strikes followed, leading to the rise of Solidarity and the fall of the Gierek government. Soon the new Kania government was asking for more credits. This time, Western banks refused. In March 1981, Poland announced it could not service its debt.

Poland's announcement forced Western banks and governments into debt negotiations. The banks waited for the governments to come to terms. They did in April 1981, accepting Poland's payment of the interest due on official debt in the last three-quarters of 1981 plus 10 percent of the principal, and its pledge to repay the rest over 4 years, beginning in 1985. The banks then persuaded Poland to agree to pay the full interest due on its commerical debt in 1981, and agreed to reschedule 95 percent of the principal. Negotiations on the estimated $3.5 billion due Western banks in 1982 now have been concluded.

The agreement is more liberal than the 1981 accord in that, according to the Wall Street Journal, it forces bankers to extend a short-term credit facility to Poland by recycling 50 percent of Poland's 1982 interest payments totaling $1.1 billion, into new trade credits with a maturity of 3 years.

Also, 95 percent of principal will now be repaid over 3½ years beginning in 1982.

Poland's leaders may be able to sign a rescheduling agreement, but will they be able to sign a repayment check? Even without martial law to paralyze its economy, and the spirit of Solidarity reforms to unsettle it, Poland's prospects for putting its financial house in order would be dim. Among the CMEA countries, Poland carries by far the heaviest net debt to the West, and has the highest ratio of debt to hard currency earnings. Its net per capita debt is second only to Hungary's.

Of course, Western sanctions are compounding Poland's economic ills. Poland's exports to the United States dropped to $74 million through May of this year, compared to $172 million during the comparable period last year, and their imports from us fell to $80 billion during this 5-month period from $412 million during this same period last year. Without increased imports from the West and the East to build its industries Poland's industrial decline will continue. Its production was off by 8.7 percent from the same period last year. Earlier this year, the Polish zloty was devalued and the retail prices of many food and consumer goods were raised by 100 to 300 percent. With rising import costs, rising deficit and rising debt, Poland will not be able to afford increased imports from anywhere.

Poland faces a bleak environment. But it is not dramatically worse than the one faced by some of the other Eastern European countries. One reason is that all these countries face the same prospect of shrinking export markets in the recessionary West and increased wariness among Western businessmen about creating economic stakes in the East. In short, the nonmarket economies cannot count on rising interdependence with market economies to help improve their economic efficiency and raise their living standards. At the same time, stringencies in the Soviet Union limit the ability of Eastern bloc countries to turn there for compensatory help which is of critical importance. A very ominous development was the recent default by Cuba on debt owed the Soviet Union. This fact could be a danger signal to those banks that had expected the Soviet Union would ultimately be backing up their loans to Poland.

During the 1970's, the prospect of increased Western goods and credit, combined with cheap Soviet oil and gas formed the basis for the modernization plans of many of the East European economies. Today, the ingredients of this growth formula appear more scarce. In the years ahead, the West will be less able and more reluctant to interact commercially with the East, and subsidized Soviet energy sales will likely be limited due to Soviet supply constraints and production needs, as well as the Soviet Union's need to earn hard currency through lucrative market-price sales.

This new world will complicate the economic and political choices of many of the Eastern European countries. Reduced access to the West could force even greater dependence on the Soviet Union, at the same time that the Soviet Union is unable to assume the greater burden. Austerity is a probable result, and is likely to be accompanied by a further closing off of Eastern European societies to Western influences, particularly if austerity stirs pressures for internal reform. How these developments would affect Western security interests would depend on the particular events within each country, as well as how we respond. But whether, on balance, austerity in Eastern Europe will serve or frustrate our broader strategic objectives is highly controversial.

For the people of nonmarket countries, the verdict is apparent—economic times will be harder and for those who have some independence from the Soviet Union, preserving it will be trickier. The signs of economic strains are surfacing. One important sign can be read into data recently released by the Bank for International Settlements. It shows an unprecedented decline of 29 percent in the deposits of East European countries in Western

banks during the first quarter of 1982. At the same time, the gross debt of these countries to Western banks dropped by 8.2 percent, or $3.7 billion. What this indicates is that the nonmarket countries are becoming trapped in a liquidity crunch and are drawing down their hard currency assets in order to service their debt. This trend is disturbing because it may lead to widespread liquidity shortages for these countries and liquidity shortages threaten Western banks with debt collection problems.

Poland's debt has been rescheduled for the second year in a row. Romania's debt is about to be rescheduled, and Hungary is searching for funds from virtually all possible sources.

Against this background, it is worth noting that, by some measures, Poland's debt problem is not the most serious. One 1981 study of the hard currency debt of CMEA countries found that Hungary's per capita net debt was higher than Poland's, and that Poland was near the bottom of the CMEA list in terms of its ratio of short-term liabilities to hard currency exports. Consequently other CMEA countries may have more difficulty paying what is coming due shortly. Leading this list is Bulgaria, followed by Hungary and then the German Democratic Republic. It has been assumed that the relatively high liquidity reserves of these countries would help take care of their short-term repayments in the absence of sufficient hard currency earnings. But as noted earlier, hard currency reserves held in Western banks are shrinking for the group as a whole. Moreover, the depletion is greatest for East Germany, followed by Hungary. If this trend continues, there will be no insulation of reserves to protect these countries against the strains of debt service.

The external positions of the Eastern European countries in the future will largely depend on first, their present debt burden; second, prevailing interest rates; and third, their ability to bring their trade with the West into balance. The 1981 study mentioned earlier concluded that under the most probable scenario, the U.S.S.R. would have no problem meeting its international obligations, even without increased gold or arms sales. Czechoslovakia, too would be in good shape, as long as it endures depressed economic growth, and continues to market its arms abroad.

Romania will run into trouble if it cannot pay more for its OPEC oil or exact more subsidized oil from the U.S.S.R. As Romania's domestic oil sources dried up, it placed its hopes for economic growth on agreements with Iran, Iraq, and other OPEC countries to supply energy for oil and gas intensive industries. These arrangements, and Romania's growth plans with them, were shattered by the Khomeini revolution and the war between Iran and Iraq. Last year, Romania's real investment was down by 7 percent. Romania today must increase its exports to OPEC countries, reduce its imports, and probably turn to the Soviet Union for more subsidized oil.

The 1981 study estimated that unless Romania can pay for increased OPEC purchases with bartered exports, they could add some $1 billion yearly to its debt bill. Total Western claims on Romania stood at $9 billion in 1980, and it now owes Western banks some $5 billion. Because of its debt service problems and cool reception in commercial financial markets, Romania recently accepted the reinstatement of an IMF stabilization program, but its credit rating in commercial markets is still clouded. One of Romania's goals is to reduce its current account deficit from last year's $818 million to $450 million by year end, and toward that end, Romania's foreign trade enterprises now are legally required to keep their trade in balance. Without hard currency earnings, Romania debt could well become unmanageable. Efforts to further curtail growth could precipitate domestic problems akin Poland's.

Despite Hungary's record of good performance under its new economic mechanism, which encourages flexibility and technical professionalism, its economic performance fell short of planned targets last year with industrial output growing at just over 2 percent and agriculture stagnating, Hungary's hard currency imports rose 1.6 percent in first quarter 1982, eclipsing its hard currency exports which fell by 0.6 percent over the same period. Poor markets for its export industries are complicating Hungary's management of its Western debt, which totaled $7 billion in 1980. More ominous is the deterioration of Hungary's hard currency deposits in Western banks, its primary repository of liquidity. Hungarian deposits fell more than 50 percent just in the first quarter of 1982, considerably reducing its liquidity cushion against debt service pressures in the future.

Surprisingly, the German Democratic Republic, despite its past caution about borrowing from the West, has borrowed more heavily in recent years and could become one of the most financially strapped nonmarket countries. The GDR's ambitious growth plans for 1981–85 could lead to new highs in Western import levels, raising its debt from about $10 billion today to perhaps $31 billion in 1985, according to one projection. The GDR's growth strategy is to raise labor productivity and increase economic efficiency largely through accelerated scientific and technological development, and the introduction of new industrial technology. No doubt, the GDR's projection of 5.5 percent annual growth over the 5-year period anticipated growing export credits and continuing technology transfer from the West, primarily from the Federal Republic of Germany.

Changes in Western attitudes could put a large dent in these plans, particularly if subsidized credits are not forthcoming. Banks, soured by rescheduling problems with Poland and Romania, are not eager to increase their East German exposure. A possible harbinger of East Germany's problems is its reported inability to repay fully its Western debts this year, unless banks extend the maturities on some of the expiring credits. Some 43 percent of its debt will come due by the end of this year. Since most of East Germany's hard currency earnings are in West German marks, the rise of the dollar has hurt East Germany's ability to repay its dollar denominated debt with exports and reserves. The GDR was forced during the first quarter of 1982 to drain $644M of its deposits in Western banks more in absolute terms than was drawn down by any other Soviet bloc country.

The banking community's brush with default in Poland, and the jittery state of Eastern European economies should dispel the illusion that all loans to the so-called command economies are sure bets. In the past, high credit rating for CMEA countries have been due in part to the misimpression that a command economy meant that the leaders simply have to command to enforce economic policy. High ratings also stemmed from the convictions of most bankers that in the end, the Soviet Union would offer its own wealth an "umbrella" to shield the CMEA countries—and therefore their creditors—from the punishment of defaults. Finally, the preferred rating of East Germany largely depended on unilateral transfers from its kin state, West Germany.

Today, bankers rightly are giving the CMEA countries the cold shoulder. As long as East-West political relations are strained, and Eastern countries struggle to straighten out their trade and financial balances, this cool attitude is likely to prevail, particularly given the recent Cuban/U.S.S.R. default.

Changes in the political mood and economic climate may elicit new commercial credits to the East in the future, but I expect that whatever comes forth will be wrapped in economic—and perhaps political—conditions. At minimum, bankers should insist on access to better information and stabilization programs to lay the basis for repayment. Western governments may also insist on conditions with a political character, particularly if future credits carry official guarantees.

But while our credit and trade relations with the East may be better managed in the future, today many banks in our international system remain exposed to events in the Eastern bloc. It is no comfort to the United States that our banks are the least exposed. The fates of U.S. banks are firmly bound to their European and Japanese counterparts through a network of interbank loans, and second, our security and prosperity as a nation is firmly bound to the safety and well-being of our allies abroad.

The implications of our economic and political interdependence with our friends are as striking in connection with Eastern bloc debt, as they are in so many other areas of policy. Unless we hang together, we hang separately. We can protect ourselves only by collectively weaving a safety net under our banking system. I urge the Reagan administration to create an allied contingency plan, including commitments concerning lender of last resort responsibilities, currency swaps, and interbank loans.

I have outlined such a plan in previous speeches before the Senate. We simply must create a pool of capital sufficiently large to stem runs on banks created from potential sovereign defaults and sufficiently diverse to assure the rapid movement of a variety of currencies. Without such a plan, we shall have abandoned a fundamental purpose of Government—to protect our citizens from the devastating possibility of economic collapse.

VITIATION OF SPECIAL ORDER OF SENATOR NUNN

Mr. BRADLEY. Mr. President, I ask unanimous consent that the special order of Senator NUNN be vitiated.

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

RECOGNITION OF SENATOR EAGLETON

The PRESIDING OFFICER. Under the previous order, the Senator from Missouri (Mr. EAGLETON) is recognized for not to exceed 15 minutes.

Mr. EAGLETON. I thank the Chair.

TRAGEDY IN LEBANON

Mr. EAGLETON. Mr. President, events in Lebanon move with such a fast and tragic pace that any analysis of the situation is almost out of date by the time it is uttered. Recognizing, thus, the hazards of such a commentary, I shall nonetheless try to pull together my thoughts on a topic by topic basis.

THE WEST BEIRUT MASSACRE

The whole world shares in a sense of horror and disgust over the massacre in West Beirut. I agree with Israeli President Navon and Labor Party leader Peres that there is a necessity for a thorough and independent judicial commission inquiry into all of the facts and circumstances leading up to this tragedy. I emphasize that such a commission must have full excess to all facts and information and with full right of subpena and must be free to pursue the investigation wherever it might lead. If Prime Minister Begin persists in "stone-walling" this issue, then responsibility will inescapably be heavily assessed against his government for being derelict in the performance of the peace-keeping mission which his government unilaterally assumed when Israeli forces entered West Beirut. Prime Minister Begin is a student of history and must remember that when President Nixon "stonewalled" Watergate, it led to his undoing.

Senator HENRY (SCOOP) JACKSON put it very well in a television interview yesterday when he said, "Israel has the responsibility of initiating without delay a full inquiry by a special commission to determine what officials knew about this tragedy and when they knew it. The guilty individuals must be punished. This tragedy will not go away. The Congress of the United States is determined that this matter be resolved immediately."

Mr. President, I ask unanimous consent to have printed in the RECORD a letter dated September 22, 1982, from Senator ALAN CRANSTON on this subject. Israel has no better friend in the Senate than ALAN CRANSTON and, thus, his viewpoint takes on a heightened significance and heightened pathos.

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

(See exhibit 1.)

U.S. REACTION

Mr. EAGLETON. Mr. President, I am bound to say that our own policy with regard to events in Lebanon shows signs of hasty reaction rather than the kind of careful deliberation required. Following the assassination of President-elect Geymayal, Israeli forces moved into West Beirut ostensibly to prevent outbreaks of violence. The multi lateral force had already departed. President Reagan issued a stern demand that the Israelis withdraw. Had that demand been agreed to by the Israelis, a security vacuum would have resulted in West Beirut and one has to wonder what consequences would have followed. One has to wonder as well whether the decision to withdraw a multi-lateral force prior to the time when the Lebanon government was in a position to control events was a wise one. Indeed, that question arises in a new context with the reintroduction of the U.S.-French-Italian force. With that force in place, the United States becomes the responsible and accountable peace-keeper.

THE USE OF U.S. MARINES IN BEIRUT

I would have greatly preferred the use of U.N. peace-keeping force in West Beirut. I believe U.S. troops are particularly vulnerable targets for acts of violence in the emotionally charged atmosphere in Beirut. Having made the decision to send U.S. troops, the President should comply with the operative provisions of the War Powers Act which would, absent approval by Congress, limit their duty in Beirut to a total of 90 days.

On the question of the War Powers Act, Mr. President, I ask unanimous consent that a letter I sent to President Reagan be printed at the conclusion of my remarks.

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

(See exhibit 2.)

THE PALESTINIAN PROBLEM

Mr. EAGLETON. Some commentators view the events in Lebanon as an opportunity for a breakthrough toward peace in the Middle East. I fervently hope that out of the death and destruction, some good may come. I am convinced that no good will come if the Palestinian question is ignored. The destruction of the PLO military component and the substantial humiliation of the PLO political component will not resolve the Palestinian problem. That problem, if unattended, will generate continued conflict over the long term. Occupied areas can be held, the PLO enemy can be militarily vanquished, but the seething hatreds that have caused all the previous wars will only continue to build. The PLO may become a paper tiger but, in time, something else—perhaps with a totally different name and structure—will take its place. As Senator Jackson put it in his excellent "Face the Nation" interview of July 18, 1982, "Let's say the 6,000–7,000 PLO are moved out of Beirut. That will not solve the Palestinian problem. It simply won't go away. And I think the Israelis, many of them, understand that, and there's a division within the Israeli Government on that issue."

THE PLO

I think that the Palestinians have been badly misled by an organization hell-bent on the destruction of Israel and which organization has succeeded only in virtually destroying itself and the country of Lebanon along with it. Even those who vigorously opposed the war in Lebanon were fully aware of the PLO tactics of refusal through the years and that these tactics have led the Palestinians from one disaster to another. PLO tactics and activities in Jordan caused their expulsion therefrom in 1970. PLO tactics and activities caused their expulsion from Lebanon. The PLO's record is such that no nation was terribly eager to receive them. Logic would dictate that, after a record of unmitigated disaster,

the PLO would proceed on a new course of accommodation to reality. Sadly, however, logic does not always prevail in international relations, especially so in the Middle East.

PRESIDENT REAGAN'S PEACE INITIATIVE

I support President Reagan's Middle Eastern peace initiative. The substance of it is not totally original. Portions, bits, and pieces of it have been proposed by various world leaders and Middle Eastern foreign policy experts including United States Secretary of State William Rogers in 1969, Israeli Foreign Minister Yigal Allon in 1976, and Israeli Party Leader Shimon Peres in 1982 (and earlier). It comports with U.N. Resolution 242 in that it envisions the relinquishment of Israeli-occupied territories in return for an overall peace settlement. It does no violence to the ultimate objectives of the Camp David Accords, although it obviously seeks to compress the timetable of those Accords.

Although the substance of President Reagan's initiative is not totally original, the declaration of a broad, all-encompassing initiative by the President of the United States is original.

What President Reagan is in essence saying is that, for the West Bank, neither a PLO-run, independent Palestinian state nor an Israeli-annexed Judea and Samaria can ever be an acceptable solution. Neither a Pax Arafat nor a Pax Sharon can bring lasting peace to the Middle East.

A demilitarized West Bank, politically affiliated with Jordan and with territorial adjustments insuring Israel's right to exist within secure and defensible borders, attained through face-to-face negotiations between the parties, can bring peace to the Middle East.

It has been said that the history of the Middle East since 1948 is one of the "missed opportunities" by all sides. The war in Lebanon, in spite of the tragic loss of life by Arabs and Israelis, has created a new opportunity to pursue peace in the Mideast. President Reagan was wise, in my judgment, to take the initiative.

From the Israeli perspective, Prime Minister Begin's rejection of the Reagan Plan need not necessarily be the final word. The Israeli Labor Party, led by Shimon Peres, supports the thrust of the Reagan initiative. (So, too, former Foreign Minister Abba Eban.) A significant portion of Israeli public opinion has always recognized that exchanging "land for peace" is a necessity for an overall settlement. I believe that a real willingness to negotiate on the part of the moderate Arabs, particularly King Hussein of Jordan, would evoke an outpouring of similar sentiment from Israel. As one commentator recently wrote, no Israeli government could stay in power long if it left King Hussein waiting at the negotiating table.

For progress and peace to occur, the Arab world will have to be more forthcoming. The recent meeting at Fez was a disappointment. On the plus side, the Arab states, save Libya, seem to recognize that diplomacy, not force, is the only way to secure peace. However, they steadfastly adhere to the twin propositions of an independent Palestinian state and the PLO as the sole negotiator-representative of Palestinian rights. They also continue to refuse to recognize—in a clear and unequivocal way—the right of Israel to exist. Without this recognition, there can be no meaningful progress to peace.

I am hopeful that in the coming months, the moderate Arabs will seize the opportunity for peace which is at hand. Even after the Fez meeting, King Hussein stated that President Reagan's initiative was "a very constructive and a very positive move and I would certainly like to see it continue and evolve." In my judgment, it can only "evolve" with his ultimate participation in the peace process. Henry Kissinger's memoirs pay great tribute to King Hussein's statesmanship and courage in the extraordinarily difficult position where the turmoil of the Mideast has placed him. He can prove his statemanship and earn a richly-deserved place in history if he can lead the moderate Arabs down the path to peace with Israel.

EXHIBIT 1

U.S. SENATE,
Washington, D.C., September 22, 1982.

His Excellency MENACHEM BEGIN,
(c/o Ambassador Moshe Arens),
Embassy of Israel, Washington, D.C.

DEAR MR. PRIME MINISTER: For almost two generations my country has joined with yours to build an Israel which can provide its people with increasing opportunities for human fulfillment within peaceful borders, and to work for a peace and a stability in the Middle East that will benefit your people, our people, all people.

This history does not permit Americans to direct Israel's actions. However, our share in the chronicle of your country does entitle us to be known as your friend. And the truest mark of friendship is not flattery or unquestioning support, but honest counsel. Indeed, it would be a betrayal of friendship to conceal criticism of actions we think likely to defeat the goals we have shared for so long.

As you well know, the State of Israel has no stronger supporter in the U.S. Congress than I.

Repeatedly through the years, during both Democratic and Republican Administrations, I have helped lead battles in the U.S. Senate to defend the mutual interests of our two countries, to augment Israel's strength and security, and to oppose the enhancement of the military power of Arab nations hostile to Israel.

I do not doubt that the root cause of all the violence in the Middle East lies in the Arab holy war against Israel, lies in the refusal of so many Arab nations to recognize the right of Israel to exist and in their refusal to make peace with her, and lies in P.L.O. terrorism.

I do not believe that the United States would sit idly by if Cuban forces defied one of our neighbors and massed thousands of armed guerillas on one of our borders, commenced transforming them into military units replete with increasing supplies of Soviet equipment including tanks, rockets and artillery, and proceeded to wound and kill Americans in terrorist attacks launched across our border upon our communities and our citizens.

After all, we sent U.S.-trained forces into hostile action at the Bay of Pigs, and we risked a nuclear confrontation because of our concern over military developments in Cuba—an island 90 miles off our shore—that we considered a threat to our national security.

Even now, every Soviet infant, child, woman and man is targeted by American nuclear missiles. They are held hostage, threatened with instant death if those who rule the Soviet Union attack us or our allies. And every American, in turn, is targeted and held hostage by Soviet nuclear weapons. Indeed, every human on God's earth is held in thrall by this threat of the holocaust of all holocausts, one that would consume Jew and Gentile alike, one that would not discriminate between faiths and races. There is no longer any exodus to a place which cannot be reached by the missiles of man. Until the United States moves with more resolution, determination and creativity than we are now displaying to terminate this threat to each and all of us, our own hands are not clean.

Israel is not alone in its use of military force to defend its perceived interests. There is a terrible global drift toward war. Violence is endemic in the world.

The U.S. has itself resorted to force to advance its perceived interests. In Vietnam, we too suffered the harsh consequences of over-estimating the utility of force. We learned in Vietnam that violence begets violence; that expanding force has an impulse of its own, beyond the control of those who sit in government offices; that the unleashed beast of brutality cannot separate the innocent and the helpless from the armored enemy.

I did not condemn Israel's initial move into Lebanon for the avowed purpose of protecting Israeli citizens against repeated P.L.O. attacks launched from that country.

And I refrained, despite deep misgivings, from commenting publicly on your seige of Beirut and your entry into its western section. I am reluctant to criticize a treasured friend and ally—especially when that friend and ally is in the midst of a military struggle.

But the massacre of hundreds of men, women and children is another matter. It will be some time before we accurately know who was to blame for the massacre. We may never know.

The question of responsibility is easier to answer. By moving Israeli forces into West Beirut for your declared purpose of restoring stability and preventing bloodshed, your government took on certain responsibilities.

You assumed responsibility for preserving order and protecting human life in Beirut—in this you failed.

Mr. Prime Minister, the recent behavior of your military forces in Beirut is causing deep concern and expressions of outrage among many of Israel's friends. This concern threatens to erode support for Israel in the U.S. Senate and among the American people. As a matter of conscience, I, too, must now speak out.

I am troubled by the methods you are employing for the apparent purpose of control-

ling the destiny of Lebanon. To critics and friends of Israel alike, it increasingly appears that you and General Sharon have substituted naked military force for a balanced foreign policy which should reflect a decent respect for the opinion of mankind.

Moreover, however, justified your original goals, the horror of Lebanon is now harming the security of Israel. It is repelling your friends and strengthening your enemies. In Biblical times, a handful of the righteous could stand against the world. In our more secular times, however, no country can stand alone, or with but a handful of allies. How can Israel think to increase its safety through self-inflicted isolation?

The people of Israel have always been known for their deeply ingrained reverence for human life and for the dignity of the individual, a reverence born of the great historical suffering of the Jewish people. Lesser nations have allowed war to harden them, and have permitted prolonged war to erode their reverence for justice, no matter how virtuous their cause may have been.

But Israel was born out of centuries of hope and struggle and an eternity of faith. It is my hope and my prayer that this faith and reverence can now manifest itself in courageous initiatives to help bring peace to Lebanon and then to provide an enduring solution for the West Bank and Gaza.

I believe that Israel should take the following initiatives:

1. I urge your government to withdraw Israeli forces from Beirut immediately upon arrival of the multinational forces who are to assist the Lebanese Army in assuming security responsibilities.

2. I urge your government to cooperate in achieving the swift withdrawal of all foreign forces from Labanon—Syrian, P.L.O. and Israeli. And I urge that your government exercise the utmost restraint in the use of your superior military strength against Syrian and P.L.O. forces still in Labanon until such an agreement is reached.

3. I urge your government to return to Israel's traditional concern over only immediate threats to its own borders and that your government abandon its reliance on military force for the solution of essentially dipolmatic problems.

4. Finally, through I myself have reservations about elements of President Reagan's proposed peace plan, I urge your government to reconsider promptly its outright, precipitious rejection of his entire proposal.

Perhaps the most somber consequence of the current strife in Lebanon is the dimming of the inspiring moral beacon which has shone so brightly from beleaguered Israel.

Some day the turnmoil and the killing in Lebanon must end. Israel will still be surrounded by hostile neighbors. Will you then be more secure if you have dissipated the moral stength which armed your people and enlisted your friends?

A bold vision of peace and reconciliation is essential in the days ahead if we are to leave a safer world for our children.

Yours in peace,

ALAN CRANSTON.

EXHIBIT 2

U.S. SENATE,
Washington, D.C., September 23, 1982.

Hon. RONALD REAGAN,
President,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: I am constrained once again to write on the use of U.S. troops in Lebanon and, most specifically, the applicability of Sec. 4(a)(1) of the War Powers Act which reads in part as follows:

"In the absence of a declaration of war, in any case in which United States Armed Forces are introduced into hostilities or into situations where imminent involvement in hostilities is clearly indicated by the circumstances."

The Act then goes on to require timely reporting to Congress.

I wrote to you on July 16, 1982 on this subject when it was being contemplated that U.S. troops (along with French and Italian troops) be sent to Lebanon to secure the evacuation of the P.L.O. guerillas. In response, I received a copy of your letter of August 24, 1982, to the President pro tempore of the Senate in which you asserted the deployment of troops was taken pursuant to your Constitutional authority as Commander-in-Chief and head of foreign policy. Nowhere did you specifically acknowledge the applicability of the War Powers Act.

Now, in light of the recent tragic and horrible events in West Beirut, U.S. troops are once again being dispatched. This time the mission, because of the violence which has transpired, is enormously more perilous than the earlier mission. Very clearly, to me, this is a situation "where imminent involvement in hostilities is clearly indicated by the circumstances."

Thus, as I read the War Powers Act (which I co-authored with Senators Javits and Stennis), Sec. 4(a)(1) of the Act applies and there is, thus, a 60 day time limit on this deployment (with an additional 30 days extension at your discretion).

If you conclude that Sec. 4(a)(1) does not come into play, may I ask this. If the U.S. troops are fired upon, thus making it crystal clear that hostilities have in fact begun, will you then trigger into effect Sec. 4(a)(1) with the consequent 60 day and 30 day periods as described above?

Yours very truly,

THOMAS F. EAGLETON,
U.S. Senator.

ROUTINE MORNING BUSINESS

The PRESIDING OFFICER. Under the previous order, there will now be a period for the transaction of routine morning business, for not to exceed 5 minutes, with statements therein limited to 1 minute each.

S. 2918—THE RESIDENTIAL MORTGAGE INVESTMENT ACT

Mr. MITCHELL. Mr. President, I rise to express my support as an original cosponsor of S. 2918 the Residential Mortgage Investment Act of 1982, introduced by my colleague from Rhode Island, Senator CHAFEE.

The purpose of this legislation is to remove regulatory barriers that discourage private pension funds from investing in residential mortgages and mortgage-backed securities.

The need for this measure is evident when one contemplates the state of the housing industry. It has been devasted by a virtual depression for nearly 4 years. While annual housing starts were at the 2 million mark in 1978, the trend since then has been almost steadily downward, going below the 1 million mark in 1981 and much of this year. With the high interest rates that have been so pervasive during this time, homeownership has been beyond the reach of most Americans.

It is imperative that we look for new sources of mortgage credit to assist young home buyers and the homebuilding industry. The National Association of Home Builders estimates that some $1 trillion will be needed to spur a housing recovery through the 1980's. Finding that credit will indeed be difficult, particularly in light of the crowding in capital markets caused by large Federal deficits predicted through the middle of this decade and by the difficulties of the thrift institutions in competing for available savings.

The use of pension funds for this purpose holds promise. Public and private pension funds have assets exceeding $600 billion and, because of existing legislative and regulatory barriers, only 3 percent have been invested in residential and commercial mortgages.

This legislation would make home mortgages as attractive an investment as other types of investments currently made by pension funds. It would still require that prudent man investment standards be met.

It has the added attraction of not requiring any public expenditures. And, it would not subsidize one class of people, homeowners, at the expense of pensioners.

In sum, the bill I have cosponsored is an attempt to open a new source of long-term capital for mortgage loans. It does not require the managers of pension funds to invest in housing, it only permits them to do so without the hurdles they must now overcome.

THE 1983 FEED GRAIN PROGRAM

Mr. HUDDLESTON. Mr. President, the Secretary of Agriculture yesterday announced the provisions of the 1983 feed grain program.

To be eligible for loans and deficiency payments for the 1983 crop of corn, sorghum, barley, or oats, a farmer must reduce his planted acreage of the commodity by 20 percent. This reduction will consist of a 10-percent acreage reduction and a 10-percent paid land diversion.

The current law requires a 10-percent acreage reduction and a 5-percent paid land diversion for feed grains, but authorizes the Secretary to expand the acreage reduction program beyond this minimum. Three weeks ago, 11 of my colleagues and I wrote to the Secretary to urge him to establish a larger paid diversion program. I commend the Secretary for taking the action we recommended. I note that the Secretary has not revised his

wheat program announcement to include a larger paid diversion component. I am hopeful that the Secretary will review the 1983 wheat program provisions to see if wheat producers can be given treatment similar to that given feed grain producers.

According to the Department of Agriculture's estimates, as reflected in the announcement of the per bushel deficiency payment rate, market prices will be at or below the loan rate for most of the 1983 crops of those commodities. I am concerned that commodity prices in 1983 are projected to be so disastrously low. Such prices signal the depth of the depression in the farm economy. I am hopeful that Secretary Block will work with Congress to reverse the current deplorable price trends.

The Secretary also announced an increase in the funds allocated to the 1983 farm storage facility loan program. The Agriculture and Food Act of 1981 requires that the Secretary make storage facility loans in all areas in which there is a deficiency of storage space.

The Secretary had announced an initial funding level of $40 million for this important program. In our letter of September 2, we pointed out that the large grain crops in 1982 and the near-record carryover stocks of grain from previous years have produced a storage deficit in many areas and higher storage charges for farmers in others. We urged the Secretary to revise the farm storage facility loan program, and yesterday's announcement is certainly an improvement over the previous terms.

I again urge the Secretary to monitor carefully the status of storage availability and costs to farmers. Inadequate or expensive storage causes a disincentive for farmers to participate in the 1983 commodity programs. We must be certain that the farmer has every incentive to reduce carryover stocks that adversely affect farm prices.

Mr. President, I ask that the text of the September 2, 1982, letter be printed in the RECORD.

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

COMMITTEE ON AGRICULTURE,
NUTRITION, AND FORESTRY,
Washington, D.C. September 2, 1982.

Hon. JOHN R. BLOCK,
Secretary of Agriculture,
Washington, D.C.

DEAR MR. SECRETARY: We urge you to take immediate action, using the statutory authorities available to you, to revise the Nation's farm programs so as to make them more responsive to the needs of hard-pressed farmers.

Based on the Department of Agriculture's most recent estimates, record large crops of corn and soybeans will be harvested this year and the 1982 wheat crop will be close to last year's record. In addition, it appears that the volume of agricultural exports in 1982 will increase only marginally from last year, and agricultural export sales in 1982 will almost certainly be less than in 1981. The addition of the huge 1982 crops of grain to existing carryover surpluses, coupled with continuing weak markets for grains, will reduce low commodity prices even further.

We, therefore, believe it imperative that the Administration (1) implement effective land diversion programs for the 1983 crops of wheat, feed grains, and rice, (2) assist farmers in increasing the Nation's grain storage capacity, and (3) make renewed efforts to increase agricultural exports.

The omnibus Reconciliation Act of 1982 requires you to implement paid land diversion programs for the 1983 crops of wheat, feed grains, and rice under which, for farmers participating in the programs for those commodities, the farmer must divert from production 5 percent of the farm's wheat, feed grain, or rice acreage base. (In addition to the paid acreage diversion, farmers must divert from production under the acreage reduction program a specified percentage of the acreage base; i.e., 15 percent in the case of wheat and rice and 10 percent in the case of feed grains.)

However, as the conference report on the 1982 Act makes clear, a paid diversion of 5 percent is only a minimum. Under the Agriculture and Foods Act of 1981, you have authority to establish larger paid diversion programs for wheat, feed grains, and rice (and upland cotton if you determine that an acreage reduction program is needed for that commodity).

We believe that the 1983 paid diversion programs should be larger than 5 percent if they are to be effective in limiting production and bringing supplies more in line with demand. Therefore, we urge you to exercise your discretionary authority and expand the 1983 paid diversion programs to levels that will be effective in strengthening commodity prices.

The large grain crops now being harvested and the near-record carryover stocks of grain from previous years have also produced a storage deficit in many areas and higher storage charges for farmers in others. The farm storage facility loan program must be revised so as to ensure that, as required under the Agriculture and Food Act of 1981, storage facility loans are made available to farmers in all areas in which there is a deficiency of storage space.

Renewed efforts by the Department to expand agricultural exports must be undertaken to stabilize and increase commodity prices. In this connection, the vigorous use by you of the authority for expanded export market promotion in the Omnibus Reconciliation Act should be of great assistance.

The Nation's farm economy is disastrously weak and this weakness is contributing to the overall poor performance of the economy. We do not expect a major and sustained economic recovery without a reversal in the trend of declining farm prices and income.

Bold and vigorous use of the statutory authorities available to you is required to shore up declining farm prices and income and foster a recovery in the farm economy.

Sincerely,
David L. Boren, Howell Heflin, Tom Eagleton, Walter D. Huddleston, David Pryor, Edward Zorinsky, John Melcher, Alan Dixon, Jim Sasser, Gary Hart, John C. Stennis, Quentin Burdick.

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

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

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

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

Mr. BAKER. Is there an order, Mr. President, for the Senate to proceed to the consideration of the HUD appropriations bill?

The PRESIDING OFFICER. The majority leader is correct.

CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. Is there any further morning business? If not, morning business is closed.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT—INDEPENDENT AGENCIES APPROPRIATIONS ACT, 1983

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the consideration of H.R. 6956, which the clerk will state by title.

The assistant legislative clerk read as follows:

A bill (H.R. 6956) making appropriations for the Department of Housing and Urban Development, and for sundry independent agencies, boards, commissions, corporations, and offices for the fiscal year ending September 30, 1983, and for other purposes.

The Senate proceeded to consider the bill which had been reported from the Committee on Appropriations with amendments.

Mr. BAKER. Mr. President, I understand the minority leader has cleared a unanimous-consent agreement limiting time for debate on this measure.

I would inquire of the distinguished acting minority leader if he is prepared to proceed at this point.

Mr. HUDDLESTON. Mr. Majority Leader, I was advised that the minority leader, Senator ROBERT C. BYRD, has indicated he would like to be present when this unanimous-consent agreement is reached. I would ask his forbearance for a few minutes.

Mr. BAKER. Yes, I thank the acting minority leader, and I would be most happy to do that.

I understand the agreement is cleared on both sides, and as soon as the minority leader reaches the floor, I will put the request.

While we have a moment, Mr. President, I would point out that we have the HUD appropriations bill up now. I hope we can dispatch that promptly. I hope then we can go to the banking bill, and I hope we can get a time agreement on that. We also must do

today the reclamation conference report.

Mr. President, it would be my expectation that it will take most of the day to do those three things. I hope we can finish the session of the Senate by midafternoon and still do that agenda. I would urge Senators to bend every effort to accomplish that.

Mr. President, I yield the floor.

The PRESIDING OFFICER. Does any Senator seek recognition?

Mr. GARN. Mr. President, on August 18, the Appropriations Committee conducted its markup of the fiscal year 1983 bill. The changes to the administration's request and/or House action are described later in my detailed statement. In general, however, I would note that the Senate version of the bill is approximately $9.7 billion in budget authority below the fiscal year 1982 level and $9 billion below the subcommittee's 302(b) budget authority allocation. Mr. Stockman has testified that the allocation, rather than the request, will be the standard on which the administration will evaluate each bill.

In terms of outlays, CBO calculates that we are $1.7 billion below the allocation. However, I should note that OMB higher outlay estimates for the VA could reduce this by $1 billion and future requirements are estimated to reduce this amount by another $600 million.

Major highlights of the committee recommendation are:

The assisted housing provisions are $6.2 billion over the request, but $6.6 billion under the level assumed in the budget resolution.

16,000 units of elderly housing—6,000 more than the request and the House allowance.

3,000 units of Indian housing—none requested and not considered by the House.

$1 billion of modernization funds for public housing—no new funds requested and not considered by the House.

$440 million for UDAG—the same as the request level and $100 million more than the House allowance.

$3,456 billion for community development—the same as the request and $11 million more than the House allowance.

$3,699 billion for EPA—$64.2 million over the request and $12.6 million less than the House allowance.

$586.3 million for FEMA—$264 million less than the request and $143.5 million less than the House allowance.

$192.8 million in additional R&D programs for NASA—$16 million less than the House allowance.

$1.07 billion for NSF—same as the request and $36.6 million less than the House allowance.

$409.4 million for VA major construction—$10 million less than the request and $277.8 million less than the House allowance.

Mr. President, a detailed description of the committee's actions follows:

TITLE I—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING PROGRAMS

Annual Contributions

The Committee recommended $3,799,920,000 in new budget authority and $179,940,000 in additional contract authority for the Department's assisted housing program within this account. These authorities, when combined with estimated budget authority carryovers of $2,183,246,727 deobligations of $4,000,000,000, and permanent authority of $24,800,000 would result in a fiscal year 1983 program level of $10,007,966,727.

The House deferred all consideration of this account pending the enactment of authorizing legislation. While the Committee was sympathetic with the House position, and would have much preferred to work within the context of a newly authorized assisted housing program, this option was not available. Neither the Senate nor the House authorizing bill has been approved by either body and the prospect for a new authorization bill during the remainder of this session of Congress is uncertain. Rather than defer consideration of all of the programs in this account, the Committee recommended the funding of certain items that were previously authorized in the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) and that are common elements of S. 2607 and H.R. 6296. In addition, the Committee included language in the bill that would limit the Department's ability to make long-range commitments that might prejudice deliberations on the authorizing legislation. Specifically, the bill language directs that no contract or budget authority becoming available in fiscal year 1983 could be used for new construction (other than Section 202, Indian housing or substantial rehabilitation) or for housing assistance contracts for the Section 8 existing program that extend, or can be extended, beyond 5 years (other than property disposition, loan management and moderate rehabilitation).

Given the program structure proposed by the Committee, the recommended funding would result in the reservation of 94,000 housing units in fiscal year 1983. Under the Committee's recommendations, 16,000 units would be reserved for housing for the elderly or handicapped (Section 202), as opposed to the 10,000 requested by the Administration and the approximately 16,900 made available in fiscal year 1982; reservation of 3,000 units of Indian housing (the Administration did not request any Indian housing in fiscal year 1983), compared to approximately 2,400 units in fiscal year 1982; and 75,000 unit reservations in 1983 associated with conversions and property disposition.

The Committee also recommended $1,000,000,000 in new budget authority and $50,000,000 in new contract authority for public housing modernization. Although the Committee rejected the concept of funding the entire modernization program for fiscal year 1983 from recaptures, such recaptures would be used to augment the basic $1,000,000,000 in new authority. The Committee recognized that approximately 140,000 units of public housing within an associated $16,000,000,000 in budget authority are in the pipeline and currently not under construction. Many of these projects are unlikely to go to construction and, therefore, the funds should be recaptured and applied to other housing needs. Consequently, the Committee included bill language requiring the Department to apply 70 percent of the recaptured funds for additional modernization. The Committee expects the Department to: return a minimum of 50 percent of recaptures to those authorities turning in such funds (in additional to their portion of the $1,000,000,000); 20 percent should be used for modernization as determined by the Department; and 30 percent should be applied to other housing programs.

In addition, the Committee also included a provision requiring the use of $89,321,727 of budget authority in fiscal year 1983 for the modernization of 5,073 vacant uninhabitable public housing units. A similar provision appeared in two previous appropriation actions (Public Law 97-216 and H.R. 6863, and Senate Report 97-402).

Finally, the Committee has also included a legislative provision extending the construction deadline for FAF eligible housing units from October 1, 1982 to January 1, 1983. The Committee has noted that this is the last extension it expects to recommend on the construction date.

Rent Supplement

Rescission

The Committee recommended a rescission of $2,830,360,000 in budget authority and $105,160,000 in contract authority as proposed by the Administration. The House deferred consideration of this rescission pending the adoption of authorizing legislation. The Committee agreed with the basic thrust of the Administration's proposal to accelerate the conversion of units from the rent supplement program to Section 8. In Public Law 97-216, the Congress authorized the conversion of 60,000 units in fiscal year 1982. The Committee has recommended the same rate of conversion in fiscal year 1983.

Housing for the Elderly or Handicapped Fund

Limitation on Loans

The Committee recommended $724,800,000 as the loan limitation for the elderly and handicapped program. This would provide for a total of 16,000 units in fiscal year 1983, as opposed to the requested level of 10,000 units and $453,000,000 of loan limitation proposed by the Administration and recommended by the House. In addition, the Committee also retained House language limiting the program to qualified non-profit sponsors.

Congregate Services

The Committee agreed with the House and recommended $3,500,000 for the congregate services program in fiscal year 1983. The amount recommended will provide for the extension of 28 housing projects in this program for another 1½ to 2 years.

Payments for Operation of Low-Income Housing Projects

The Committee recommended a level of $1,288,000,000 for public housing operating subsidies. The amount recommended is based on the levels contained in the Senate authorization bill S. 2607. That bill authorizes $4,250,000,000 for a 3-year period, with the fiscal year 1983 level set at 30.3 percent of the total (or $1,288,000,000). The Committee further agreed with the concept embodied in S. 2607 that would require the Secretary to set aside a portion of this amount for troubled public housing authorities.

In order to assure an expeditious distribution of these funds, the Committee included bill language which would require the Department to obligate to each public housing authority its allocation 45 days before the beginning of the authority's fiscal year.

These allocations should reflect the agreement reached in the joint HUD/public housing authority/congressional staff meeting of July 26, 1982, as summarized in the July 28, 1982 memo from the Department. This agreement incorporates a 5 percent penalty for increased utility consumption. It is the Committee's intent that the amount available as a result of these penalties (estimated to be $20,000,000), shall be used for troubled public housing projects. The Committee does not expect that the delays in allocating funds that were so prevalent in fiscal year 1982 will occur in fiscal year 1983. In addition, the Committee expects the Department to use these penalty funds to provide assistance to troubled housing authorities in such areas as management improvements, deferred maintenance, rent collection, and energy improvements.

Troubled Projects Operating Subsidy

The budget did not propose an appropriation for this program in 1983. However, the Committee included language to make available funds from unobligated balances of excess rental charges and collections. In addition, the Committee included language making non-insured State projects eligible for subsidy in fiscal year 1983.

Housing Counseling Assistance

The Committee concurred with the House in providing $3,500,000 for the housing counseling assistance program. The Committee received testimony that this program has been a cost-effective means of avoiding foreclosures (and thus reducing outlays from the FHA fund), reducing delinquent payments and improving housing conditions. Under the funding level provided by the Committee 45,000 clients would receive counseling in over 140 HUD-supported counseling programs.

Federal Housing Administration Fund

The Committee approved the full budget request of $240,022,000. The budget also requested language limiting mortgage assistance payments to $45,000,000. The temporary mortgage assistance payments (TMAP) program was authorized to prevent further assignments of single family mortgages by helping those homeowners who have experienced temporary financial problems and cannot meet monthly mortgage payments. The Committee approved the use of funds for this purpose and has included bill language.

In addition, the budget proposed credit control language to limit commitments for mortgage insurance to $35,000,000,000. Testimony received by the Committee indicated that it is unlikely that the limitation would be reached. However, the Committee is concerned, as was the House, that the proposed limitation could have a negative effect on the already depressed housing industry. During the Committee's credit allocation under Section 302(b) of the Budget Act, the Committee elected to reduce the amount of new primary loan commitments assigned to the HUD-Independent Agencies Subcommittee from the $56,900,000,000 assumed under the Budget Resolution (S. Con. Res. 92) to $56,700,000,000. Consequently, this $200,000,000 reduction is reflected in the $39,800,000,000 level for FHA loan guarantees recommended by the Committee.

Low Rent Public Housing—Loans and Other Expenses

HUD's fiscal year 1983 budget proposed language transferring $1,400,000,000 of unobligated budget authority from the annual contributions for assisted housing loan fund account. The Committee did not approve the proposed transfer. The level of public housing commitments recommended by the Committee in 1982 and proposed in 1983 does not appear to put the Department in the position of exceeding the $20,000,000,000 limitation based on the statutory borrowing authority for the loan fund. Currently, the balance of the loan fund is $18,885,000,000 which is $1,115,000,000 below the $20,000,000,000 limitation.

Because the Congress denied the requested Federal Financing Bank (FFB) transfer of $1,400,000,000 during fiscal year 1982, the projected $1,026,000,000 of sales to FFB in fiscal year 1983, assumed in the First Budget Resolution (S. Con. Res. 92), will not occur. Since this action occurred in fiscal year 1982, the Committee does not believe there is a need to provide any 1983 credit control language limiting or reducing the amount of loan sales to the FFB in 1983.

Government National Mortgage Association

Payment of Participation Sales Insufficiencies

The Committee agreed with the House in providing the budget request of $2,726,000 to cover the insufficiencies that arise from participation sales of mortgages.

Guarantees of Mortgage-Backed Securities

Limitation on Guaranteed Loan

The Administration proposed a fiscal year 1983 level of $38,400,000,000 for GNMA mortgage-backed securities. The fiscal year 1982 level contained in Public Law 97-101 was $68,250,000,000 and the Budget Resolution (S. Con. Res. 92) contained this 1982 level as the fiscal year 1983 estimate. The Committee was concerned that the limitation contained in the budget could have a negative effect on the already depressed housing industry and has recommended a $68,250,000,000 limitation.

Solar Energy and Energy Conservation Bank

Assistance for Solar and Conservation Improvements

The Committee recommended $15,000,000 in additional funding for the Bank in fiscal year 1983. The history of the Bank has been a prime example of funding fits and starts. To date, the Bank has 3 full-time employees and none of the available funds have been obligated. The Department expects virtually all of the 1982 appropriation of $21,850,000 to be available in fiscal year 1983. With this program level, the Bank could support 4,000 solar improvements and 17,000 energy conservation improvements. The Committee has estimated that the addition of $15,000,000 could result in 15,000 additional energy improvements.

Community Planning and Development

Community Development Grants

The Committee recommended the full budget request for community development grants. This amount is $11,000,000 more than the House allowance.

The House directed that the entire $11,000,000 cut be applied to the Secretary's discretionary fund, thereby reducing the amount available from $56,500,000 to $45,500,000. The House further directed that not more than 5 percent of the $11,000,000 reduction should be taken from the $30,700,000 estimated for Indian assistance. The Committee has noted that the amounts available in the discretionary fund have decreased from $101,920,000 in fiscal year 1981 to the current request level of $56,500,000, which is the same as the 1982 level. The Committee is concerned that a reduction of the magnitude recommended by the House could seriously impact technical assistance to communities.

Urban Development Action Grants

The Committee recommended the requested level of $440,000,000 for the UDAG program. In its report, the House Committee noted that a carryover of approximately $100,000,000 will be generated from unused and unobligated funds currently earmarked for small cities' grants under the UDAG program. Apparently, the number of proposals received from small cities which are of fundable quality has not kept pace with the legislative requirement that 25 percent of UDAG moneys must be reserved for such cities. In view of this, the House recommended that this undersubscribed condition be corrected in fiscal year 1983 by reducing the 1983 appropriation for UDAG by $100,000,000. The House also included language which permits the allocation of 1983 funds notwithstanding the 75/25 large city/small city breakout currently carried in the basic authorization for this program.

The Committee believes that the UDAG program represents a highly successful Federal program. The Secretary's report of January 1982 supports this conclusion. The Committee also recommended striking the House language which overrides the 75/25 large/small city split established in the authorizing legislation.

Rehabilitation Loan Fund

The Department proposed to terminate the rehabilitation loan program at the end of fiscal year 1982. The Administration believed that the Section 312 program duplicated rehabilitation efforts funded by community development block grants. The Committee recommended continuation of the program on a reduced sale. An estimated $77,100,000 from repayments and other income sources will be available in 1983 for new loans and other expenses. It is estimated that at this level, the program could fund 880 loans which would rehabilitate 4,830 units. The Committee also retained House language in the bill which continues the program in 1983 with repayments.

Urban Homesteading

The Committee recommended the budget request level of $12,000,000 for the urban homesteading program. In making this recommendation, the Committee has recognized that the multifamily program is, in fact, a demonstration and the extent to which the conversion of the estimated 15 properties will actually be feasible is, indeed, unknown.

Policy Development and Research

Research and Technology

The Committee has provided $18,000,000 for the Department's research and technology program. The Committee continues to be concerned that the Department intends to spend such a large portion of its resources on the annual housing survey.

In addition, during the past several years, HUD has provided financial support to the Housing Assistance Council. The Council is a non-profit organization which attempts to improve housing, credit availability and sanitation facilities in rural areas. The Committee has directed HUD to apply $1,000,000 of the funds provided to support the activities of the Housing Assistance Council. The Committee has also directed the Department to set aside $192,000 for the urban

consortium. The consortium has been an effective mechanism for assisting the Department in the development of an R&D agenda that takes into consideration the priority problems common to the 28 major cities and 9 countries represented by the consortium.

While not earmarking a specific amount for the National Institute of Building Sciences, the Committee has noted that the Institute represents a valuable and unique resource and has urged the Department to utilize their services.

Fair Housing and Equal Opportunity

Fair Housing Assistance

The Committee recommended the budget estimate of $5,700,000 for fair housing assistance. This includes $3,700,000 in grants to support approximately 70 State and local fair housing agencies for capacity building, training and complaint processing and monitoring. In addition, $2,000,000 is provided to support community housing resource boards.

Management and Administration Salaries and Expenses

The Committee recommended an appropriation of $307,500,000. This is $13,501,000 less than the budget estimate and $1,001,000 less than the House allowance. The Committee has recommended a reduction of $13,501,000 from the budget request in lower priority areas. In making this reduction, the Committee has directed that the $4,242,000 contained in the budget estimates for training not be reduced.

In addition, the Committee has deleted House bill language specifying that no funds may be used to plan or implement a reorganization of the Department without the prior approval of the Committees on Appropriations. The Committee believes that such legislation is overly restrictive and will impair the Department's ability to institute management improvements and cost savings.

TITLE II—INDEPENDENT AGENCIES

AMERICAN BATTLE MONUMENTS COMMISSION

Salaries and Expenses

The Committee has agreed with the House in providing the budget request of $10,669,000 to administer, operate and maintain the Commission's military cemeteries, monuments and memorials throughout the world. This funding level will support the 381 positions requested and an average employment of 387 in fiscal year 1983.

CONSUMER PRODUCT SAFETY COMMISSION

Salaries and Expenses

The Committee has agreed with the House in providing the budget request of $33,508,000 for the Commission during fiscal year 1983. At the Committee's March 16, 1982 hearing, the Commission was asked to develop a set of their highest priority areas. The Committee is pleased that the Commission has implemented the Committee's recommendations.

The fiscal year 1983 priority projects as determined by the Commission are: chain saws, smoldering ignition of furniture and bedding, children's exposure to carcinogens, heating equipment fires, smoke detectors, formaldehyde released from plywood and particle board, pharmacy/medical community awareness, indoor air problems from fuel-fired appliances, dual purpose closure analysis and school laboratory chemicals.

Finally, the Committee also approved the reprogrammings necessary to proceed with the 10 priorities at the levels indicated above. The Committee expects the Commission to submit a report by March 1, 1983 detailing the specific objectives and milestones associated with each of these priorities.

DEPARTMENT OF DEFENSE—CIVIL

CEMETERIAL EXPENSES, ARMY

Salaries and Expenses

The Committee recommended an appropriation of $6,682,000 for the cemeterial expenses of the Department of the Army. This is $7,000 less than the budget estimate and the House allowance. Of the amount proposed by the Committee, $6,019,000 would be used for the operation and maintenance of Arlington and Soldier's Home National Cemeteries, including support for 140 work-years and the procurement of necessary operating supplies and equipment. Construction projects at Arlington National Cemetery are estimated to cost $340,000 in 1983. The balance of $323,000 would be spent on administration. The $7,000 reduction from the budget request is intended to reduce the number of replacement vehicles which the agency had planned to purchase in fiscal year 1983 from three to two.

ENVIRONMENTAL PROTECTION AGENCY

Salaries and Expenses

The Committee recommended an appropriation of $548,613,200. This amount is $10,500,000 more than the budget estimate and $3,650,200 more than the House allowance.

Within the amount recommended, the Committee has included an additional $1,000,000 and 9 positions for the Great Lakes program, thus restoring the effort to $2,390,300 and 24 FTE and retained the laboratory at Grosse Ile, Michigan. These additional funds are needed to support the higher program level provided by the Committee in the R&D and abatement, control and compliance accounts. The Committee expects EPA to provide the management, focus and visibility to this program that it needs in order to effectively address the problems of the Great Lakes. The Committee expects EPA to report back with suggested changes to the program by March 1, 1983.

In addition, the Committee also recommended a reduction of $1,000,000 to be applied to the agency's support services. EPA's 1983 budget request contained $12,240,800 or a 12 percent increase for this activity. The Committee Report noted that the agency has taken a variety of management actions that have saved several millions of dollars. However, the Committee expects that these activities will continue during 1983 and result in additional savings.

Finally, the Committee has added an additional $10,500,000 to cover an expected shortfall in personnel and compensation benefits if EPA maintained its fiscal year 1982 end-of-year work force throughout fiscal year 1983, excluding losses through normal attrition. The Committee believes that EPA's work force should be stabilized and that further reduction, at this time, would be disruptive to the programs. Consequently, the Committee has included bill language prohibiting reductions in force that would result in the use of less work-years than specified in the bill during fiscal year 1983.

Research and Development

The Committee recommended an appropriation of $115,000,000 for EPA's research and development program in fiscal year 1983. This amount is $6,296,200 more than the budget estimate and $6,204,000 less than the House allowance. The increase above the budget request consists of an additional $1,500,000 for Great Lakes research. These funds would be used to continue toxic loading studies to determine the sources and distribution of toxic substances in the Great Lakes. The Committee also included an additional $270,000 for a study of phosphate processing.

In addition, the Committee also recommended an additional $4,526,200 to be applied on a priority basis at the agency's discretion. The Committee has noted that health effects and anticipatory research are two areas where these additional research funds could be productively used.

Abatement, Control and Compliance

The Committee has recommended an appropriation of $365,007,000 for abatement, control and compliance activities. This amount is $53,432,000 more than the budget estimate and $4,068,000 less than the House allowance. The Committee recommended funding above the budget request levels of $43,906,800 for the State grants programs as follows: air (section 105), +$17,780,200; water quality (section 106), +$10,354,000; public water systems program grant, +$5,890,000; underground injection control program, +$1,034,300; hazardous waste management, +$6,563,400; and pesticides and toxic enforcement grants, +$2,284,500. These increases restore all of these programs to their fiscal year 1982 levels. The Committee took this action in recognition of the additional responsibilities placed on the States as a result of the accelerated delegation process.

In addition, the Committee also recommended an additional $1,900,000 for the National Rural Water Association, State rural water training and technical assistance program. This will provide for a slight increase in the program over the 1982 level. The Committee received testimony indicating the value of providing additional training resources to support the huge Federal investment in wastewater treatment facilities. Consequently, the Committee added $2,625,200 to the budget for wastewater treatment manpower training, restoring the program to about the 1982 level. The Committee also concurred with the House in restoring academic training to the $1,000,000 level provided in fiscal year 1982. The Committee included an additional $1,000,000 for the Great Lakes program. This provides a level of $3,500,000 for the Great Lakes program in this account. Furthermore, the Committee also recommended $3,000,000 for the completion of existing projects in the Clean Lakes program.

Finally, the fiscal year 1982 Urgent Supplement Appropriations Act contained language to permit EPA to fund 3 biological treatment facilities where the mechanical plants have suffered structural failure outside the warranty period and where the existing EPA-planned systems have proven to be inoperable by the local municipalities. This year, the Committee included bill language requiring EPA to fund one additional community (Inverness, Mississippi) that already has incurred the cost of replacing such an inoperable system. It is estimated that the replacement costs for this facility are $45,000.

Buildings and Facilities

The Committee concurred with the House in recommending the budget request of $3,000,000 for this account. Repair and improvement projects exceeding $250,000 in estimated cost should not be undertaken

without the specific approval of the House and Senate Committees on Appropriations.

Payment to the Hazardous Substance Response Trust Fund

The Committee recommended $38,000,000 for the Federal payments into the trust fund. The reduction of $6,000,000 from the budget request and the House allowance represents a proportional decrease based on the Committee's recommended level for the hazardous substances response trust fund discussed in the following heading.

Hazardous Response Trust Fund

The Committee recommended a level of $200,000,000 for "superfund" activities. This is $30,000,000 less than the request, the House allowance, and $10,000,000 more than the fiscal year 1982 level. The Committee conducted extensive superfund oversight activities. As part of that oversight, the Committee conducted a 2-day workshop on site selection (March 19 and 20, 1982), held hearings on April 20, 1982 and sponsored a GAO study. In all of these instances, experts testified that the implementation problems associated with the program were not caused by the lack of appropriated funds. In fact, as of June 30, 1982, only $116,200,000 of the $264,700,000 appropriated has been obligated. Currently, the fund is being credited with receipts of $24,400,000 per month, with obligations around $11,700,000 per month.

Public Law 94-580 authorizes $20,000,000, under section 3012, for use by States to conduct State hazardous waste site surveys. Many States have already invested substantial sums on site inspection and evaluation. The Committee included bill language providing the $20,000,000 in order to accelerate the site discovery/assessment process.

In addition, section 104(i) of the Comprehensive Environmental Response, Compensation and Liability Act (Public Law 96-510) authorizes the use of funds from the trust fund for medical and research activities to be undertaken by the Department of Health and Human Services. In Public Law 97-216, the Congress earmarked $7,000,000 from the hazardous response trust fund for the Department to carry out its superfund activities during fiscal year 1982. For 1983, the Committee included bill language earmarking $10,000,000. Of this amount, $8,000,000 would be used for continuing staff support at the Department and $2,000,000 for discretionary activities such as health inspections at specific hazardous waste sites.

Construction Grants

The Committee recommended $2,430,000,000 or $30,000,000 above the budget request and the House allowance. The additional $30,000,000 is to be used as authorized in section 201(n)(2) of the Federal Water Pollution Control Act, as amended, for combined sewer overflow. Testimony before the Committee indicated that these funds, and more, could be effectively used during fiscal year 1983 to address serious problems caused by combined sewer overflows into marine bays and estuaries.

The Committee also included bill language to insure that the wastewater treatment plant in San Diego, California is eligible for funding as authorized under section 201(m)(3) of the Federal Water Pollution Control Act, as amended.

Administrative Provision

The Committee deleted a provision inserted by the House which would require EPA to take necessary action to cancel or deny the registration of any pesticide product containing toxaphene. While the Committee understood the concern raised by the House relative to this pesticide, it did not believe that general appropriation bills should be used to regulate the licensing or registration of specific chemical compounds.

EXECUTIVE OFFICE OF THE PRESIDENT

COUNCIL ON ENVIRONMENTAL QUALITY AND OFFICE OF ENVIRONMENTAL QUALITY

The Committee concurred with the House recommendation of providing the budget request of $926,000 for the activities of the Council.

OFFICE OF SCIENCE AND TECHNOLOGY POLICY

The Committee recommended the budget request of $1,839,000 for the Office. The Committee agreed with the House that the heavy reliance on non-reimbursable detailees seriously impairs this Committee's oversight of OSTP activities. While the Committee removed the House bill language prohibiting the use of nonreimbursable detailees after March 31, 1983, it does expect the Office to rely more heavily on outside experts. Consequently, the Committee restored the $261,000 in consultant fees cut by the House. These funds should be applied for both consultants and reimbursable detailees.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Funds Appropriated to the President

Disaster Relief

The Committee recommended an appropriation of $130,000,000 for disaster relief assistance in fiscal year 1983. This amount is $195,000,000 less than the budget estimate and $194,000,000 less than the House allowance.

In fiscal year 1981, obligations of the disaster relief program totaled $228,964,000. At the end of the third quarter of fiscal year 1982, FEMA had obligated only $88,019,000. Therefore, with the funds recommended by the Committee and an estimated carryover of $531,000,000 from previous years, there will be a total of $661,000,000 available for disaster relief assistance during fiscal year 1983.

In addition, the Committee agreed with the House that the natural hazards preparedness planning and hazard mitigation assistance programs should not be funded through the disaster relief fund. However, since both of these programs are designed to assist State and local governments to prepare for and respond to emergencies and disasters, the Committee has provided the requested funds ($1,000,000) for these two activities in the State and local assistance account.

Salaries and Expenses

The Committee recommended an appropriation of $114,616,000 for salaries and expenses in fiscal year 1983. This amount is $2,937,000 less than the budget estimate and $4,244,000 more than the House allowance. The changes from the budget request assume the following: −$5,000,000 general reduction in programs other than fire prevention and control; −$1,200,000 from civil defense; +$850,000 for the U.S. Fire Administration; and +$2,413,000 for the salaries and expenses of the national flood insurance program.

Finally, FEMA's fiscal year 1983 budget assumed no funds for the U.S. Fire Administration. The Committee believes that the activities at the Administration should be continued and recommended $850,000 for salaries and expenses. This level of funding should provide for 20 permanent full-time positions to staff the programs described under the emergency planning and assistance heading.

State and Local Assistance

The Committee recommended an appropriation of $167,731,000 for the State and local assistance activities of FEMA in fiscal year 1983. This amount is $52,000,000 less than the budget estimate and $27,955,000 more than the House allowance.

The changes from the budget request assume the following: −$53,000,000 from civil defense; +$750,000 for natural hazards preparedness planning (this offsets a corresponding decrease in the disaster relief account); and +$250,000 for hazard mitigation assistance (this offsets a corresponding decrease in the disaster relief account).

The Committee arrived at its fiscal year 1983 recommendation by funding only those activities within the civil defense program which have dual civilian/national emergency applications.

In addition, the Committee did not include House bill language limiting earthquake research to $2,000,000. The Committee continues to believe that this is an area where additional work is needed.

Emergency Planning and Assistance

The Committee recommended an appropriation of $173,928,000 for the emergency planning and assistance activities of FEMA in fiscal year 1983. This amount is $14,075,000 less than the budget estimate and $18,301,000 more than the House allowance. The changes from the budget request consist of the following: −$17,000,000 from civil defense programs; −$375,000 from the civil security program; and +$3,300,000 for program activities whithin the U.S. Fire Administration (USFA).

The Committee reduced civil defense in this account from the requested $63,802,000 to $46,802,000 for the same reasons as indicated in the State and local assistance account. In addition, FEMA's fiscal year 1983 budget assumed no funds for the USFA. The Committee believes that the activities at the Administration should be continued and recommended $3,300,000 for programs. The Committee believes the $3,300,000 should be allocated to the following programs: +$750,000 for arson prevention and control; +$1,000,000 for firefighter health and safety; +$1,150,000 for the national fire data system; and +$400,000 for fire rescue service management improvement.

Finally, the Committee has reduced the civil security program from the budget request of $875,000 to $500,000. The Committee believes that many of the activities proposed by FEMA for fiscal year 1983 in this program are already being conducted elsewhere in FEMA.

National Flood Insurance Fund

The Committee recommended $39,159,000 to repay funds borrowed from the Treasury by FEMA to carry out the national flood insurance program in fiscal year 1983. This amount is $2,413,000 less than the budget estimate and the same as the House allowance.

The Committee has noted that the Administration proposed to fund the administrative expenses of the flood insurance program from the national Flood Insurance Fund. The Committee denied this request and directed the Agency to continue funding administrative expenses from the salaries and expenses account. Accordingly, the salaries and expenses appropriation was increased $2,413,000.

Additionally, the Committee included bill language providing that insurance agent commissions and interest on Treasury borrowings are eligible for reimbursement through the fund.

Finally, the Committee continues to support FEMA's efforts to put the flood insurance fund on a more actuarially sound basis. In this respect, I expect FEMA to continue to increase insurance rates as necessary in order to cover a greater portion of claims from premium collections.

GENERAL SERVICES ADMINISTRATION

CONSUMER INFORMATION CENTER

The Committee recommended an appropriation of $1,351,000 for the Consumer Information Center. This is $52,000 more than the budget estimate and the House allowance.

In fiscal year 1982, the Congress provided an additional $30,000 for a study to examine the effects of imposing a charge on consumers ordering free publications through the Pueblo, Colorado distribution facility. The Center's report shows that a charge can be successfully applied to partially offset the costs of providing free publications. In fact, the revenues to the Government are estimated to be about $1,600,000 annually. The Committee, therefore, has directed the Center to charge $1.00 on orders for more than one free publication from the consumer information catalog. Implementation of this charge should begin with the Spring 1983 edition of the catalog and all revenues should be deposited under miscellaneous receipts of the U.S. Treasury.

The Committee, therefore, has provided an additional $52,000 to support public service advertising and other promotional activities.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

OFFICE OF CONSUMER AFFAIRS

The Committee concurred with the House in recommending $1,947,000 for the activities of the Office of Consumer Affairs in fiscal year 1983. This an increase of $187,000 above the 1982 appropriation and $40,000 below the budget request. The Committee denied $40,000 of the $151,000 increase requested for space rental costs and has suggested a reduction in space rented in proportion to the decrease in personnel.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Research and Development

The Committee recommended an appropriation of $5,117,800,000 in fiscal year 1983 for the research and development activities of the National Aeronautics and Space Administration. This amount is $216,200,000 less than the budget estimate and $425,000,000 less than the House allowance.

The Committee recommendation was based on the Agency's fiscal year 1983 budget justification with the following changes: $233,000,000 for centaur F upper stage development, procurement and integration and upper stages for the tracking data relay satellite system (+$100,000,000 above the request); $280,000,000 for aeronautical research and technology (+$48,000,000 above the request to be used at the discretion of the Agency)—in determing the use of this add-on, the Committee has suggested that NASA carefully review the findings of the recent report (July 1982) on aeronautics by the National Research Council; $9,000,000 for technology utilization (+$5,000,000 above the request); $664,300,000 for physics, astronomy and planetary exploration (+$38,000,000 above the request, of which not less than $5,000,000 shall be for physics and astronomy)—these additional funds should be used to support existing planetary missions, research and data analysis; $39,900,000 for space applications communications and information systems (+$20,000,000 above the request)—the additional funds are to be applied to the 30/20 gigahertz test and evaluation program; $1,800,000 for the operation of the infra-red telescope facility at Mauna Kea, Hawaii (+$1,800,000 above the request)—in the future, the Committee expects this facility to compete for funding in the National Science Foundation's budget; $1,005,100,000 for space transportation systems operation (−$409,000,000 below the request)—this reduction is consistent with the assumption in the Senate authorization bill (H.R. 5890)—this bill assumes that the reimbursement for launch services on Shuttle flights be increased by DOD in this amount; and −$20,000,000 as a general reduction to be applied at the discretion of the Agency to programs other than those augmented above. Within the amounts available for R&D, the Committee has indicated that it has no objection to NASA requesting a reprogramming to maintain the Centaur G option.

The House included bill language establishing limitations on 9 programs that cannot be exceeded without the approval of the committees. The Committee deleted these "caps" and substituted binding levels for upper stage development and aeronautics. The Committee also established a maximum level for the Space Shuttle (other than space flight operations) at $1,769,000,000.

The Committee endorsed the need for channeling Federal funds into small R&D firms. In order to provide a transition to this new policy, the Committee included language requiring NASA to make $1,570,000 available for the purpose of the Small Business Innovation Development Act. This funding level is based on an estimate of the total dollar value of new R&D contract funds.

Mr. President, in reference to this small business R&D issue. I intend, at a later point, to accept an amendment to strike the Senate proviso. In agreeing to this action, I would like to note that NASA is in a somewhat unique position for two reasons. First, much of the NASA appropriation is committed to programs begun in earlier years, including the Space Shuttle, which is operated as a national system for various users. Further, a considerable portion of the appropriations account labeled "research and development" for NASA is actually for work that is not of a research and development nature. For this reason, the bill language under the heading "research and development" refers to "operations, services, minor construction, maintenance, repair, rehabilitation and modification of real and personal property; tracking and data relay satellite services as authorized by law; purchase, hire, maintenance and operation of other than administrative aircraft, necessary for the conduct and support of aeronautical and space . . . activities." Although I realize that final implementation of rules and regulations are presently being developed by SBA, OMB and the effected agencies, including NASA, it is my view that the provisions of Public Law 97-219 were intended to apply only to the true research and development activities funded under this heading.

Finally, the Committee retained House language requiring that NASA seek approval of the Committees for a new procurement on the fifth Shuttle orbiter. While the Committee believes that the development of the fifth orbiter may be desirable, a new procurement of this magnitude should not be made without the careful review of the Appropriations Committees.

Construction of Facilities

The Committee recommended an appropriation of $100,000,000 for facilities programs in fiscal year 1983. This amount is the same as the budget estimate and $5,000,000 more than the House allowance. The Committee has noted that NASA's request to OMB was for $164,800,000 and the replacement value of the Agency's physical plant is estimated at $20,000,000,000. The Committee does not believe the reduction proposed by the House would be cost effective in the long run and has, therefore, restored the reduction.

Research and Program Management

The Committee has recommended an appropriation of $1,177,000,000 in fiscal year 1983 for research and program management. This amount is $1,900,000 less than the budget estimate and $8,100,000 more than the House allowance. The Committee expects that the $1,900,000 decrease from the request level will be absorbed in the area of management, operations, and headquarters travel. The requested $7,129,000 increase in the management and operations subcategory was to cover, among other things, anticipated increases in contract rates and the replacement of a small administrative aircraft. The Committee believes that savings can be achieved in these areas.

Finally, the Committee deleted a House provision limiting the number of SES positions to 505. This would be a reduction of 15 positions from the current level of 520. The Committee does not believe that such Congressional limitations are an effective way of controlling costs.

NATIONAL CREDIT UNION ADMINISTRATION

CENTRAL LIQUIDITY FACILITY

The Committee concurred with the House in recommending a limitation of $600,000,000 in the amount that may be borrowed from the public or any other sources, except the Secretary of the Treasury, as proposed in the budget estimate. Neither the House nor the Senate bill included the $709,632,000 limitation on direct loans requested by the administration. The Committee believes that the existing borrowing authority limitation of $600,000,000 sufficiently controls the amount of lending to credit unions. The credit limitation would only serve to restrict the turnover rate of the loan portfolio since it is a cumulative limitation.

Finally, the Committee has recommended that the limitation on administrative expenses be reduced from the $1,749,000 requested to $1,368,000. This is the amount that the Facility indicated was required in fiscal year 1983.

NATIONAL SCIENCE FOUNDATION

Research and Related Activities

The Committee recommended an appropriation of $1,055,568,000 for research and related activities. This amount is the same as the budget estimate and $11,632,000 less than the House allowance.

The Committee's recommendation represents an increase of 8 percent over the fiscal year 1982 level. The Committee notes, that at this funding level, the Foundation will be able to support 10,567 grants in this account

as opposed to the 10,523 in fiscal year 1982. At the same time, the Committee notes, with some concern, that the operating costs for the national Antarctic program has increased from $57,500,000 in 1982 to a requested level of $77,400,000 in the 1983 budget. In order to control this growing part of the NSF budget, the Committee included language in this bill limiting NSF funds that can be applied to Antarctic operations to $62,100,000, which will allow for an 8 percent increase over the 1982 level. This action will free up an additional $15,300,000 for use in NSF's basic grant programs. The Committee expects the Foundation to apply the additional resources within the biological, behavioral, social sciences; and for industry/university cooperative projects, which will include research projects, research and institution scientific equipment, fellowships, scholarships, and such other programs as the NSF Director may determine are appropriate to promote academic research and education in the basic sciences and engineering.

In addition, the Committee does not believe that it would be wise to make a decision between the Glomar Explorer or the Glomar Challenger at this time. Although the cost estimates for refitting and operating the Explorer are still being reviewed, the costs are likely to be substantial. The Committee, therefore, included bill language that would require the approval of the Committees on Appropriation before the Foundation commits to outfitting the Explorer.

Finally, the Committee restored funds requested by the Foundation for program development and management in fiscal year 1983 to $63,081,000. The $1,000,000 cut proposed by the House would result in the Foundation reducing its staffing ceiling by an additional 20 average employment (FTE) resulting in a total fiscal year 1983 reduction from the 1982 level of 83 FTE. The Committee considers reduction of this magnitude too severe. Within the increased limitation, the Committee expects the Foundation to make sufficient resources available to implement the post performance evaluation recommendations made by the Committee and the National Academy of Sciences.

Science and Engineering Education Activities

The Committee recommended an appropriation of $15,000,000 for the Foundation's science education activities in fiscal year 1983. This amount is the same as the budget estimate and $25,000,000 less than the House allowance. The level of funding recommended by the Committee should result in a fellowship level of 1,390, of which 500 will be new fellowships. The Committee continues to be concerned with the state of science and engineering education in the United States. The Committee does not disagree with the House that a Federal role in this area is desirable. The Committee's major concern is that this role must be coordinated between various Federal agencies and must be based on a local commitment to improving educational instruction and curricula. In this regard, the Committee looks forward to the report of the Foundation's blue ribbon commission on education.

Special Foreign Currency Program (Scientific Activities Overseas)

The Committee agreed with the House in recommending the budget request of $2,200,000 for the special foreign currency program during fiscal year 1983.

NEIGHBORHOOD REINVESTMENT CORPORATION

The Committee agreed with the House in recommending the budget request of $15,512,000 for the Corporation in 1983. Other funding sources will increase the total available to the Corporation to approximately $18,406,000. The Committee also included bill language permitting other departments, agencies or instrumentalities of the Federal Government to provide funds, services and facilities to the Corporation. This proviso should help decrease the Corporation's dependence on the Federal Home Loan Banks.

SELECTIVE SERVICE SYSTEM

Salaries and Expenses

The Committee recommended an appropriation of $22,986,000 for the salaries and expenses of the Selective Service System. This is $400,000 less than the budget estimate and $600,000 more than the House allowance. The Committee's reduction of $400,000 from the budget request would be taken from the Agency's public information programs. Given that the current compliance rate is over 90 percent, the Committee does not believe that a public information program of the magnitude proposed is required.

DEPARTMENT OF THE TREASURY

Payments to State and Local Government Fiscal Assistance Trust Fund

The Committee agreed with the House in recommending the budget request of $4,566,700,000 for general revenue sharing payments for fiscal year 1983.

OFFICE OF REVENUE SHARING

Salaries and Expenses

The Committee agreed with the House in recommending $6,612,000 for salaries and expenses of the Office of Revenue Sharing.

NEW YORK CITY LOAN GUARANTEE PROGRAM

Administrative Expenses

The Committee agreed with the House in recommending the budget request of $310,000 for the administration of the New York City Loan Guarantee program for fiscal year 1983.

VETERANS ADMINISTRATION

Compensation and Pensions

The Committee recommended an appropriation of $13,430,800,000 for veterans compensation and pensions. This amount is the same as the budget estimate.

Although the Committee recommended the full 1983 budget request, it has recognized that because of a lower than anticipated compensation and pension caseload in fiscal year 1982, there should be an expected carryover of $393,000,000 into fiscal year 1983. However, supplemental requirements in 1983 are expected to use all of this carryover and require an additional $292,000,000 of new budget authority. Furthermore, both the Senate and the House rejected in H.R. 6863 the administration's request to transfer funds from compensation and pensions to the medical care account, because such transfer of entitlement funds should not be encouraged. For both of these reasons, the Committee struck the House provision contained in the construction major projects account, transferring $260,000,000 from compensation and pensions to fund the Minneapolis, Minnesota replacement hospital.

Readjustment Benefits

The Committee has agreed with the House in recommending the budget request of $1,665,800,000 readjustment benefits for fiscal year 1983.

In addition, the Committee deleted a House proviso which would prohibit the use of funds in this account for individuals enrolling in correspondence training after September 30, 1982. The Committee believes that correspondence training represents a cost-effective educational program for those veterans who cannot attend school on a full-time basis.

Veterans Insurance and Indemnities

The Committee has agreed with the House in recommending the budget request of $6,400,000 for this account in fiscal year 1983. This amount will cover the cost to various insurance funds for claims traceable to the extra hazards of service and death claims on policies under waiver of premiums while the insured is on active duty.

Medical Care

The Committee recommended an appropriation of $7,493,824,000 for VA medical care in fiscal year 1983. This amount is $2,055,000 less than the budget estimate and $18,837,000 less than the House allowance.

The decrease of $2,055,000 recommended by the Committee is based on a continuation of the policy established in H.R. 6863 relative to the Agent Orange research program. The funds associated with the research effort have been added to the VA's medical and prosthetic research account. At this level of funding, the average employment (FTEE) in medical care will be 187,546 or 1,259 FTEE above the 1982 level.

The Committee has reiterated its strong support of the VA's vet center program. Last year, the Committee restored the original January budget request of $31,400,000 and 552 staff years for this activity. The 1983 budget request includes $31,400,000 for operation outreach. The Committee included all of these funds for fiscal year 1983, and expects the VA to obligate the funds fully, effectively and efficiently for this activity.

Medical and Prosthetic Research

The Committee recommended an appropriation of $150,329,000 for medical and prosthetic research activities. This amount is $12,536,000 more than the budget estimate and $4,671,000 less than the House allowance.

The additional $12,536,000 recommended by the Committee is composed of the following: +$2,536,000 transferred from the medical care and medical administration and miscellaneous operating expense accounts for use on Agent Orange studies; and +$10,000,000 to be applied by the VA to restore the program back to the fiscal year 1981 level and to provide additional funding to VA's highest priority research. The Committee believes that additional research on patient care and geriatrics are particularly fruitful areas for additional funding.

Medical Administration and Miscellaneous Operating Expenses

The Committee recommended an appropriation of $55,807,000 for medical administration and miscellaneous operating expenses. This amount is the same as the budget estimate and $300,000 less than the House allowance.

The Committee consolidated the Agent Orange research in the medical and prosthetic research account, which will allow an estimated $481,000 in this account to be freed up for other use. Therefore, the Committee has instructed them to add an additional 13 staff years to administer the nurse scholarship program and to continue the Agent Orange project office.

General Operating Expenses

The Committee recommended an appropriation of $691,359,000 for general operating expenses in fiscal year 1983. This amount is $2,000,000 less than the budget estimate and $5,000,000 more than the House allowance.

For fiscal year 1983, the VA requested an increase of over $53,000,000 above the fiscal year 1982 level. The Committee believes that the VA can absorb the recommended $2,000,000 decrease.

Construction, Major Projects

The Committee recommended an appropriation of $409,392,000 for the construction of major projects in fiscal year 1983. This amount is $10,000,000 less than the budget estimate.

The Committee has taken exception to the inclusion by the House of $260,000,000 to fund the Minneapolis, Minnesota replacement hospital. Besides not being in the budget request, the VA has stated that construction on this facility could not begin before fiscal year 1984. The Committee has time and again insisted that the VA develop a priority process that reflects the national construction needs for the entire VA system. Efforts to develop such a process are underway and the action of the House only serves to undercut its development. For the same reasons, the Committee also deleted funding added by the House for the Cleveland clincial addition and the Los Angeles new outpatient clinic.

In addition, the Committee restored the House reduction of $5,000,000 from the advance planning fund. Based on a recent GAO study, the Committee believes that additional emphasis in this area is warranted.

In order not to slow down the process of providing for the new beds at Murfreesboro, Tennessee to support the new Meharry affiliation, the Committee took the highly unusual step, prior to submission of complete justification and authorizing committee action pursuant to section 5004 of title 38, of the United States Code of approving the $1,700,000 to initiate this important project. As this appropriations act proceeds through the Congress, the Committee plans to carefully review the findings and action of the Veterans' Affairs Committees.

Finally, the Committee concurred with the House in using $32,700,000 in funds from prior year appropriations from the construction of major projects in fiscal year 1983. Currently, the VA has approximately $88,700,000 in its major working reserve. This resulted from projects that were completed below their expected costs. In this regard, the Committee also proposed a general reduction of $11,700,000 and expects the VA to use funds from its major working reserve to make up this difference.

Construction, Minor Projects

The Committee concurred with the House in recommending $141,748,000 for the minor construction account. This is a reduction of $50,365,000 below the budget estimate and $39,738,000 above the fiscal year 1982 appropriation. The VA requested $159,248,000 for minor construction projects in 1983. The unobligated balance in the minor construction appropriation is now estimated to be $156,472,000 at the end of fiscal year 1983. Because of the large unobligated balance, the Committee recommended a $50,365,000 reduction in the $87,256,000 increase requested for minor construction projects in 1983. The Committee also changed the House limitation of $32,500,000 for the Office of Construction and recommended a limitation of $32,865,000. The Committee believes that the $365,000 reduction could adversely affect the VA's construction management.

Grants for Construction of State Extended Care Facilities

The Committee concurred with the House in recommending the budget request of $18,000,000 for grants for construction of State extended care facilities in fiscal year 1983. This is an increase of $2,160,000 above the fiscal year 1982 appropriation.

Grants for Construction of State Veterans Cemeteries

The Committee concurred with the House in recommending the budget request of $2,500,000 for grants for construction of State veterans cemeteries in fiscal year 1983.

Grants to the Republic of the Philippines

The Committee agreed with the House in recommending the budget estimate of $500,000 for grants to the Republic of the Philippines. This grant will assure the continued effective care and treatment of veterans at the medical center.

Administrative Provisions

The House added a new administrative provision to the bill establishing a $35,000,000 limitation on the amount of funds the VA may obligate for medical automated data processing services without the approval of the Committees on Appropriations. The Committee retained this provision. While the Committee is in agreement with the direction the Agency is pursuing regarding ADP activities, there are a number of unanswered questions concerning the best system, total cost and the implementation timetable that have not been fully answered.

TITLE III—CORPORATIONS

FEDERAL HOME LOAN BANK BOARD

Limitation on Administrative and Non-administrative Expenses

The Committee concurred with the House in providing a limitation of $24,360,000 on administrative expenses and a limitation of $40,680,000 in non-administrative expenses for the Federal Home Loan Bank Board, as requested by the administration. The Committee is cognizant that the next year will continue to be an extremely difficult period for the Nation's savings and loan institutions and mutual savings banks. The Committee recommended the entire budget request to allow the Bank Board maximum flexibility to develop a regulatory framework to address the industry's problems.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Limitation on Administrative Expenses

The Committee agreed with the House in recommending a limitation of $1,120,000 on the administrative expenses of the Federal Savings and Loan Insurance Corporation. This amount is the same as the budget request.

TITLE IV—GENERAL PROVISIONS

The Committee concurred with all of the general provisions that apply to the Department and agencies funded through this legislation that were contained in the fiscal year 1982 bill (P.L. 97-101). The Committee did, however, delete 2 new general provisions concerning EPA. The deletion of these provisions was done without prejudice in order to consider these provisions by the entire Senate.

At this point, Mr. President, may I very sincerely thank my colleagues from Kentucky, Senator HUDDLESTON, for the pleasure I have had during the last year-and-a-half of working with him on this subcommittee as the ranking minority member, and for the cooperation I have had with him in achieving the budget savings during the last 2 fiscal years. We have saved considerably more money than any other subcommittee of the Appropriations Committee. Without his cooperation and hard work and work of his staff and mine, this simply could not have been accomplished.

So I wish to again thank him very much for his work and efforts during the last year-and-a-half.

Mr. HUDDLESTON addressed the Chair.

The PRESIDING OFFICER. The Senator from Kentucky.

Mr. HUDDLESTON. Mr. President, first of all I wish to thank the distinguished subcommittee chairman, the floor manager of the bill, the Senator from Utah, for those generous remarks. It has been a pleasure working with him on this particular appropriations bill.

The bill includes a total, as he has pointed out, of $47.5 billion in budget authority. And even in these times of enormous Federal expenditures, that still constitutes a substantial sum of money—$47.5 billion. The programs included stretch across a broad spetrum of the needs that exist in this country. And it has been no easy task to try to conform the expenditures for those various programs to the budget restraints that we are and should be—operating under.

So I wish to extend my commendation to the Senator from Utah for the manner in which he and his staff have approached this bill for the diligence that he has brought to it and for the very difficult situations that he has been able to overcome in order to move this legislation.

I am pleased to recommend to the Senate that it approve this fiscal 1983 appropriations bill for the Department of Housing and Urban Development and independent agencies. I think it is significant that this is the first of the 13 appropriations bills that must be passed in order have a budget for the Federal Government during the fiscal year which begins October 1. This, again, I think, indicated the diligent manner in which our subcommittee chairman has approached this particular legislation.

As reported from committee, the bill includes $47.5 billion in budget authority. This is $6.1 billion more than the request, $9.7 billion less than the fiscal 1982 appropriations and $8.9 billion under the subcommittee's section 302(b) allocation under the Congres-

sional Budget and Impoundment Control Act of 1974.

While the comparisons with last year's appropriations and with the subcommittee's allocation appear extremely favorable, it is important to note that, with certain exceptions, principally section 202 housing for the elderly and handicapped and Indian units, there is no funding in this bill for an assisted housing program. The administration has proposed replacing the section 8 program with a new subsidy mechanism, but there is at this time no clear indication of what type of final authorization may emerge. Thus, consideration of an assisted housing program has basically been deferred. Since the entire amount of budget authority for a housing program is shown in its first year, even though the program may extend over 15, 20 or 30 years, the cost of housing programs is great. In fiscal 1982, for example, the appropriation was $13.2 billion, including several rescissions; in fiscal 1981 it was $24 billion. Thus, even with the allocation remaining for the subcommittee only a moderate housing program can be accommodated.

Despite the deferral of funding for an assisted housing program, the committee has recommended funding for a large majority of the HUD programs, as well as for other programs funded by the bill.

The committee has recommended bill language extending the construction deadline for section 8 projects receiving a financing adjustment factor (FAF) from October 1, 1982, until January 1, 1983. Earlier this year, in the urgent supplemental appropriations bill, the FAF was raised to account for high interest rates and the committee provided not only for the use of $3.7 billion in recaptured funds but also $1.7 billion in additional appropriations to cover FAF-eligible projects. This was done to help clear the pipeline of previously approved section 8 projects which had not gone to construction. It is the committee's intent that as many of these previously approved projects as possible move to construction. The additional time is designed to allow this.

For the section 202 housing for the elderly and handicapped program, the committee recommends a loan limitation of $724.8 million, which will provide for 16,000 units. Bill language limits the program to qualified nonprofit sponsors.

The congregate services program is funded at $3.5 million, the same as the House amount.

For public housing operating subsidies, the committee recommendation is $1.288 billion. Based on prior experience, it is unlikely that this will be sufficient to cover formula requirements in fiscal 1983. Consequently, the committee report directs the Department to submit a revised estimate of fiscal 1983 requirements by May 2, 1983. Furthermore, the committee included bill language requiring the Department to obligate each public housing authority's allocation to the authority 45 days prior to the beginning of the authority's fiscal year. The contracts between HUD and the authorities currently include such a provision, but numerous delays in obligating fiscal 1982 funds imposed a severe financial strain upon some local authorities. The bill language is designed to prevent the recurrence of such a situation in fiscal 1983.

The recommendation for housing counseling assistance is $3.5 million, the same as the House amount. This should allow continuation of some 140 counseling programs.

The committee has recommended a limitation of $39.8 billion for the Federal Housing Administration's (FHA) loan guarantee program. This is only slightly below the fiscal 1982 level and reflects the committee's intention that ample mortgage insurance be available should the hoped-for revival in the housing industry occur. The committee report also directs the Department to notify the committee if it appears the limitation will be reached. The committee does not want the limitation to result in any restriction or moratorium on commitments.

For the Government National Mortgage Association's mortgage-backed securities program, the recommended loan limitation is $68.250 billion. As with the FHA program, the committee has included report language directing the Department to notify the committee promptly if it appears the limitation will be reached.

The Solar Energy and Energy Conservation Bank is funded at $15 million under the committee recommendations.

The recommendation for the community development block grant (CDBG) program is $3.456 billion, the same as the budget request. The committee restored the $11 million cut by the House committee from the Secretary's discretionary fund.

Under the committee proposals, the urban development action grant (UDAG) program, is funded at $440 million, the same as in fiscal 1982. The committee restored the reduction made by the House committee in the small cities portion of the program.

The committee has recommended continuing the section 312 rehabilitation loan program, using repayments and other income, rather than new appropriations. It is estimated that $77 million will be available in fiscal 1983 under this agreement.

For the urban homesteading program, the committee has included $12 million, the same as the budget request and House committee allowance.

The recommendation for policy development and research is $18 million. Within this amount, the committee has earmarked $1 million for the Housing Assistance Council (HAC). Over the years, HAC has provided a number of services to small towns, rural areas, and nonprofit housing development corporations which have generally been overlooked by HUD, and often by the Farmers' Home Administration. HAC operates a rural housing loan fund which provides predevelopment credit to enable projects in rural and isolated areas to prove feasibility, obtain financing, and begin construction. It provides technical assistance through training conferences, seminars, workshops, and onsite consultations. And, it conducts an important information program which includes a biweekly newsletter, technical manuals and guides, and analyses of rural housing issues, proposed changes in the operation of housing programs, and regulatory changes. All these activities constitute an invaluable resource for rural areas, such as eastern Kentucky.

For fair housing assistance, the recommendation is $5.7 million, the same as the budget request and the House allowance.

Although the committee deleted the House language prohibiting the use of funds to plan or implement a reorganization of the Department without the prior approval of the Committees on Appropriations, I continue to share a number of concerns which have been expressed, especially those regarding the possible arbitrary nature of proposed reductions in the field. The House Appropriations Committee's surveys and investigations staff has, however, reviewed this matter, and it will be a subject for conference action.

For the work of the Consumer Product Safety Commission, the committee has included $33.5 million, the amount of the budget request and the House committee allowance.

The committee recommendation for the Environmental Protection Agency is $33,699 billion. This includes a restoration of $43.9 million under the abatement, control, and compliance account for the State grants program. This addition brings the State grants program to their fiscal 1982 levels, a move which seems only reasonable in view of the increased responsibilities being assumed by the States. Under this account, the committee has also included $1.9 million for the National Rural Water Association's State and rural water training and technical assistance program. Under the research and development account, the committee added $270,000 for a study of phosphate processing as part of the study of waste streams generated during mining operations.

For the Federal payment to the hazardous substance response trust fund, the recommendation is $38 million, and for hazardous response trust fund or superfund activities, the recommendation is $200 million. The committee report expresses the committee's concern over the slow progress in superfund activity.

The committee included bill language providing that $20 million be used by the States for State hazardous waste site surveys.

The recommendation for the wastewater construction grant program is $2.430 billion, of which $30 million would be used for combined sewer overflows into marine bays and estuaries.

For the Federal Emergency Management Agency (FEMA), the recommendation is $586.2 million. In determining the amount to be provided for civil defense, the committee basically decided to fund those activities which have dual civilian/national emergency use but to defer those which relate solely to national emergency, such as crisis relocation. This results in $181 million for civil defense activities.

Under FEMA's State and local assistance account, the committee has deleted the House committee's limitation of $2 million on earthquake research. Much remains to be done in this area, including work on the New Madrid fault area.

For activities of the U.S. Fire Administration, the committee recommendation is $3.3 million for firefighting health and safety, arson prevention and control, the national fire data system, and fire rescue service management improvement.

The committee rejected the proposal that administrative expenses of the flood insurance program be funded from premiums and instead continued the present policy of funding these costs from the salaries and expenses account. The flood insurance program, while beneficial, has imposed a number of burdens upon flood-prone areas, such as eastern Kentucky. If we are to have such a program, then it must be fair and premiums must remain reasonable. Continuing present policy should help insure that.

For the research and development activities of the National Aeronautics and Space Administration (NASA), the recommendation is $5.1 billion. The committee has funded the Centaur F upper stage for the Space Shuttle. It has added $5 million to the $4 million requested for technology utilization so that the benefits of NASA research and development can be promptly shared with academic institutions, industry and small business and State and local governments. The joint NASA-University of Kentucky project is a prime example of the technology utilization program.

The committee recommendation also includes $39.9 million for space applications communications and information systems. The committee addition of $20 million is designed to support continued work on both the spacecraft and proof of concept for the advanced communications technology program (previously the 30/20 gigahertz program) so that a flight demonstration can be undertaken by the 1987–88 time period. A flight demonstration is necessary by that time if the United States is to remain competitive in the communications field.

The recommendation for NASA's construction of facilities account is $100 million, and for research and program mangement, $1.177 billion.

For the National Science Foundation (NSF), the committee figure is $1.072 billion. Of that amount, $1.055 billion is for research and related activities, $15 million for science and engineering education activities, and $2.2 million for scientific activities overseas.

The Neighborhood Reinvestment Corporation is funded at $15.5 million.

For the Selective Service System, the recommendation is $22.9 million. While the House report addresses the proposed alternative service program, the Senate committee report does not because Senate language was added to the supplemental appropriations bill directing that an appeals process be established within the alternative service program. Because of questions which have been raised, this is an area the committee will undoubtedly want to monitor.

Under the committee recommendations, the revenue-sharing program is funded at $4.566 billion, the same as the fiscal 1982 appropriation. This will provide assistance for more than 39,000 localities.

The compensation and pensions account of the Veterans' Administration (VA) is funded at $13.4 billion under the committee recommendations. For readjustment benefits, $1.665 billion is recommended. Correspondence training would continue to be funded under the Senate committee proposals.

For the medical care account, the committee has included $7.4 billion to treat an estimated 1.3 million patients in fiscal 1983 and to cover an estimated 18.3 million outpatient medical and dental appointments. The medical and prosthetic research efforts are funded at $150 million. This account will fund the agent orange studies. It is also the committee's hope that the VA will pursue additional research in the geriatrics area, including such diseases as Alzheimer's disease.

Mr. BAKER addressed the Chair.

The PRESIDING OFFICER. The majority leader.

Mr. BAKER. Mr. President, I am advised now that the minority leader is agreeable to going forward with the unanimous-consent request limiting time for debate on this measure. If it is agreeable to the acting minority leader and minority manager and the manager of the bill, the chairman of the committee, I will put the request at this time.

Mr. HUDDLESTON. Mr. President, this time agreement has been approved by the Democratic leader of the Senate and by the minority and we are prepared to enter into it at the present time.

Mr. BAKER. I thank the acting leader.

TIME LIMITATION AGREEMENT

Mr. President, I ask unanimous consent that on this measure, Calendar Order No. 804, H.R. 6956, the HUD appropriations bill, that it be considered under the following time agreement:

One hour on the bill to be equally divided between the Senator from Utah (Mr. GARN) and the Senator from Kentucky (Mr. HUDDLESTON); 30 minutes on first-degree amendments; 20 minutes on second-degree amendments; 10 minutes on any debatable motions, appeals, or points of order, if so submitted to the Senate; and that the agreement be in the usual form with respect to division and control of time; provided further that no amendment dealing with enforcement or implementation of the Clean Air Act be in order to H.R. 6956; and a 30-minute time agreement on an amendment to be offered by Senators BAKER and BYRD or Senator PROXMIRE dealing with the Senate gymnasiums.

The PRESIDING OFFICER. Is there any objection? I hear none. It is so ordered.

Mr. GARN. Mr. President, I ask unanimous consent that the committee amendments be considered and agreed to en bloc except for the amendment dealing with the Veterans' Administration constructing major projects on page 36, lines 4 through 7; that the bill, as thus amended, be regarded for purposes of amendment as original text; and provided that no point of order shall be considered to have been waived by reason of agreement to this order.

The PRESIDING OFFICER. Is there any objection? I hear none. It is so ordered.

The committee amendments considered and agreed to en bloc are as follows:

On page 2, after line 6, insert the following:

ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING

The amount of contracts for annual contributions, not otherwise provided for, as authorized by section 5 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c), and heretofore approved in appropriation Acts, is increased by $179,940,000: *Provided*, That the budget authority obligated under such contracts shall be increased above amounts heretofore provided in appropraiation Acts by $3,799,920,000:

Provided further, That of the budget authority provided herein, $1,000,000,000 shall be for the modernization of existing public housing projects (section 14 of the United States Housing Act of 1937, as amended (42 U.S.C. 1437l)), $703,920,000 shall be for the development or acquisition cost of public housing for Indian families, and $2,096,000,000 shall be for assistance for projects developed for the elderly or handicapped under section 202 of the Housing Act of 1959, as amended (12 U.S.C. 1701q): *Provided further,* That if the budget authority deferred until October 1, 1982, for the modernization of 5,073 vacant uninhabitable public housing units is less than $89,321,727, an additional amount equal to the difference between $89,321,727 and the amount deferred, if any, shall be made available for that purpose from authority which was provided by prior Acts of Congress and is recaptured or deobligated during fiscal year 1983, before such authority is made available for any other purpose: *Provided further,* That of the budget authority obligated for the development of public housing, which was provided by prior Acts of Congress and is recaptured or deobligated during fiscal year 1983 and which is not needed for purposes of the preceding proviso, 70 per centum shall be made available for the modernization of existing public housing projects: *Provided further,* That any amount remaining on September 30, 1982, from the contract authority and budget authority made available for use as provided in the third proviso under the heading, "Annual Contributions for Assisted Housing (Rescission)", in the Urgent Supplemental Appropriations Act, 1982 (Public Law 97-216), shall remain available for obligation in accordance with the terms of such proviso, except that the Agreement to Enter into a Housing Assistance Payments Contract shall not be required to include a provision requiring that construction must be in progress prior to January 1, 1983: *Provided further,* That any balances of authorities remaining at the end of fiscal year 1982, together with any balances becoming available for obligation in fiscal year 1983, shall be added to and merged with the authority provided herein and made subject only to terms and conditions of law applicable to authorizations becoming available to fiscal year 1983: *Provided further,* That any balances of authorities initially made available prior to the enactment of this Act which are or become available for obligation in fiscal year 1983 shall not be subject to the requirements of section 5(c) (2) or (3) of the United States Housing Act of 1937, as amended (42 U.S.C. 1437c), and such balances, together with the authorities provided in this Act, shall not be subject to the requirements of the fourth sentence of section 5(c)(1) of such Act or section 213(d) of the Housing and Community Development Act of 1974, as amended (42 U.S.C. 1439): *Provided further,* That with respect to newly constructed and substantially rehabilitated projects under section 8 of the United States Housing Act of 1937, as amended, during 1983, the Secretary shall not impose a percentage or other arbitrary limitation on the cost and rent increases resulting from increased construction cost in exercising the authority to approve cost and rent increases set forth in section 8(1) of such Act: *Provided further,* That no funds provided under this or any other Act shall be used to terminate a reservation of contract authority for any project under section 8 of the United States Housing Act of 1937, as amended, on account of the inability of the developer or owner of that project to obtain firm financing, unless such termination occurs no less than twenty-four months following the date of initial reservation of contract authority for such project: *Provided further,* That no authorities available for obligation in fiscal year 1983 may be used (A) to provide for the initial reservation for additional newly constructed units under (i) the section 8 housing assistance payments program (other than assistance used in connection with section 202 of the Housing Act of 1959), or (ii) the public housing program (other than assistance for Indian families); or (B) to execute annual contributions contracts for existing housing under 24 CFR 882, subparts A and B (other than for units converted from section 23 to section 8 under 24 CFR 881.123 and units converted to section 8 from section 101 of the Housing Urban Development Act of 1965 (12 U.S.C. 1701s)), for a term longer than sixty months.

RENT SUPPLEMENT

(RESCISSION)

The limitation otherwise applicable to the maximum payments that may be required in any fiscal year by all contracts entered into under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s), is reduced in fiscal year 1983 by not more than $105,160,000 in uncommitted balances of authorizations provided for this purpose in appropriation Acts.

On page 6, line 13, strike "$453,000,000", and insert "$724,800,000";

On page 7, line 19, strike "$1,350,000,000", and insert the following: "$1,288,000,000: *Provided,* That the amount payable to each public housing agency shall be obligated at least forty-five days prior to the beginning of the public housing agency's fiscal year: Provided further, That payments made as a result of the amounts so obligated will begin during the first month of the public housing agency's fiscal year, and shall be made in a lump sum payment to public housing agencies receiving $15,000 or less, shall be made quarterly to public housing agencies receiving over $15,000 and less than $60,000, and shall be made monthly to public housing agencies receiving payments of $60,000 or over."

On page 9, line 20, strike "$40,000,000,000", and insert "$39,800,000,000";

On page 11, line 12, strike "$25,000,000", and insert "$15,000,000";

On page 11, line 21, strike "$3,445,000,000", and insert "$3,456,000,000";

On page 12, line 2, strike "Provided further", through and including the end of line 4;

On page 12, line 13, strike "$340,000,000", and insert "$440,000,000";

On page 12, line 14, strike "of which", through and including "Act," on line 15;

On page 12, line 22, strike "1981", and insert "1982";

On page 14, line 9, strike "$20,000,000", and insert "$18,000,000";

On page 14, line 24, strike "$576,224,000", and insert "$575,223,000";

On page 15, line 1, strike "Provided", through and including the end of line 5;

On page 17, line 1, strike "three", and insert "two";

On page 17, line 2, strike "$6,689,000", and insert "$6,682,000";

On page 17, line 19, strike "$544,963,000", and insert "$548,613,200";

On page 17, line 23, after "(42 U.S.C. 6913)", insert the following: *"Provided further,* That the funds provided by this appropriation shall be used to pay for the employment of at least 9,050 permanent, full-time equivalent workyears; *Provided further,* That the Agency shall not institute a reduction in force or any other measure which results in a level of workyears lower than 9,050 permanent, full-time equivalent workyears."

On page 18, line 6, strike "$121,204,000", and insert "$115,000,000";

On page 18, line 10, strike "$369,075,000", and insert "$365,007,000";

On page 18, line 18, after "4009", insert the following: *": Provided further,* That notwithstanding any other provision of law, Inverness, Mississippi shall be reimbursed for the costs incurred for the construction of a hydrological control release lagoon.

On page 19, line 7, strike "$44,000,000", and insert "$38,000,000";

On page 19, line 12, strike "$230,000,000", and insert "$200,000,000";

On page 19, line 18, after "96-510", insert the following:

Provided further, That of the funds appropriated under this head, $8,000,000 shall be made available to the Department of Health and Human Services, upon enactment, and up to an additional $2,000,000 may be made available by the Administrator to the Department for the performance of specific activities in accordance with section 111(c)(4) of Public Law 96-510, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980. Management of all funds made available to the Department shall be consistent with the responsibilities of the Trustee of the Fund, as outlined in section 223(b) of the Act: *Provided further,* That for purposes of carrying out section 3012 of the Resource Conservation and Recovery Act of 1976, as amended (42 U.S.C. 6933), as added by Public Law 96-482, $20,000,000, from the funds provided under this head, to remain available until September 30, 1984.

On page 20, line 11, after "amended,", insert "including sections 201(n)(2), and 201(m)(3)";

On page 20, strike line 15, through and including line 24;

On page 21, line 20, strike "$1,578,000", and insert "$1,839,000";

On page 21, line 20, strike "Provided", through and including the end of line 24;

On page 22, line 7, strike "$324,000,000", and insert "$130,000,000";

On page 22, line 22, strike "$110,392,000", and insert "$114,616,000";

On page 23, line 3, after "amended", insert "the Earthquake Hazards Reduction Act of 1977 (42 U.S.C. 7701 et seq.)";

On page 23, line 6, strike "$139,776,000", and insert "$167,731,000";

On page 23, line 6, strike "Provided", through and including the end of line 8;

On page 24, line 3, strike "$155,627,000", and insert "$173,928,000";

On page 24, line 20, strike "$1,299,000", and insert "$1,351,000";

On page 25, line 12, strike "$1,799,000,000", and insert "$1,769,000,000";

On page 25, line 12, strike "Shuttle,", and insert "Shuttle and";

On page 25, line 13, strike "$1,815,000,000", and insert "$1,369,000,000";

On page 25, line 14, strike "(3)", through and including "Augmentation" on line 20;

On page 25, line 21, strike "$5,542,800,000", and insert $5,117,800,000";

On page 25, line 23, after "1984:", insert the following: *"Provided,* That $280,000,000

shall be made available for aeronautical research and technology, that $174,000,000 shall be made available for design, development, procurement, and other related requirements of liquid hydrogen-liquid oxygen upper stages (Centaur F) for use in launching the Galileo and Solar Polar spacecraft in 1986, and that not more than $1,570,000 shall be made available for implementing Public Law 97-219:"

On page 26, line 15, strike "$95,000,000", and insert $100,000,000";

On page 27, line 18, strike "$1,168,900,000", and insert $1,117,000,000";

On page 28, line 1, strike ": Provided", through and including the end of line 3;

On page 28, line 25, strike "$62,081,000", and insert $63,081,000";

On page 29 line 5, strike "; $1,067,200,000", and insert "$1,055,568,000";

On page 29 line 15, after "proportionally", insert the following: *"Provided further,* That of the funds appropriated under this head, not more than $62,100,000 shall be available for all operational activities in the United States Antarctic Program: Provided further, That no appropriated funds contained herein shall be available for the Advanced Ocean Drilling Program without the approval of the Committees on Appropriations.

On page 30, line 3, strike "$40,000,000", and insert "$15,000,000";

On page 30, line 25, after "$15,512,000", insert the following:

Provided, That notwithstanding "any other provisions for this or any other Act, the Secretary of Housing and Urban Development, the Federal Home Loan Bank Board and the Federal Home Loan Banks, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the National Credit Union Administration or any other department, agency or other instrumentality of the Federal Government may provide to the Neighborhood Reinvestment Corporation such funds, services, and facilities as they deem appropriate, with or without reimbursement, to achieve the objectives and to carry out the purposes of the Neighborhood Reinvestment Corporation Act."

On page 31, line 19, strike "$22,386,000", and insert "$22,986,000";

On page 33, line 7, strike "Provided", through and including line 16;

On page 34, line 16, strike "$7,512,661,000", and insert "$7,493,824,000";

On page 34, line 22, strike "$155,000,000", and insert "$150,329,000";

On page 35, line 6, strike "$56,107,000", and insert "$55,807,000";

On page 35, line 18, strike "$686,359,000", and insert "$691,359,000":

On page 35, strike line 20;

On page 36, line 24, strike "$32,500,000", and insert "$32,865,000";

On page 49, strike line 8, through and including line 2 on page 50.

(The following proceedings occurred earlier and are printed at this point by unanimous consent:)

Mr. BAKER. Mr. President, will the chairman of the committee grant me a convenience?

Mr. GARN. Yes.

Mr. BAKER. I hate to do this, but I have other matters that I have to attend to. I have announced, as has the minority leader, that we are going to put the gymnasium amendment on the first bill that came along, and this is it. I understand there are committee amendments and I would ordinarily wait and have to wait until the committee amendments are completed. But if the managers will permit me, I would like to put that request at this time.

UP AMENDMENT NO. 1280

Mr. President, I ask unanimous consent that it be in order at this time to offer an amendment relating to gymnasiums as provided for in the unanimous-consent agreement.

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

The clerk will report the amendment.

The assistant legislative clerk read as follows:

The Senator from Tennessee (Mr. BAKER), for himself and Mr. ROBERT C. BYRD proposes an unprinted amendment numbered 1280.

Mr. BAKER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

At the end of the bill add the following new section:

SEC. .(a)(1)Notwithstanding the directive of the Senate Office Building Commission of March 19, 1982, and notwithstanding any other provision of law, the Architect of the Capitol shall cease the obligation, commitment, or expenditure of any unallotted construction contingency funds (identified during the construction of the Hart Senate Office Building) for the purpose of completing the construction of the physical fitness facility in the Hart Senate Office Building.

(2) The Architect of the Capitol is authorized to obligate and expend from the construction contingency funds for the Hart Senate Office Building amounts which are prohibited to be obligated, committed, or expended by the first paragraph of this subsection for such other necessary expenses relating to the completion of the Hart Senate Office Building as the Architect of the Capitol deems necessary.

(b) No funds may be expended for the operation of the physical fitness facility in the Dirksen Senate Office Building after the date of enactment of this Act.

The PRESIDING OFFICER. Who yields time?

Mr. BAKER. Mr. President, I yield myself such time as I may utilize, and I will not utilize very much.

Mr. President, yesterday when we stripped the debt limit it also stripped the gymnasium amendment which was adopted by the Senate. Both the minority leader and I indicated that we would restore that amendment, and that is what is being done here. The amendment is identical in language and effect to the amendment that was added to the debt limit. I urge its adoption.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Tennessee (Mr. BAKER).

The amendment (UP No. 1280) was agreed to.

Mr. BAKER. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. GARN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BAKER. Mr. President, I ask unanimous consent that the action on this measure appear following the adoption of the committee amendment in the RECORD.

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

Mr. BAKER. Mr. President, I thank the managers and I thank all Senators for permitting me this time.

Mr. President, I ask unanimous consent that the gymnasium amendment may remain open for cosponsors for the remainder of this calendar day.

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

Mr. PROXMIRE. Mr. President, I ask unanimous consent that I be added as a cosponsor of the amendment.

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

Additional cosponsors of UP amendment No. 1280 offered by Mr. BAKER and Mr. ROBERT C. BYRD are: Mr. PROXMIRE, Mr. SASSER, Mr. GARN, Mr. HUDDLESTON, Mr. WARNER, Mr. LEVIN, Mr. PERCY, and Mr. CHAFEE.

The PRESIDING OFFICER. Who yields time?

Mr. HUDDLESTON. Mr. President, I yield myself such time as I may require.

UP AMENDMENT NO. 1281

Mr. HUDDLESTON. Mr. President, I would like to express my support for the technical amendment approved by the Appropriations Committee which allows any agency, department or instrumentality of the Federal Government to provide funds as well as services and facilities to the Neighborhood Reinvestment Corporation.

To further clarify the intent of the committee, I am offering an amendment that would specifically authorize financial contributions by the Board of Governors of the Federal Reserve System and the Federal Reserve banks to the Neighborhood Reinvestment Corporation. With this purpose in mind, I send to the desk the following amendment.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Kentucky (Mr. HUDDLESTON) proposes an unprinted amendment numbered 1281.

On page 31, line 4, after the word "Banks," insert "the Board of Governors of the Federal Reserve System and the Federal Reserve Banks,".

The PRESIDING OFFICER. Who yields time?

Mr. HUDDLESTON. Mr. President, I yield to the manager of the bill.

Mr. GARN. Mr. President, on behalf of the majority, I am happy to agree to accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 1281) was agreed to.

Mr. GARN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. HUDDLESTON. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1282

(Purpose: Reduce funding for civil defense to authorization level)

Mr. PROXMIRE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Wisconsin (Mr. PROXMIRE) proposes an unprinted amendment numbered 1282.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 22, line 22 strike "$114,616,000" and insert "$112,616,000".

On page 23, line 6 strike "$167,731,000" and insert "$157,291,000".

On page 24, line 3 strike "$173,928,000" and insert "$157,550,000".

Mr. PROXMIRE. Mr. President, subsequent to the committee markup on the HUD appropriations bill, the conferees on the Defense Department authorization bill for 1982 (S. 2248), agreed to authorize $152,322,000 for the civil defense program. This amount is $100,000,000 below the agency's fiscal year 1983 budget request and $28,818,000 below the Senate Appropriations Committee's recommendation. My amendment would reduce the level of funding for civil defense to the authorization level. Specifically, the amendment assumes that FEMA would provide $92,900,000 for State and local assistance, $31,900,000 for emergency planning and assistance, and $27,522,000 for salaries and expenses.

Mr. GARN. Mr. President, as I understand it, this amendment will bring funding for civil defense to the authorized level. The $152,322,000 will provide funding for those activities within the civil defense program which have dual civilian/national emergency applications. Furthermore, within the funds provided in the salaries and expenses account and the agency's attrition rate of 10 percent over the last 2 years, FEMA will be able to provide 10 additional FTE for the civil defense program in fiscal year 1983. Therefore, I would be glad to accept this amendment on the part of the majority.

Mr. HUDDLESTON. Mr. President, I have no problem in accepting this amendment. As I noted in my opening statement, we sought to fund activities which have a dual civilian and national emergency application. I understand that the authorizing committee generally did the same, although at a slightly lower rate.

We are pleased to join with the floor manager in accepting this amendment, which simply conforms the appropriation to the final authorization.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 1282) was agreed to.

Mr. PROXMIRE. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. GARN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

● Mr. MATHIAS. The House has added $900,000 to the EPA appropriations bill to begin implementation of the $27-million Chesapeake Bay program. I urge my colleagues in the Senate to follow suit. The program, mandated by the EPA Appropriations Subcommittee 6 years ago, is due to be completed in January 1983. Therefore, these funds will not be used for further research, but to put to use the findings of the study in order to effectively manage the bay.

Continued Federal presence on the bay is imperative because of the interstate nature of the watershed. For the first time in recent memory, Maryland, Virginia, and Pennsylvania have worked together in amity and cooperation on the bay program. In fact, this has been an outstanding example of interstate cooperation. We have reason to believe, however, that without further Federal involvement, this relationship may dissolve. One of the recommendations of the program is to devise an institutional arrangement to continue the Federal-State partnership. The States have already pledged their support and commitment to share in the cost. This money would provide the Federal share.

Mr. SARBANES. I want to underscore the importance of the EPA Chesapeake Bay program to the Chesapeake Bay itself—our Nation's greatest estuarine system—and to the larger effort to understand better the effects of pollution and urbanization on all our estuaries. Under the EPA bay program, extensive research was carried out on the effects of excess nutrients and toxic chemicals on the bay's water quality and on the status of the bay's aquatic grasses—so important to finfish and shellfish resources.

The research was conducted on a State and Federal cooperative basis, and the knowledge gained is of national importance, both in terms of future management of the tremendous Chesapeake Bay ecosystem itself and in terms of our Nation's overall water quality improvement strategy. We cannot afford to squander the opportunity to establish sound management options utilizing the data gained from the EPA bay program.

Mr. GARN. I have followed the program closely and believe it has been a wise use of Government funds. For that reason, last year the subcommittee added $1 million to insure a thorough completion of the study. Having already expended $27 million, I believe it is incumbent upon us to insure that the results of the program are put to good use.

Mr. MATHIAS. We have identified a number of things that need to be done in 1983 to capitalize on the program including: Maintenance of the computer base; design and start up of a monitoring program; staffing of an EPA Chesapeake Bay liaison office in Annapolis; and a continuation of the resource user program. We must do everything we can to insure that the progress made to date is reinforced through continuation of the above activities. This should not be just another research program left on the shelf to collect dust.

The program has provided us with many answers to questions about the dynamics of the bay's water quality. The information developed has national relevance. The program may have raised other questions about this ecosystem which future science should address. If we are to reap the full benefit from our interest in this program, I urge the Senate accept the House addition of funds for this program at this critical transition period.

Mr. GARN. The Senate added $64.2 million above the President's request to the appropriations bill for HUD and independent agency programs. I feel at this point we cannot afford to add on funds to the bill. However, I reiterate my sincere interest in the program and intend to do all I can to find enough savings in the bill to accommodate these future activities on the bay during our conference committee meeting with the House.●

ASSISTED HOUSING FUNDING

● Mr. DODD. Mr. President, I would like to engage in a brief colloquy with the distinguished chairman of the subcommittee concerning the level of funding for assisted housing programs in the pending bill. First, let me begin by recognizing the difficulty which the subcommittee faced in considering these programs in the absence of an

authorization bill. I am privileged to sit on the Committee on Banking, Housing, and Urban Affairs which is most ably chaired by the Senator from Utah. Our committee did consider and report a comprehensive authorization bill for the upcoming year with strong bipartisan support. I know the chairman has every intention of attempting to move this legislation to enactment. Difficulties in the other body, however, make it questionable whether such legislation will be enacted this year. This lack and future uncertainty as to enactment of an authorization bill and the effect of this situation on the appropriations for assisted housing programs is of great concern to me. As I understand the situation, while the budget resolution provides approximately $10.4 billion for these activities in fiscal year 1983, the House appropriations bill deferred all action on this account and the Senate bill provides only $3.8 billion due to the present lack of authorizing legislation. I have several questions about this situation which I would like to pose to the subcommittee chairman.

First, am I correct that the administration has stated that it will not oppose the subsequent appropriation for these programs so long as the amount conforms to the first budget resolution?

Mr. GARN. That is my understanding.

Mr. DODD. Assuming the enactment of an authorizing bill prior to adjournment of this session, which is certainly the course of action we all prefer, is it the chairman's intention that these funds be appropriate prior to adjournment? The chairman is well aware of the leadtime required in obligating housing funds and the fact that we may be authorizing new programs which of necessity will require the development of administrative regulations and procedures. For these reasons, I believe it is essential that the Department be provided with these resources as early as possible in the fiscal year.

Mr. GARN. If there is an agreement reached on the structure and scope of the new housing programs and the President indicates his intent to sign such legislation, I would expect that a housing supplemental would follow shortly thereafter.

Mr. DODD. Finally, if there is no authorization legislation, what are the prospects and timing of appropriating the additional funds provided in the budget resolution? Given the possibility that additional funds will not be provided for the section 8 new construction and rehabilitation programs, would it be possible to consider modest funding for certain new initiatives so as to mitigate such a glaring void in Federal housing policy?

Mr. GARN. Such a possibility always exists. However, I believe that we should wait until we have a housing package that has been approved by the Congress before we proceed in a piecemeal manner.

Mr. DODD. I thank the chairman for his cooperation and you can be assured of my support for resolving this situation by working for the enactment of authorizing legislation consistent with already established budget ceilings.●

Mr. CRANSTON. Mr. President, if the Senator would yield, I would like to raise two questions concerning the Appropriations Committee's recommendation that $30 million be appropriated, as authorized by section 201(n)(2) of the Federal Water Pollution Control Act, to address the problems caused by combined sewer overflows into marine bays and estuaries. My first question is about the list of eight communities which appears on the top of page 48 of the committee report. As the Senator is aware, the city and county of San Francisco currently has a substantial problem with overflows from its combined sewer system into San Francisco Bay. San Francisco's plans contain a cost estimate of $350 million to correct this problem. Indeed, the report last year by the Committee on Environment and Public Works which proposed an authorization of $200 million to deal with the combined sewer overflow problem specifically mentioned the overflows into San Francisco Bay as an example of the need for special funding. San Francisco, however, is not on the list of eight communities appearing in the Appropriations Committee's report. I want to be sure that this omission in no way prejudices San Francisco's 201(n)(2) grant application.

Mr. GARN. The distinguished Senator from California is quite correct. The list which appears in the Senate report is merely a preliminary list provided to the committee by EPA of communities which EPA expects will make application for 201(n)(2) funds. The presence of a community on that list is in no sense intended by the committee as an endorsement of those projects over others which do not happen to be on the list. Our purpose was to buttress the need for at least the $30 million appropriation contained in the bill. The committee contemplates that promptly upon enactment of this bill, EPA will publish in the Federal Register the policies which will govern its assessment of grant applications under section 201(n)(2). EPA will then set an appropriate deadline by which time applications must be filed by the States. The committee fully expects that EPA will act promptly on the grant applications so that work can commence on appropriate projects before the end of this fiscal year.

Mr. CRANSTON. I appreciate the remarks of the Senator from Utah. I am, however, concerned by the small amount being appropriated, given the $200 million authorization signed by the President less than 9 months ago and the extensive needs demonstrated in the committee report. I, therefore, want to ask whether an effort can be made to appropriate the full $200 million authorized beginning in fiscal year 1984.

Mr. GARN. As the Senator from California is aware, I am not in a position to commit to an increase in funds at this time. The subcommittee will be giving careful consideration to an appropriate funding level in fiscal year 1984 in connection with our consideration of EPA's fiscal year 1984 budget.

SOLAR BANK

Mr. HUDDLESTON. I would like to raise a question regarding the solar energy and conservation bank. The bank, I believe, was authorized by the Banking, Housing, and Urban Development Committee, of which the Senator from Utah is chairman.

Mr. GARN. My colleague from Kentucky is correct. The Senate Banking Committee adopted what is now title V of the Energy Security Act when it was proposed by Senator TSONGAS of Massachusetts. The committee was concerned that there be some balance in securing energy independence, particularly as escalating energy costs affected cities.

Mr. HUDDLESTON. As far as the Senator knows, has it ever been the intention of either the authorizing or appropriations committee to preclude cities from being directly eligible for the bank's programs?

Mr. GARN. No; the act specifically defines local governments which provide loans for housing, rehabilitation, energy conservation, or solar improvements as eligible. The committee, now chaired by a former mayor, specifically recognizes the experience and capacity of cities which operate section 312 rehabilitation programs, and community development block grant loan programs, to be designated as eligible financial institutions.

Mr. HUDDLESTON. I thank my colleague from Utah for the information. I do have one further question. Is it the intention of the committee that, in allocating the bank conservation subsidies, the Department create a new program or use existing programs?

Mr. GARN. In my view, these limited funds should be used with maximum efficiency, both by the administering agency and by the recipient. I believe there is adequate experience within HUD's Office of Community Planning and development to administer the program at the Federal level, so that there is no need to create any new bureaucracy. Likewise, State

housing finance agencies and local governments have considerable experience with rehabilitation loan programs. It only makes sense to take advantage of that capacity and experience rather than to encourage the creation of new offices or programs within the State.

ON EPA APPROPRIATIONS

Mr. METZENBAUM. I thank the distinguished Senator from Utah.

EPA has designated several locations in my State of Ohio as hazardous enough to warrant immediate cleanup under its Superfund program.

I wish to call attention to EPA activities at two of these sites, both of which happen to be located only 6 miles apart in Ashtabula County—the Poplar oil site in Jefferson and the Kraus-Webb site in Rock Creek.

EPA has already expended substantial sums of money and has devoted much time to the cleanup of these hazardous waste sites. Unfortunately, the actual removal of hazardous materials from these locations is far from complete. As a result, area residents in both communities are deeply alarmed, and rightfully so, about the potential health threats which these sites may be causing them.

It is up to EPA to once and for all put an end to the fear and uncertainty which surround these two sites. EPA must secure the sites so that the people who live near them are no longer in danger and it must determine whether the hazardous materials have caused or are causing health problems.

With respect to the Poplar oil site, EPA has already spent close to 85 percent of a designated $1 million in emergency Superfund money to remove, among other things, PCB-contaminated oil from the site. Yet, EPA officials are now telling local residents that they do not have enough money to finish the job.

In Rock Creek, EPA has spent several thousand dollars to conduct tests on the hazardous materials located at the site of a former fertilizer company. As EPA takes its time compiling these test results, more and more area residents are exhibiting similar health-related problems, such as nausea and dizziness. These problems are widespread enough—two weekends ago nine people went to the hospital with these very ailments—to warrant a prompt and thorough EPA investigation.

I hope, therefore, that the chairman can assure me that the committee expects the EPA to act expeditiously to complete the work already begun and to determine once and for all the true health consequences for area residents.

Mr. GARN. I thank the Senator from Ohio. I understand the severity of the situation as you described. I assure you that it is the committee's intent that EPA fully and promptly meet its statutory commitments to the residents of communities like those you described in Ashtabula County.

Mr. President, I ask unanimous consent that a status report for Ohio delegation on Laskin Poplar and Kraus-Webb sites be printed in the RECORD.

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

STATUS REPORT FOR OHIO DELEGATION ON LASKIN POPLAR AND KRAUS-WEBB SITES

Laskin/Poplar, Jefferson, Ohio, EPA has obligated $1.165 million for surface cleanup work at Laskin/Poplar.

Contractors began work at the Site on July 7, 1982.

To date, all contaminated oil (about 300,000 gallons) has been removed from the site and incinerated in El Dorado, Arkansas.

Other removal work underway involves removal solidification disposal of sludge from Ponds 18 and 20; transfer of contaminated soils from Pond 18 to tank 4, capping of Tank 4 and Pond 18; stabilization of north wall of Pond 20; and covering Tank 3. These actions will be taken as far as remaining finances allow. Any remaining work will be undertaken as part of remedial response. (The site is listed on the Expanded Eligibility List).

About 4 weeks of work remains in the current cleanup contract.

Kraus-Webb—EPA currently has initiated action at only one site in Rock Creek, Ohio, the Old Mill site. The site was once owned by a Mr. Webb. We are aware that another site owned by Mr. Kraus is of concern to local residents, but has not been designated for action under Superfund. The status of the Old Mill site is as follows:

EPA has obligated $50,000 for a removal action at Old Mill.

To date, approximately 500 of 1,200 drums have been removed by generators.

Remaining drums have been sampled and analyzed.

On September 21, 1982, the OSC required an additional $106,000 to complete the drum removal. This request is under consideration in EPA.

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

The PRESIDING OFFICER. Will the Senator state on whose time the quorum call will be charged?

Mr. GARN. Mr. President, I ask unanimous consent that the time be charged equally to both sides.

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

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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

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

UP AMENDMENT NO. 1283

(Purpose: Expressing the sense of the Senate with respect to human rights violations in connection with the construction of the trans-Siberian pipeline)

Mr. ARMSTRONG. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Colorado (Mr. ARMSTRONG) proposes an unprinted amendment numbered 1283.

Mr. ARMSTRONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

At the appropriate place insert the following:

The Senate finds—

(1) the Soviet union is proceeding with its plan to build the trans-Siberian pipeline, known as the Yamal Pipeline;

(2) there is Senate testimony that massive use of forced labor may be used by the Soviet Union to complete its construction;

(3) there are first-hand dissident reports that there are four to seventeen million Soviet citizens now being held in some 2,000 work camps in the Soviet Union and that there are persistent published reports of agreements to deport forcibly up to a half-million laborers from Vietnam to Soviet Union concentration camps in direct violation of international agreements;

(4) the Vietnamese Government under the 1973 Paris Peace Agreements which were signed by former Secretary of State Rogers and North Vietnamese Foreign Minister Nguyen Duy Trinh guaranteed freedom of residence and freedom of work;

(5) there is concern that political prisoners from Poland and other Soviet satellite countries may also be forced to work on the Yamal Pipeline;

(6) there have been estimates by Soviet dissidents of enormous loss of lives of workers forced to do the heavy, dirty, dangerous work in Soviet labor camps under subhuman conditions;

(7) if allegations of forced labor prove to be true, the participation of the West in furnishing either technology or financing to make the construction of the pipeline possible is tantamount to unwitting collaboration by the West in one of the most massive abuses of human rights in history;

(8) the United States stands, as it has always stood, in the forefront of the struggle for freedom and dignity of every human being:

Now, therefore, it is the sense of the Senate that—

(1) the Secretary of State should—

(A) investigate the extent to which forced labor will be employed and human rights violated in the construction of the trans-Siberian pipeline and to cooperate with other Western nations which also seek to investigate such violations; and

(B) report back to the Congress within 30 days with his preliminary findings and with a final report by January 1, 1983;

(2) the heads of the appropriate Federal agencies should take the steps necessary to assure that the United States is abiding by existing treaties respecting the importation of goods produced with slave labor.

The PRESIDING OFFICER. Without objection, the amendment will be in order.

Mr. ARMSTRONG. Mr. President, the amendment which I have sent to the desk calls on the State Depart-

ment to investigate the extensive charges that forced laborers and many political prisoners are being kept in some 2,000 camps across the Soviet Union to work on the trans-Siberian Yamal gas pipeline, and other similar projects within the U.S.S.R.

My proposal also calls for an investigation of the charges that some 500,000 Vietnamese workers are being forced to relocate over the next 5 years to the Soviet Union.

This amendment and the profound questions which it raises are an appeal to the conscience of America and the world.

During the last year, there have been persistent reports in such publications as the London Economist, the Wall Street Journal, and others, that workers, living in subzero temperatures and under unclean and inhumane conditions, are expected to, in the future, provide much of the unskilled labor, land clearing, equipment moving, and so on, that is needed to build projects such as the 3,600-mile, $10 to $14 billion Siberia to West Germany pipeline.

Mr. President, any nation considering or willing to participate in such a Soviet venture should favor a thorough investigation of these charges. If true, they raise the question of whether or not agreement to participate in one way or another in the pipeline project makes such a nation an accomplice in a massive violation of human rights.

Mr. President, on June 18, the Senate Banking Subcommittee on International Finance held a special oversight hearing on the proposed trans-Siberian natural gas pipeline. The hearings were the first official response by any government body within the Western Alliance to the grave charges that the pipline is being built with what can only be accurately described as slave labor.

The subcommittee heard from four witnesses whose testimony I have briefly summarized and would like to insert into the RECORD at this point. This was the testimony of Mikhail Makarenko, who served more than 11 years in Soviet labor camps; of Le Thi Ahn of the Vietnamese Information Bureau, and Mr. Doan Van Toia, author of the book the Vietnamese Gulag, and of the former Polish Ambassador to Japan, Mr. Zdislaw Rurarz, who defected from his country at the time martial law was imposed under threat of the Soviet Union.

Mr. President, I ask unanimous consent to have printed in the RECORD a brief summary of the testimony which they presented.

There being no objection, the summaries were ordered to be printed in the RECORD, as follows:

Mikhail Makarenko, who served more than 11 years in Soviet labor camps, mostly between 1970 and 1978, and who testified on conditions in the camps today. He presented oral, written and documentary film testimony that four to 17 million men, women and children—arrested mostly for political offenses—are now engaged in forced labor in the Soviet Union. Mr. Makarenko testified that between 500,000-600,000 prisoners die every year in projects like the Yamal pipeline from starvation, severe cold, disease and hazardous working conditions. Mr. Makarenko said the nutrition provided for these "hard labor" prisoners is often lower than half the amount received by prisoners in the Nazi death camps of Auschwitz and Buchenwald.

Ms. Le Thi Ahn of the Vietnamese Information Bureau and Mr. Doan Van Toai, author of the "Vietnamese Gulag," told the subcommittee that an estimated 500,000 Vietnamese are being sent from so-called "re-education camps" in Vietnam to do forced labor in the Soviet Union under agreements between the Soviet and Vietnamese regimes. Mr. Toai, a former official of the National Liberation Front, was imprisoned by the North Vietnamese when he refused to go along with their Stalinist policies after the fall of South Vietnam. Following his release from prison, he wrote his book outlining the result of an arrangement of sending forced labor to the Soviet Union in payment for Vietnam's war debt to the Soviets. Ms. Anh presented letters from relatives of Vietnamese now held in Soviet labor camps. She brings with her today an actual letter from one of the internees, which she obtained through Vietnamese sources in a third country. According to Ms. Ahn and Mr. Toai, many of these prisoners are political refugees—the tragic "boat people" of Vietnam who were picked up at sea by Soviet naval and merchant ships and routinely interned in the Soviet Union. We will have more to say on this subject later this morning.

Our last witness, was Mr. Zdislaw Rurarz, the former Polish ambassador to Japan. He is an internationally known economist—holder of a Ph. D. and two post doctoral degrees from the Central School for Planning and Statistics in Warsaw. Prior to assuming his ambassadorial post, he served as economic advisor to the Chief of the Polish Communist Party, as Poland's permanent representative to the general agreement on tariff and trade negotiations, and as the economic attaché to the Polish Embassy here in Washington.

Dr. Rurarz testified as an economist and as a former high Communist official that the Yamal pipeline must—like all major construction projects undertaken in the Soviet Union—necessarily be built with conscript labor. Dr. Rurarz cited economic evidence strongly suggesting that without the additional billions of dollars in hard currency which the Soviets expected to earn from the pipeline deal, the entire Soviet system—including its network of concentration camps—could be paralyzed.

Mr. ARMSTRONG. Mr. President, since the June 18 hearings, a number of significant developments have occured. Just a few hours after the Senate hearing, President Reagan announced imposition of his long-considered sanctions against the pipeline project. In the weeks following that announcement, a number of European leaders criticized the Reagan sanctions and announced their intention to go forward, notwithstanding, and to do so in part with financing of the pipeline at interest rates as low as 7.5 percent.

Following that, the International Sakharov Committee appealed to French and German leaders, according to a UPI wire report, to investigate the use of forced labor on the Yamal pipeline. The committee stated that a number of well-known Soviet dissidents have been arrested and sent to Siberia for forced labor on the pipeline.

I note with consternation the response of members of the European Common Market. It is ironic that the very countries so persecuted and enslaved in World Wars I and II look the other way from similar human rights abuse aspects of an otherwise lucrative business deal. Surely the atrocities of the 1930's and 1940's will not be forgotten in a moment of financial temptation.

It is to this mounting evidence of continuing and widespread disregard for the Helsinki human rights accords by the Soviet authorities that the amendment I have proposed addresses itself. I trust that, finally, overdue attention and support will come also from officials of Western European governments.

I have received, obtained partly through the assistance of the Vietnamese Information Bureau, from sources which I cannot fully disclose, a letter written by a Vietnamese prisoner now working in the Soviet Union. To protect the author of this account of a day in the life of modern Soviet political prisoners from certain reprisal or execution, the name of the individual and the exact location where he is presently working will be withheld.

I should like to have printed in the RECORD at this point a translation of his letter which was prepared by the Library of Congress. It gives what we believe to be an accurate and indeed a highly moving account of the working conditions and the condition of near-slavery in which he and many thousands of others find themselves. I do ask unanimous consent to have printed the text of that letter at this point in the RECORD.

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

. . . It is already two months since I last heard from my family in Vietnam—I do not know what the future has in store for me in this place. . . . Here I speak a "pidgin" Russian, because I learn it in the workplace, moreover, I am being tightly controlled, all around me are the bo dor, the North Vietnamese soldiers. The unit is composed mostly of northerners, there are not much contacts. Everything has to go through the cadres. That's the rule. . . . I am resigned to this fate for a few years (three to five years). . . . The pay is very low, and living conditions in this infamous area are very cruel, very harsh. I can summarize it in one sentence: my life here is several times poorer and harsher than in Vietnam. Add to this, homesickness, cut off from friends. . . . I take it for granted that my

life is finished. . . . The life of exiles like you and me, what does the future have in store for us, and for our country? The more I think about it, the more I see it clouded in uncertainty and difficulties. . . . I sure think about some way to get out of here . . . I have considered a lot of routes, running from one place to another. . . . I feel even more that our life is like that of wandering animals, drifting in sadness, despair and worries. . . . I am extremely disillusioned by the word socialism! . . . Can you spare some money? Can you send me a few clothes? I tell you truly, I have just two sets of clothes and two pairs of shoes and one woolen sweater and one nylon coat and one fur hat. Just that to get me through the winter. . . .

Mr. ARMSTRONG. Mr. President, I would not ask my colleagues to accept, on the basis of a single letter or single news account, the issue of human rights violation, nor would I propose the resolution which I have offered this morning if it were based on just a narrow spectrum of evidence. On the contrary, this issue has been raised over and over again during the past 12 months by publications in Asia, in Europe, and the United States, by Parade magazine and the Sunday supplements, by the London Economist, by the New York Times, the Wall Street Journal, by wire stories published here and overseas, in Asia and in Europe, as well as in this country.

Mr. President, I think for the United States to stand by idly and quietly when a human rights violation of this dimension appears to be occurring would be a great stain upon our honor. It is my hope and belief that the Department of State will respond quickly to the request of the Senate, which is embodied in my proposed amendment, and will give us a report in which the extent of this human rights violation is quantified and documented. It is also my hope that, upon receipt of the report which I expect the Department of State to file, other nations will begin also to reexamine their responsibilities, particularly those who, in one way or another, are cooperating in the construction of this pipeline project.

Mr. President, in the spring of 1944, two prisoners came out of Auschwitz and documented the horror of the experiences that they had in the death camp. The question they put to the conscience of Western nations was this: Where have you been all this time? Where have you been all these years while these camps were constructed, while millions of people were transported across Europe to these camps, while people were being put to death, day after day? Why have you looked the other way? Why have you done nothing about it? Why have you kept this a secret?

Mr. President, I believe we know more today about what is going on in the Soviet Union than was widely known even in the late 1930's and early 1940's about Hitler's activities in Auschwitz and the other camps, his intentions toward the people of Europe, especially Eastern Europe. We must not turn our back on this. The proposal which I have offered to the Senate this morning simply puts us on record that we are concerned about this matter. It does not propose any dispositive action. It says we are conscious of the press accounts, we are conscious of the charges. We hear the cries of those who are imprisoned and we are asking our Department of State to give us a definitive report so we may then consider the appropriate action to take.

Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. QUAYLE. Mr. President, the evidence of massive human rights violations by the Soviet Union in the construction of the Yamal natural gas pipeline is mounting with each new report from sources across the world. An investigation of the callous and inhuman actions of the Soviets is most timely. Thus, I am pleased to be a cosponsor of Senator ARMSTRONG's amendment to H.R. 6956, HUD appropriations for 1983. The Senator from Colorado is to be commended for his efforts to bring this tragic human rights violation to the attention of the Senate. It is a tragedy and a crime of such proportions that it must be brought to the attention of the international community as well.

The evidence which has accumulated is overwhelming. Even though much of it is circumstantial, the volume of the evidence is too massive to be ignored. The use of slave labor by the Soviet Union is appalling in its callous disregard of all standards of humanity and fundamental human rights.

Although estimates on the number of Soviet concentration camp inmates to be used varies from the tens of thousands to the hundreds of thousands, I hope that no one in this country or in the international community will allow a debate on the numbers to distract us from the horrible reality. I hope I never hear anyone talking about "only" 10,000 slaves. The evidence strongly indicates that 100,000 Soviet prisoners and up to 500,000 Vietnamese will be forced to work on the pipeline, along with unknown numbers from other countries.

The free world can not allow its incredulity at the possibility of monstrous crimes against humanity stand in the way of getting all available information before the community of nations. Those who heard the rumors of the death camps in Nazi Germany refused to believe that any nation was capable of such crimes. But we have only to look back to Stalin's concentration camps in Siberia in the 1930's and more recent Soviet actions in Hungary, Poland, and Afghanistan to know the inhumanity of that Communist dictatorship.

Thus, in strongly supporting this amendment, I urge the State Department to be dilegent and vigorous in its investigation of the human rights violations in the construction of the trans-Siberian pipeline.

While the human rights tragedy of the pipeline provides a strong reason for the free world to refuse to cooperate with the Soviet Union in its construction of the pipeline, there are other reasons which go to the fundamental issues of the basis for East-West trade.

During a visit I made in July to five European capitals, it was evident to me that there was great confusion in our own Government about why the President has imposed sanctions against foreign licensees who are manufacturing U.S. equipment to be sold to the Soviet Union for the construction of the pipeline. Since then, the administration has focused on Polish repression as the reason. While every freedom-loving person deplores the situation in Poland, our allies fail to see Poland as the reason for the pipeline sanctions.

Consider their thinking. Our European allies know that the initial decision in December 1981 to impose sanctions on U.S. companies was tied to the imposition of martial law in Poland. Yet they also know that nothing new had happened in Poland to trigger the added sanctions in June. Since they questioned our linking the sanctions to Poland from the beginning, the June decision served only to further erode their confidence in U.S. credibility and consistency.

During my trip I was asked several revealing questions: If Lech Walesa and the other Solidarity leaders were set free and permitted to resume their activities, would the President lift the sanctions and support the Soviets in the pipeline project? If the repression is later imposed, what then? These questions, of course, raise the more basic question of what the administration's policy on East-West trade really is.

I want to again make my position clear. I support the President's decision to impose the sanctions. But I believe the reasoning which has been put forward publicly is faulty and confusing. The case for the embargo should not have been built on the Polish issue. It should have been based on the premise that we are absolutely opposed to subsidized trade with the East.

Prior to and at the Versailles Summit, we tried to get our allies to agree to eliminate subsidized credits in East-West trade. Unfortunately, all we got was fuzzy language about exercis-

ing "commerical prudence" which was quickly repudiated by our French and German allies.

We should all understand the kind of subsidies I am describing—credits which make no sense at all. The typical loans involved in the pipeline deal and guaranteed by Western governments are at 7.8 percent interest. This is substantially below commercial lending rates and the very reasonable 12.5 percent rate proposed by President Reagan at the summit.

Credits at these rates are nothing less than those given in a foreign aid setting to developing Third World countries. And why should we or our allies be subsidizing a faltering Soviet economy so they can divert the resources they would otherwise require for the pipeline into their continuing military buildup.

As an advocate of free trade, I have no objection to "cash-on-the-barrelhead" deals, as is the case with our grain sales. Similarly I have no objection to deals involving unsubsidized credits at prevailing commercial rates. But I strongly object to the highly favorable credits which our European allies seem so willing to provide the Eastern bloc.

Although there has already been some amelioration of the very tough initial response to Dresser France when they shipped embargoed equipment to the Soviet Union, I believe we should insist that our European allies eliminate subsidization of credits on all future sales to the East. I also believe strongly that we must work with all our Western allies to insure strict adherence and enforcement of the CoCom restrictions on exports of high-technology goods to the East. Agreement on these two points would bring the Western alliance very close to a consensus on our trade policy with the East. It could also serve as a much needed salve to angry and bruised feelings across the Atlantic over the pipeline issue.

I encourage President Reagan to use his excellent leadership ability to take us off the collision course we are on with our allies and to set a course of East-West trade policy that will have allied support. I also encourage our State Department to get the facts and make them known to the world about the callous use of slave labor by the Soviets on the pipeline.

Mr. HOLLINGS. Mr. President, it would be easier to let it pass, but common sense and sobriety require my vote against the amendment. The United States is in deep economic trouble at home and has more than it can say grace over abroad. To have now the Secretary of State investigate forced labor in the Soviet union is nonsense.

We do not want to reflect upon and certainly not praise the Soviet system. But anyone, whether or not they have read "The Gulag Archipelago," should long since have known about Soviet concentration camps and labor practices.

If the Congress now wishes to inject itself on the pipeline question, it could do so on the economic question but certainly not on the Soviet system or labor practices. If it is fear of adulterating our technology or financing forced labor, then let us make sure that our food is pure and cut off grain sales—or all trade. That is ridiculous.

I disagree with the President's pipeline decision as being unattainable with our allies. We should leave this mistaken decision alone and allow the President to get out of it quietly.

I disagree with those who agree with the Reagan pipeline decision and now want to bolster it by investigating human rights in Russia. We should get to the pressing business before the Congress and do something about the economy and stop playing games with a Soviet system of which none of us approve.

To be specific, what does the Congress expect of the Secretary of State? I hope after his investigation that he is not stupied enough to come and report that there is no forced labor in Russia. And I hope he is not stupid enough to come and report that there is.

The PRESIDING OFFICER. The Senator from Utah is recognized.

Mr. GARN. Mr. President, the Senator from Colorado is asking for a rollcall vote so the Senate may make a judgment on this matter. I agree with the resolution and shall vote for it since it calls for an investigation and nothing else. Our colleagues should be aware of that. It is not an expenditure of money or setting up a new program. It simply requires the Secretary of State to conduct an investigation into a very critical problem.

Mr. HUDDLESTON. Mr. President, I am certainly against slave labor; I see no reason to oppose the amendment by the Senator from Colorado. For the reasons indicated by the Senator from Utah, we will also accept it.

The PRESIDING OFFICER. Has all time been yielded back?

Mr. ARMSTRONG. Mr. President, I yield back my time.

Mr. GARN. We yield back our time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Missouri (Mr. DANFORTH), the Senator from California (Mr. HAYAKAWA), the Senator from Maryland (Mr. MATHIAS), the Senator from South Dakota (Mr. PRESSLER), the Senator from Delaware (Mr. ROTH), the Senator from Wyoming (Mr. SIMPSON), the Senator from Idaho (Mr. SYMMS), and the Senator from Wyoming (Mr. WALLOP) are necessarily absent.

I further announce that, if present and voting, the the Senator from Idaho (Mr. SYMMS), and the Senator from Wyoming (Mr. SIMPSON) would each vote "yea".

Mr. CRANSTON, I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DECONCINI), the Senator from Illinois (Mr. DIXON), the Senator from Connecticut (Mr. DODD), the Senator from Nebraska (Mr. EXON), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Hawaii (Mr. MATSUNAGA), the Senator from Montana (Mr. MELCHER), the Senator from Tennessee (Mr. SASSER), and the Senator from Mississippi (Mr. STENNIS) are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON), and the Senator from Illinois (Mr. DIXON) would each vote "yea."

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

The result was announced—yeas 80, nays 1, as follows:

[Rollcall Vote No. 355 Leg.]

YEAS—80

Abdnor	Ford	McClure
Andrews	Garn	Metzenbaum
Armstrong	Glenn	Mitchell
Baker	Goldwater	Moynihan
Baucus	Gorton	Murkowski
Biden	Grassley	Nickles
Boren	Hart	Nunn
Boschwitz	Hatch	Packwood
Bradley	Hatfield	Pell
Brady	Hawkins	Percy
Bumpers	Heflin	Proxmire
Burdick	Heinz	Pryor
Byrd, Harry F., Jr.	Helms	Quayle
	Huddleston	Randolph
Byrd, Robert C.	Humphrey	Riegle
Chafee	Inouye	Rudman
Chiles	Jackson	Sarbanes
Cochran	Jepsen	Schmitt
Cohen	Johnston	Specter
Cranston	Kassebaum	Stafford
D'Amato	Kasten	Stevens
Denton	Laxalt	Thurmond
Dole	Leahy	Tower
Domenici	Levin	Tsongas
Durenberger	Long	Warner
Eagleton	Lugar	Weicker
East	Mattingly	Zorinsky

NAYS—1

Hollings

NOT VOTING—19

Bentsen	Hayakawa	Sasser
Cannon	Kennedy	Simpson
Danforth	Mathias	Stennis
DeConcini	Matsunaga	Symms
Dixon	Melcher	Wallop
Dodd	Pressler	
Exon	Roth	

So the amendment (UP No. 1283) was agreed to.

Mr. ARMSTRONG. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. GARN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ARMSTRONG. Mr. President, I ask unanimous consent that the following Senators be added as cosponsors of the amendment just adopted: Senators SYMMS, SPECTER, HAWKINS, QUAYLE, GARN, JEPSEN, GRASSLEY, WARNER, RUDMAN, and ABDNOR.

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

COMMITTEE AMENDMENT NO. 57

The PRESIDING OFFICER. The question recurs on committee amendment No. 57.

Mr. BOSCHWITZ. Mr. President, I rise to state my opposition to this amendment on the Veterans' Administration appropriations, in view of the fact that funding for the veterans hospital in Minnestoa has been eliminated from it.

I have been a strong supporter of constructing a replacement veterans hospital in Minneapolis since coming to the Senate in 1978. I have heard the Veterans' Administration call the Minneapolis replacement hospital their No. 1 priority, only to have the new Veterans Administrator Robert Nimmo question the need for a new facility.

I have observed Mr. Nimmo reverse his position after a study was done showing quite clearly the Minneapolis hospital does have to be replaced.

Mr. President, veterans in my State have waited patiently for many years. Veterans in Iowa and Wisconsin wait with them. Meanwhile, the current facility becomes more and more obsolete. Constructed in 1928, the hospital is older than most of the patients it serves. It is antiquated to the degree that it does not even comply with local fire and safety codes. Forty or more patients share a bathroom on some floors; standard hospital beds must be dismantled to fit through doorways. It remains in operation only because the replacement facility is being planned. It is a hospital that should be replaced.

Mr. President, we are all aware of how the veterans medical system works. We know patients are admitted to veterans hospitals in order of priority on a space-available basis: First, service-connected veterans; second, vets over age 65; third, former POW's; fourth, nonservice connected veterans. The Minneapolis hospital now has 55 percent of its patients over the age of 65, and with the World War II veterans aging, the over 65 population will jump 40 percent in the next decade. These veterans will need quality care and the older veterans will need quality nursing home care. The new hospital includes 120 nursing home beds, the current facility has none. We must also understand that the availability of beds in local hospitals is irrelevant, because veterans can only use their health care benefits at veterans hospitals. Unfortunately, most people do not understand this. They argue against new VA hospitals where local beds go unused. However, the veterans medical care system is separate and will remain that way. Therefore, it is essential that the new Minneapolis hospital be constructed soon.

In 1979 the new Minneapolis hospital headed the VA replacement list. In 1982 it still heads the list. The Minnesota delegation, with perhaps one exception, has fought hard for this hospital. It is important to our veterans and important to our medical community. When teamed up with the University of Minnesota hospitals and the Mayo Clinic, these three medical centers have set high patient care and research standards. A new facility could only improve these standards.

Mr. President, I thought Minnesota had the funding in 1981, but Mr. Nimmo decided to begin a revalidation process. Now in 1982 Albuquerque, N. Mex. has jumped ahead of Minneapolis and will receive 1983 construction funding.

Frankly, Mr. President, the veterans of Minnesota are worried. They are worried because they know how hard Senator DURENBERGER and I have fought for the hospital, and they know how hard most of the Congressman have fought. They are beginning to wonder if this hospital will ever be built. They read the newspapers, listen to local officials who tell them if they do not get the hospital in 1983, they probably never will. If I were a Minnesota veteran, I think I would wonder too.

The Senate has an opportunity today to calm these veterans' fears. I support the new hospital. Senator DURENBERGER supports the new hospital. We want the project funded as early as possible—but we also want assurance. I respect the views of my friends and colleagues Senators GARN and SIMPSON, who believe we should not fund this project until 1984. But they have not waited as long or worked as hard as I, and I must confess I have become impatient.

I think Minnesota veterans want, as I do, to know when this project will be funded and when construction can begin.

Mr. President, if I can have this question answered I may be persuaded to remove my objections to the committee's amendments.

Thank you, Mr. President.

The PRESIDING OFFICER (Mr. RUDMAN). The Senator from Utah is recognized.

Mr. GARN. Mr. President, I report to the distinguished Senator from Minnesota that the House of Representatives transferred $260 million to fund this hospital from the VA compensation and pension account. It has not been authorized on the Senate side.

I do believe that it is improper to fund this hospital out of the compensation and pension account.

It has been reported to me that the hospital will be included in the 1984 budget and it is a priority that could be funded at that time.

I am sympathetic with the problems of the Senator, but the procedure that has been used in the House of Representatives is unacceptable to me, and I report to him that I shall make every effort to see that the hospital is included in next year's budget.

Mr. BOSCHWITZ. Mr. President, if the Senator will yield, I thank the Senator from Utah for his statement and indeed I accept that.

I understand that the transfer of funds in the House of Representatives was enabled, by transferring it from another account, from the veterans' compensation account. Am I correct in that?

Mr. GARN. Yes, the funds were transferred from the compensation and pension account.

Mr. BOSCHWITZ. I see the veterans, disability account as well as compensation account?

Mr. GARN. Yes.

Mr. BOSCHWITZ. I agree with the Senator that this transfer of funds is inadvisable and is fooling the veteran.

This came somewhat as a surprise, to be quite honest, because the Congressman who achieved the funding shift had been a longtime opponent of the hospital and suddenly, through switching moneys in accounts, he accommodated the building of the hospital.

I understand that it is a top priority of the Veterans' Administration. Is that also the Senator's understanding?

Mr. GARN. It is a No. 1 priority.

Mr. BOSCHWITZ. It is their No. 1 priority, and my understanding is that we will be getting that hospital underway in October 1983 and that the funding will be in order in a timely manner at that time.

Mr. GARN. That is correct.

Mr. BOSCHWITZ. I suppose that in the event we switched a quarter of a billion dollars from veterans compensation to construction we would then be looking a supplemental funding bill in the face somewhat later in the year, would we not?

Mr. GARN. That is absolutely correct. We would have to find the money someplace else in order to make up the reduction in the compensation-pension fund.

Mr. BOSCHWITZ. And we could very likely jeopardize the pension and compensation of veterans disabled and retired. Is that correct?

Mr. GARN. The Senator is correct, unless we are able to get a supplemental to replace those funds.

Mr. BOSCHWITZ. I think that rather than jeopardize the pensions

and also the disabled veterans. I withdraw my opposition to committee amendment No. 57. And look forward to working with the Senator, and the Veterans' Administration in obtaining funding for this hospital so it can go forward in October 1983.

I thank the Senator.

Mr. GARN. I thank the distinguished Senator from Minnesota for his cooperation.

Mr. DURENBERGER. Mr. President since June of 1980, the Minneapolis Replacement Hospital has headed the list of VA construction projects. A year ago, this committee granted my request for $15 million in appropriations for site preparation, demolition, architectural drawings, and other initial work. While there has been some occasional disagreement over the optimal number of beds for the facility, every study taken has reaffirmed the pressing need to replace the current hospital facility. And when the VA resubmitted its construction priority list this summer, the Minneapolis VA Hospital again headed the list.

In 1980, Congress was initially informed that the Minnesota Replacement Hospital would be ready for construction early in 1983. But the VA has fallen behind in its schedule and we have now been informed that the timetable target date for ground breaking is October 1983, 1 month into the start of the 1984 fiscal year. I spoke personally this week with both John Merck at OMB and John Salmond, head of construction at the Veterans' Administration. Salmond, who controls the assessment of the construction priorities, reaffirmed his commitment to the new hospital, and confirmed the October 1983 date as the earliest possible date for commencing construction.

The dollars we have to spend on this year's budget are scarce, and there are veterans in immediate need of Federal assistance for health care, education, and pension funding. It is not my intention this afternoon to ask the committee to take funds away from these immediate needs simply to have those funds sit in a treasury account for the next 13 months, waiting for construction to begin. Nor will I ask the committee to take funding out of veteran's pensions to place it into the construction account, as they did in the House. Veterans need funding for their pensions and their hospitals. And I think we have an obligation to insure both.

My main concern, Mr. Chairman, is insuring that the funding to building this hospital will be there when the ground breaking date arises next October. I want to make certain that the Senate is committed to that project as we are in Minnesota.

Senator BOSCHWITZ and I are grateful to both Senator SIMPSON and Senator GARN for taking time from debate on this bill to engage in this discussion. I do have a few questions and I would appreciate your reply to them.

I also have several questions I should like to direct to the distinguished Senator from Utah, Senator GARN.

This summer VA submitted to Congress a 1983–87 plan for construction with the Minneapolis Replacement Hospital heading the list. Does the Senator disagree with this listing as it regards the Minnesota hospital?

Mr. GARN. It is true that in the preliminary list submitted to Congress this summer the Minneapolis replacement hospital does top the list. Since this hospital has been on the top of the list on several occasions I have no reason to disagree with the listing.

Mr. DURENBERGER. I understand both of you have established a more precise criteria for consideration of construction needs. It is my understanding you have already set the Minnesota hospital against your criteria, and the hospital passes your assessment. Is this correct?

Mr. GARN. The criteria that the VA uses has gone through several revisions over the last few Congresses. I am confident that the VA has thoroughly discussed different criteria and as this time believes the present system to be workable. As chairman of the subcommittee working with the VA, I find the justifications to be very helpful and useful in the committee's legislative responsibilities.

Mr. DURENBERGER. Given the VA criteria and the preliminary priority listing, Senator GARN, what do you believe the status of our VA hospital will be in the 1984 budget?

Mr. GARN. The Minneapolis replacement hospital is the largest planned VA hospital in the Nation. Both Senator SIMPSON and myself as well as our predecessors, Senator CRANSTON and Senator PROXMIRE have spent many hours listening to the VA propose and justify each construction option. We are familiar with this project. Historically, construction recommendations have been accepted by the committees and I pride myself on the close and cooperative working relationship my committee has with Mr. Nimmo, Mr. Salmond, Mr. Custis, etc. If history be our guide, the Minneapolis replacement hospital will receive a favorable review and at this time I would predict it to be in the 1984 budget.

Mr. DURENBERGER. The House bill attempted to put funding into the discretionary construction budget by taking dollars away from the account which funds veterans pensions compensation. I do not think this is a sound policy, and it would be my hope that the committee would recognize both construction and pension priorities by considering this as a request for construction funding, and not a request to transfer funds from one category to another. I would appreciate Senator GARN's comments on his view of that procedure.

Mr. GARN. Thank you Senator DURENBERGER for asking that question. I find it most disturbing when politicians maneuver money from one category of money to another in order to please constituents at home, when that transfer could threaten another program's solvency. The House agreed to a transfer of funds which takes money from the veterans programs that send monthly checks to veterans and their families. To deplete an entitlement fund, pensions and compensation, by $260 million is unforgivable. Putting the VA hospital in the budget might bring a lot of votes from home but if the veteran knew he could have a new hospital but now there was no money to pay his pension or his disability or the widow's pension, I think the veteran would say, "Keep your hospital." Especially in this case when the hospital will not be ready for ground breaking until October 1983. It is not right to play with veterans security like that and I can guarantee that my committee will not allow such maneuverings to become law.

(By request of Mr. GARN, the following statement was ordered to be printed in the RECORD.)

● Mr. DURENBERGER. In the 5-year medical facility construction plan for fiscal year 1983 through 1987 submitted to the Congress by the VA in June of this year, the Minneapolis replacement hospital again heads the list of medical centers currently judged most in need of construction, replacement, or major modernization. Is there any disagreement with this listing of the Minnesota hospital?

Mr. SIMPSON. Mr. President, as chairman of the Senate Veterans' Affairs Committee, I am aware of none. The VA first made the decision to replace this hospital in 1979, and in April of 1980, the staff of the Veterans' Affairs Committee conducted an intensive review of the proposed Minneapolis project. In each of the last three 5-year plans submitted by the VA—in June of 1980, June of 1981, and June of 1982—the Minneapolis project has been ranked No. 1 in the VA's priority listing of the 10 medical centers judged most in need of construction, replacement, or major modernization. I am aware of no basis for disputing this assessment of the need for the Minneapolis replacement hospital, and certainly I personally have no disagreement with it. The current 20-building complex at the Minneapolis Center was activated in 1927, and serious deficiencies have been pinpointed—both in terms of space and in terms of functional layout—in the ambulatory care and outpatient clinics, most nursing bed wards, surgical

suites, the supply processing and distribution area, and the dental, canteen, laboratory, pharmacist, and dietetics areas.

Mr. DURENBERGER. It is my understanding that Administrator Nimmo has undertaken this year a comprehensive review of the VA major construction program, that the Minneapolis project was subject to this revalidation process, and that the Minneapolis project has now been determined to be in compliance with the revalidation criteria established by the Administrator. Is this correct?

Mr. SIMPSON. The Senator is correct. The Administrator announced his program review plan on February 19, 1982, with respect to all VA construction projects estimated to cost $2 million or more scheduled for fiscal year 1984 and beyond. The Administrator's declared purpose was to develop a series of objective criteria to apply to all such projects, in order to insure that each project would be fully responsive to veteran health-care needs, appropriately sized, scoped and located, and based on valid workload data and accurate space and functional criteria—to make sure, in other words, that the dollars spent on VA construction would be spent wisely and on the best projects possible. Let me add, Mr. President, that I strongly support the Administrator in his efforts to reexamine and improve the VA major construction program.

The revalidation process has now been completed with respect to the Minneapolis hospital, and the Administrator has stated, in a letter of July 22, 1982, to the distinguished ranking minority member of the Veterans' Affairs Committee, Senator CRANSTON, that—

The unanimous conclusion resulting from the revalidation process was that the Minneapolis replacement project should proceed as currently planned.

The Administrator also stated that although he cannot be certain that the Minneapolis project will be included in the VA's fiscal year 1984 budget request, he anticipated that, to the extent that funds will be available for major hospital replacement, the Minneapolis project will be "a strong candidate for funding in fiscal year 1984."

Mr. DURENBERGER. I thank the Senator for that information. I have just one final question for the good Senator from Wyoming. It is my understanding that the Senate Veterans' Affairs Committee has not approved construction of the Minneapolis replacement hospital, and that such approval is required under section 5004(a) of title 38 of the United States Code, before the construction money can be appropriated. As you prepare the 98th Congress committee agenda, are you scheduling a committee markup session to consider VA construction proposals, and would this include the Minneapolis replacement hospital?

Mr. SIMPSON. The committee has not yet scheduled such a markup, but I can state with certainty that one will indeed be scheduled, although the exact date will not be determined until after we have received the VA's construction proposals for fiscal year 1984. At that markup, the committee will most certainly undertake consideraton of the Minneapolis project if, as now appears likely, the project is ready for the construction phase and is included in the VA's request. As both of the good Senators from Minnesota are aware, of course, Congress has already set aside $15 million for the Minneapolis project, to be used for purposes of design, demolition of existing buildings, and other site preparation work. This action was taken pursuant to the Veterans' Affairs Committee's approval of that $15 million for fiscal year 1981. But it is important to point out that the reason that the construction phase of the Minneapolis project has been postponed from fiscal year 1983 to fiscal year 1984 is that the design and site preparation phase is not yet completed. The site preparation work is just now getting under-way, with the recent award of a 2.8 million contract for the demolition of four existing buildings and the construction of a temporary clinic building. This award, covering only phases I and II of the project, was announced by the VA on August 18, 1982.

Thus, although the Minneapolis replacement project is, according to the VA, on schedule and eligible for construction funding consideration for fiscal year 1984, it now appears that even if we were to appropriate the construction money today for fiscal year 1983, the VA would not be prepared to actually spend that money until, at the earliest, the start of fiscal year 1984.

I do want to assure my fine colleagues from Minnesota that, in light of the Veterans' Affairs Committee's existing commitment to this project, through its prior approval of the sum of $15 million for preliminary work, I would regard it as highly unlikely that a VA request for fiscal year 1984 construction funding for this very important and well justified hospital would be met with any disapproval by the committee. I do very much appreciate the Senators' strong concern about this No. 1 priority VA construction project, and their concern for the very compelling health-care needs of the hundreds of thousands of veterans in Minnesota and the surrounding States served by the Minneapolis VA Medical Center.

Mr. DURENBERGER. I thank the very distinguished chairman of the Veterans' Affairs Committee for those assurances. I am indeed gratified to hear that the interests of the veterans of Minnesota are so well understood and represented by him, and that there are now no significant obstacles to the construction of the new Minneapolis hospital.●

Mr. GARN. I now move that the committee amendments previously deleted be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the two excepted committee amendments.

The excepted committee amendments were agreed to as follows:

On page 36, line 4, strike "$687,142,000", and insert "$409,392,000";

On page 36, line 5, strike "including", through and including "pensions" on line 6.

UP AMENDMENT NO. 1284

Mr. LEAHY. Mr. President, I ask the distinguished Senator from Utah whether this would be an appropriate time for me to send a noncontroversial, little old technical amendment to the desk.

Mr. GARN. Yes.

Mr. LEAHY. I send a little old technical amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report the amendment.

The legislative clerk read as follows:

The Senator from Vermont (Mr. LEAHY) proposes an unprinted amendment numbered 1284.

Mr. LEAHY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 17, delete all after the word "amended" through the end of line 4 and page 18 and insert the following in lieu thereof: "(42 U.S.C. 6913): *Provided further,* That the funds provided in this Act shall be used to maintain a permanent, full-time equivalent utilization rate of at least 9,050, including positions funded under the Hazardous Substance Response Trust Fund. *Provided further,* That the Agency shall not institute a reduction in force or any other measure which results in a permanent, full-time equivalent workyear utilization rate of lower than 9,050."

Mr. LEAHY. Mr. President, I can explain very quickly. It is a technical amendment. I believe it was cleared by the chairman and the ranking member. It simply insures that there are no RIF's at EPA next year. I think it is important not only for our environmental laws, the enforcement of our environmental laws, but I am sure it is important for the sake of morale down there.

I am ready to yield back all my time on the amendment and I ask for its passage, if that is all right with the chairman.

Mr. GARN. Mr. President, the funds provided in this act shall be used to maintain a permanent, full-time equivalent utilization rate of at least 9,050,

including positions funded under the hazardous substance response trust fund. The bill also provides that the agency shall not institute a reduction in force or any other measure which results in a permanent, full-time equivalent work-year utilization rate which is lower than 9,050. I am prepared to accept this amendment.

Mr. LEAHY. I move the adoption of the amendment and I yield back all my time.

The PRESIDING OFFICER (Mr. BOSCHWITZ). The question is on agreeing to the amendment of the Senator from Vermont.

The amendment (UP No. 1284) was agreed to.

Mr. LEAHY. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. GARN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1285

(Purpose: To delete language overriding the provisions of the Small Business Innovation Development Act (P.L. 97-219) as they pertain to NASA)

Mr. RUDMAN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New Hampshire (Mr. RUDMAN) proposes an unprinted amendment numbered 1285.

Mr. RUDMAN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 26, line 3, strike all beginning with the "," through the number "97-219" on line 5.

Mr. RUDMAN. Mr. President, this is a very simple amendment, and I greatly appreciate the cooperation of the Senator from Utah and his staff.

Earlier this year, the Congress passed S. 881, the Small Business Innovation Development Act, which mandated a certain percentage of research dollars to be allocated under that program.

This amendment would remove a specific reference to a reduction in that amount in the NASA budget.

Although we will certainly agree and will introduce a colloquy in which I agree with the Senator from Utah that there could be some problems in the NASA budget in meeting the phasedin targets, certainly we have no intention of doing anything that would affect their program. They may take an additional year for the full phasein, and I believe this amendment is satisfactory to the Senator from Utah.

Mr. GARN. Mr. President, I have conferred with the Senator from New Hampshire on this and he is correct. We have been able to work out this matter, and I am willing to accept on behalf of the majority the amendment.

Mr. RUDMAN. In studying the bill and the accompanying report, I see that the committee paid special attention to the application of Public Law 97-219, the Small Business Innovation Development Act, to the NASA program. I am pleased to see that the committee gave this program consideration and realize that NASA has voiced reservations concerning the possible effect of the program on its present R&D activities. However, as the original sponsor of the Small Business Innovation Development Act in the Senate, I believe that the concerns that are motivating the committee can be met without the necessity of providing a specific limitation to the Appropriations Act and propose an amendment to that effect.

Mr. GARN. I appreciate the advice of the Senator from New Hampshire, who is an authority on this new small business act and on the needs of the small business community. Our concern is that NASA is in a somewhat unique position because much of the NASA appropriation is committed to programs begun in earlier years, including the Space Shuttle, which is operated as a national system for various users. The committee feared that a redirection of funds from these continuous programs without a sufficient transition period might have a deleterious affect on NASA's overall R&D mission. It is for this reason that the limitation was originally placed in the bill. NASA has been a continual and enthusiastic supporter of small business research firms its inception and simply wanted to be sure that this new act did not disrupt either these ongoing programs and activities or its commitment to small business.

Mr. RUDMAN. I know of NASA's support for the small business community and appreciate it. You may be interested to know that many predict that NASA's commitment to excellence and proven track record in the R&D field will insure a model small business innovation development program. During our consideration of the bill, we attempted to provide a reasonable transition period for all agencies, 4 years in NASA's case. This period, admittedly a generalization to apply to all agencies, with the exception of DOD, which was provided with a 5-year period, was Congress attempt to deal with the problem the committee has raised. I believe that the general provision should be given a chance to prove itself on an agencywide basis. However, to the extent that NASA has a problem unique unto itself for this upcoming fiscal year, I stand ready to work with the Senator from Utah and NASA to insure that there is no deleterious affect on the Agency's R&D activities caused by this first year of implementation of Public Law 97-219.

Mr. GARN. I thank the gentleman. With that understanding, the concern of the Appropriations Committee is satisfied. Although the exact amount to be applied to Public Law 97-219 in fiscal year 1983 will depend on final appropriation figures, the explanation provided by the sponsor of Public Law 97-219 renders the committee amendment unnecessary, and I gladly accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New Hampshire.

The amendment (UP No. 1285) was agreed to.

Mr. GARN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. RUDMAN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1286

Mr. MOYNIHAN. Mr. President, I send to the desk an unprinted amendment on behalf of myself, and Senators HART, DODD, RIEGLE, BRADLEY, and DURENBERGER, and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from New York (Mr. MOYNIHAN) for himself and others proposes an unprinted amendment numbered 1286.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 18, line 7, strike out "$115,000,000" and insert in lieu thereof "$154,300,000".

On page 19, line 12, strike out "$200,000,000" and insert in lieu thereof "$230,000,000".

Mr. MOYNIHAN. Mr. President, I rise today to offer an amendment, along with my distinguished colleagues from Colorado (Mr. HART), Michigan (Mr. RIEGLE), New Jersey (Mr. BRADLEY), Minnesota (Mr. DURENBERGER), and Connecticut (Mr. DODD), to restore $39.3 million to the U.S. Environmental Protection Agency's research and development program and $30 million to the Superfund program for fiscal year 1983. I would simply say that the need to restore these funds is clear and the request a modest one. To be convinced of the latter, our amendment needs only to be viewed in the context of a total appropriations bill that is some $8.9 billion below its Budget Committee allowance. As to

the former point, let me review the facts.

Since fiscal year 1981 the U.S. EPA's research and development (R&D) program funds for research contracts, grants, and cooperative agreements have been cut by 50 percent. The bill (H.R. 6956) before the Senate today would provide only $115 million for the R&D program for fiscal year 1983. Our amendment would instead continue funding the R&D program at the fiscal year 1982 level of $154.3 million. Funding was $254 million in fiscal year 1981.

I have said this before but let me restate the proposition again. If it is your purpose not to address problems through government, you will put an end to attempts to measure them.

In a July 1982 memo, the Congressional Budget Office reviewed the effects of budget reductions on EPA's research and development program. The conclusion, "* * * research on environmental measurement projects in many areas will be dropped." This point can be illustrated by reviewing some specific examples, as cited by CBO, of items not found in the administration's budget request for the EPA R&D program for fiscal year 1983:

Work in environmental indicators, a program designed to develop inexpensive methods for monitoring long-term trends in environmental quality.

The National Air Pollutant Background Network, a program that models regional air pollutant transport.

Research on the long-term chronic toxicity of industrial effluents.

The consequences of such budget reductions were made clear in a recent report prepared by one of the country's oldest and most respected environmental conservation groups, the Conservation Foundation. In its "State of the Environment 1982," the Foundation concluded:

Because of the budget cuts, the information base for environmental policy, always weak, is likely to be even weaker in the future. We will be less able to sort out important problems from unimportant ones, less able to tell which environmental programs are working effectively and which are not. Perhaps most important, the perennial dilemma of whether available information is sufficient to justify action will become more pervasive and difficult.

Both the House and the Senate have already passed EPA research and development authorization bills (S. 2577 and H.R. 6323) that provide for fiscal year 1983 funding to be maintained at or above the fiscal year 1982 level for research contracts, grants, and cooperative agreements.

The Senate Committee on Environment and Public Works and the House Committee on Science and Technology have made detailed recommendations on the need for continued and expanded research in a number of priority areas. These priorities include accelerating risk assessment research on hazardous air pollutants, studies on the health effects of toxic pollutants, research on the effects of contaminants on underground drinking water supplies, environmental monitoring to gather the data necessary to support future standard setting, and ecological research on the effects of pollution on crops. The funds restored in our amendment would enable these and other priority research programs identified by the authorizing committees to continue.

Our amendment also provides for the President's fiscal year 1983 funding request of $230 million for the Superfund program. This is $20 million below the level recommended by the Senate Environmental and Public Works Committee, but $30 million above what is in the Senate Appropriations Committee bill.

The Superfund law (Comprehensive Environmental Response, Compensation, and Liability Act of 1980) created a $1.6 billion Federal trust fund to finance the cleanup of abandoned or uncontrolled hazardous waste sites and to respond to spills of hazardous substances. There are an estimated 10,000 abandoned or inactive hazardous waste dumpsites across the country.

The Superfund law provides that where responsible parties cannot be identified or where a response cannot await years of litigation, Federal assistance for an immediate cleanup of a hazardous waste site or spill can be made without delay. EPA currently has an interim priority list of 160 sites that are eligible for Superfund assistance and an additional list of 400 priority sites is being prepared. Furthermore, EPA estimates that up to 2,000 sites "could pose a major threat to the public health or environment and therefore require some cleanup and enforcement action."

The major source of funding (seven-eighths of the total) for the Superfund trust fund come from a dedicated tax on various chemicals and petroleum. The revenues collected from the tax, which began on April 1, 1981, are held in the trust fund until such time as they are used for cleanup activities or other eligible Superfund expenditures.

During fiscal year 1983 there will be $582 million available in the Superfund trust fund to be appropriated. If not appropriated the money remains in the trust fund. It will not be available to fund other programs.

Under the circumstances it is unjustified to limit Superfund budget authority to $200 million. There are many sites in need of attention and there are adequate revenues available in the trust fund. It would be most unwise and unfair to lower expenditures for Superfund cleanup activities simply to offset deficits elsewhere in the budget.

The priority that we assigned to cleaning up this Nation's hazardous waste sites when the Superfund law was enacted must not be forgotten. We have an obligation to those whose health and safety are threatened by the existence of abandoned or uncontrolled hazardous waste sites.

In conclusion, Mr. President, I would urge my colleagues to consider the case carefully. This amendment is most reasonable. It should not be beyond our means to absorb a $69.3 million increase in a bill that is $8.9 billion below its budget allowance, especially when such an increase is central to protecting human health and the environment.

My distinguished and senior colleague on the committee has risen, and I yield the floor to him.

First, Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. HART. Mr. President, I thank the Senator from New York, and I am pleased to join with him in this amendment which, I think, we both agree and hope our colleagues agree is an extremely important proposal.

One of the most serious environmental problems we face in the 1980's is contamination of our land and water by hazardous wastes.

There are many of us who believe this will be the environmental issue of the next decade.

A few years ago we finally established a national program to begin cleaning up the hundreds, if not thousands, of potential Love Canal-type disasters in this country, but unless we fund that program at something near an adequate level we will not be able to get underway the process of eliminating these real dangers to our society.

The environmental importance of the so-called Superfund program is obvious. EPA's environmental research programs might not be so obviously important, but they, too, are vital.

This administration is fond of saying that we have to base environmental regulations on what it terms as "good science." Whether we have that sound scientific base for regulatory decisions depends on EPA's research programs. There is a curious ambivalence, it seems to me, because while EPA is wanting more information, more data, more scientific research, at the same time it is reguesting cuts in the budget for this purpose.

Even with the amendment we are proposing, EPA's research budget still will be inadequate. Our modest proposed increase would simply restore the funding level to the current amount, $154.3 million. But this is $100 million below the fiscal 1981

level. In other words, even with this amendment, EPA's research program would be 40-percent less than 2 years ago, hardly marching into the future in any kind of aggressive way to address one of the most important issues of this decade.

If allowance is made for inflation, the cut is even greater, more than 50 percent. So, Mr. President, this amendment is modest, but it is important to keep the EPA research at the current level.

Let us consider the enormously important decisions which depend upon this research. First, there is the hazardous air pollutants problem.

In the 12 years since the enactment of the Clean Air Act, EPA has only determined to regulate seven hazardous air pollutants. For almost a full decade EPA has had under scientific review an additional 37 pollutants, but has not been able to determine whether or not they should be regulated as hazardous pollutants.

While we await the results of EPA's research, cancer rates continue to increase, and experts tell us environmental pollution is a major cause. In fact, an interagency. toxicology program has identified as carcinogenic many of the pollutants EPA is reviewing.

I am sure the chairman of the subcommittee will point out that the committee bill increases the research on hazardous pollutants above the amount requested by the administration. But the review of the EPA budget request by the Committee on Environment and Public Works showed the administration proposed to decrease research on hazardous air pollutants by 67 percent between 1982 and 1983. The committee's increase therefore restores some, but not all, of the administration's cuts.

NATIONAL AIR QUALITY STANDARDS

EPA already is 2 years behind the statutory deadline for reviewing and revising the national ambient air quality standards. Only one of the six standards—the ozone standard—has been revised.

Especially important is completion of the research program on the particulate standard, so it can be revised to regulate only the inhalable particles which cause health problems, and not the natural dust particles regulated under the current standard.

TOXIC POLLUTANT SCREENING

EPA is required to do hazard assessments of new chemicals before they are marketed. Without an adequate research program this fundamental requirement of the Toxic Substances Control Act will be meaningless.

SAFE DRINKING WATER

EPA needs to conduct much more research on pollutants which contaminate drinking water to determine whether, and how, to set standards under the Safe Drinking Water Act.

INDOOR AIR POLLUTION

Congress this year is directing EPA to undertake a new research program on indoor air pollution. The health effects of pollution within our homes and offices may be even greater than the health effects of the pollutants regulated under the Clean Air Act. After all, we spend 70 percent of our time indoors, and early studies show that indoor pollution levels are often as high or higher than outdoor pollution levels.

Mr. President, the list could go on. But the basic point is simple—if we are going to have sound environmental regulatory programs to protect our health and our environment, we first must have sound scientific research and knowledge. If we continue to cut the EPA research budget, as the committee bill would do, we will never get that scientific information.

Mr. President, I urge my colleagues to join the Senator from New York and the Senator from Colorado and others to support this modest increase in the EPA research budget.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I would like to wholly endorse the remarks of my distinguished and learned friend and say one thing. Mr. President, where toxic and hazardous wastes are concerned, what you do not know can kill you. And that is what this amendment is about.

Mr. GARN addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah.

Mr. GARN. Mr. President, the bill as reported by the committee, provides $3.699 billion for EPA in fiscal year 1983. This is $64.2 million above the fiscal year 1983 request, and only $2.9 million below the fiscal year 1982 level. I point that out. Although the overall budget we present today for HUD—Independent Agencies is below the budget resolution, we funded EPA $64 million over the budget request.

The Senate added the following to the EPA fiscal year 1983 budget request: $30 million for construction grants; $20 million for Superfund State activities; $10.5 million for salaries and expenses for an additional 300 people; $3.5 million for the Great Lakes program; $6.3 million for EPA R&D; $3 million for the clean lakes program; $5.5 million for training grants and programs; $43.9 million for the State grants program; and $7 million for Superfund health studies.

Even at the request level, EPA testified on April 20 that 44 percent of their 323 program elements, or 142 programs, are above the fiscal year 1982 level.

All of the increases we have recommended in this bill have been offset with decreases elssewhere in the bill. For example, the proposed $191 million increase in NASA has been offset by a $195 million decrease in FEMA.

What has happened during the last 2 years since I have been chairman of this subcommittee is that most of the cuts have come out of housing. Every time we add something else to some other part of the bill, including EPA, it comes out of housing. It is a simple arithmetic fact of life.

If we accept this amendment as a result of our 302(b) allocation, this increase has to come from someplace else in the bill. In this case, it is housing. So a simple fact of life is a vote for this particular amendment is a vote to cut additional money out of housing.

The proposed amendment would result in EPA being $133.5 million over the budget request and $44.3 million over the assumptions of the budget resolution.

I would point out that those who think the only research and development that is done on the environment is done in EPA make a mistake because EPA does not do most of the basic research in this particular area.

In fiscal year 1982, the Federal Government spent $615 million for basic research in environmental sciences. Of this amount, the National Science Foundation, which is in this same bill, was responsible for $242 million and EPA spent only $2 million. Thus, these figures indicate that it is not EPA only that is looking at the problems of hazardous wastes in the environment. Almost all of the EPA R&D is applied rather than aimed at providing us with a fundamental understanding of the environmental process.

Looking at the comparison of R&D in fiscal years 1982 and 1983 HUD bills, the National Science Foundation's $996 million level increased to $1.056 billion. NASA's R&D is up considerably. EPA's is down. But the overall increase is over $800 million, or a 13.5-percent increase in R&D in this bill.

My colleagues are correct. EPA's budget was cut from last year in the area of R&D. But I did want to point out the National Science Foundation does most of the basic research on the environment.

I do intend to oppose this amendment and I intend to move to table. However, I would not do that if my colleagues wished to make any other comments.

Mr. LEAHY. Mr. President, the adequacy of funds for the Environmental Protection Agency have been a major concern of mine this year. As I made clear in my amendment to the first budget resolution, I believe EPA should be funded well above the 1982 level.

Unfortunately, faced with a Presidential veto, the committee reported a

bill below the 1982 levels for operating programs. I make this point because on several occasions during the last year Ms. Gorsuch has claimed that Congress had endorsed her cuts because we passed 1982 HUD appropriations bills including many of her cuts. I want her to understand that our passage of this bill does not endorse these levels of funding. It does not mean we think the funds in this bill are adequate to do the job. It only means that faced with a Presidential veto, we cannot fund the agency at a level we believe necessary and still get the bill signed by the President.

Mr. BRADLEY. Mr. President, I rise in support of this amendment that would add $39 million to the EPA research and development account and $30 million to the EPA Superfund account. The need for these funds is clear and strong, and the addition merely raises the appropriation to the fiscal year 1982 level.

Mr. President, the research budget at EPA has already been cut well below levels required to support that Agency's functions. The level of operations contained in the committee bill is 50 percent below what it was in fiscal year 1981. These cuts are in the face of critically important research needs in areas such as risk assessment research on hazardous air pollutants, studies on health effects of toxic pollutants, research on the effects of contaminants on underground drinking water supplies, environmental monitoring to gather the data necessary to support future standard setting, and ecological research on the effects of pollution on crops.

Research in general is underfunded by normal market pressures but research into environmental questions has very little appeal to private firms. Government support in this area is especially important.

In addition, this amendment funds the President's fiscal year 1983 request for Superfund. I need not remind my colleagues of the magnitude of the effort required to clean up abandoned or uncontrolled hazardous waste sites. There are about 10,000 abandoned or inactive hazardous waste dump sites across the country, many of these in my State; the fundamental role of government is to protect the health and safety of the people. Protecting Americans from a clear danger in our own country is every bit as important as protecting the public from threats from abroad.

The Superfund trust fund, seven-eighths of which comes from the firms producing hazardous substances, is an insurance policy against damaging the health-threatening spills. I fought very hard for its creation nearly 2 years ago.

Mr. President, the private sector will not provide adequate funds necessary to protect human health and safety from environmental threats. This is a legitimate and important role for the Government. We must provide these funds. I urge my colleagues to support this amendment.

● Mr. STAFFORD. Mr. President, I intend to vote for the Moynihan-Hart amendment and, if they do not object, would add my name as a cosponsor.

This amendment would restore $30 million for administration of the Superfund, money that was recommended by the Committee on Environment and Public Works and accepted as a proper level of spending by the Budget Committee. The amendment also provides additional funds for research and development by the Environmental Protection Agency.

In working out budgets for programs under the jurisdiction of the Environment and Public Works Committee, members, who include Senators HART and MOYNIHAN, have talked among ourselves, with members of the Budget Committee and with members of the Appropriations Committee.

This was done in an attempt to strike a balance that would protect vital interests and still garner the support of the entire Senate, the Congress, and the administration. When amendments were offered that would have upset this balance—and hence threaten the integrity and viability of all of the health and environmental programs—I voted against them.

That was my obligation not only as the chairman of a committee but as a Senator who cared about all of the health and environmental programs.

This amendment differs from those offered in the past. This amendment is, in the opinion of this Senator, consistent with the balance that was struck in the budget resolution and elsewhere. It is the bill which is at odds with the programs, not the amendment.

Mr. President, for that reason I support this amendment, will vote for it, and urge my colleagues to do the same.●

(By request of Mr. HART, the following statement was ordered to be printed in the RECORD.)

● Mr. DODD. Mr. President, I am pleased to cosponsor the Moynihan-Hart amendment to the HUD appropriations bill to restore $39 million to the Environmental Protection Agency's research and development budget and $30 million to the "Superfund" program.

In the 1983 budget, it is evident that we recognize the need for fiscal cutbacks. Every agency and its programs will feel the budget pinch. The Environmental Protection Agency is not—and should not be—an exception.

But since the first EPA 1983 budget was released, it has been obvious that this Agency's cutbacks were more grievous that that of any other Agency. Under the administration's proposed 1983 budget, EPA's budget would have been cut back by 39 percent since 1981. Even with the budget increases contained in this appropriations bill for the EPA budget, the Agency's operating budget will still be reduced by more than $54 million from last year.

It is shocking enough that cuts in the overall EPA budget are of such a size and magnitude so as to endanger Agency functions. But a closer look at how these cutbacks are distributed reveals that one of EPA's most important functions—the sponsorship of research and development—has been targeted for cuts of extreme proportion.

In fact, EPA's R&D program—the Agency's research contracts, grants, and cooperative agreements, has been cut more than any other agency function over the last 2 years. This program, funded at $254 million in 1981, was reduced by 39 percent to $154.3 million in 1982. The administration had requested an additional 30-percent cut in these funds, bringing the 1983 research and development budget to $108.8 million. Even the level contained in this appropriations bill—$115 million—represents over a 50-percent cut since 1981.

This drastic reduction in EPA's R&D budget threatens the very foundation—scientific research—upon which the Agency is founded. Without funding to support scientists and environmental experts in ongoing research, we cannot begin to understand the overwhelming environmental hazards which we face. And without a knowledge of these hazards, we cannot adequately design cleanup or enforcement strategies on either a congressional or an agency level. This cutback is not sensible budget planning—but false economy.

We would not be aware today of the long list of environmental dangers we face without research done in the past. It is thanks to the sound research undertaken by EPA-contracted scientists that we have been able to move swiftly in making sound environmental policy decisions on such threatening problems as hazardous waste, toxics, and acid rain. Without continuing research, our information base for developing such environmental policy will be threatened.

Research efforts have also played a role in designing and implementing such landmark legislation as the Clean Air Act, the Clean Water Act, and the Resource Conservation and Recovery Act. Without the backbone of scientific research, our job in implementing and enforcing these environmental laws will be a much more difficult one.

Cutbacks in EPA's R&D budget will have profound effects not only on human health and safety but also on industry and the economy. If we

cannot maintain research at our current level, we will not be able to keep pace with the environmental hazards we discover around us—in the home, in the office—every day. And for every moment that we waste in pinpointing new health hazards, the danger to individual lives increases. Similarly, without research to guide EPA in setting sound regulations, we may err in asking industry to spend money on pollution controls which may prove to be neither reasonable nor environmentally sound. Without sound data, the Agency cannot construct the uniform, timely regulations and permitting procedures desired by industry.

The cutback proposed in the HUD-independent agencies bill will make it impossible to carry out ongoing research efforts. Studies on health and environmental priorities such as toxic pollutants, hazardous air pollutants, and particulates might have to be gutted or abandoned. A number of studies on the problems and hazards of pesticides or ground water contaminants will have to be set aside. All areas of ongoing research—regardless of priority—will face major reductions.

It is unclear whether EPA itself thinks that the cutbacks recommended in its own budget justification make good scientific or budget policy. As our colleague from Vermont (Mr. LEAHY) has pointed out in hearings this spring, discrepancies exist between EPA's budget justification to Congress and their budget submission to the Office of Management and Budget. He cited numerous research program custs which were justified simultaneously to Congress as "reasonable cutbacks" and to OMB as a "reduction in effort." Research programs on oxidant air pollutants, water quality, and hazardous air pollutants are all due to be cut back under both EPA's original budget request and under the HUD appropriations bill. Yet these are all program areas that EPA said would be endangered if their budgets were lowered.

By restoring $39 million, this amendment will bring EPA's R&D level up to its 1982 level. This request is $8.9 million below the Budget Committee's allocation, and within the amount authorized by both the House and the Senate in EPA's authorization bill. Not accounting for inflation, one would hope that by returning the R&D budget to last year's level, much ongoing research could continue.

Similarly, by restoring $30 million to the Superfund program, we will aid EPA in carrying out its schedule of identifying, classifying and cleaning up hazardous waste sites. EPA has come far with its Superfund program: Almost 11,000 dangerous sites have been identified and a list of 400 priority sites is due out this October. If we return these funds to Superfund, we will allow this program to continue with its vital and pressing work. And if we add this $30 million to the Superfund program, we are bringing total Superfund appropriations only to $230 million—the level originally requested by President Reagan in his 1983 budget.

This amendment is no budget-busting measure. It is merely a restoration of the minimum amount of funds necessary to enable EPA to continue with its authorized tasks. It is the minimum amount necessary to maintain our standards of public health and safety; of regulatory reliability; of scientific quality. By restoring $39 million to the R&D budget, we will allow the priority research which has shaped EPA to continue; by restoring funds to the Superfund program we will allow this, one of our more urgently needed environmental programs, to continue.

To cut these funds from the EPA budget at this time shows little sensible planning, fiscal or otherwise. We have learned on countless occasions—the Valley of the Drums, Love Canal—that there can be no price on human health and safety. That is a lesson we cannot ignore. I would urge adoption of the Moynihan-Hart amendment.●

Mr. MOYNIHAN. Mr. President, we wish to thank the chairman for his courtesy in giving us the opportunity to say as much as we wish. I think we have outlined the issue.

The PRESIDING OFFICER. Is all time yielded back?

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

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

I move to table the amendment and ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Utah (Mr. GARN) to table the amendment of the Senator from New York (Mr. MOYNIHAN). The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Missouri (Mr. DANFORTH), the Senator from California (Mr. HAYAKAWA), the Senator from Maryland (Mr. MATHIAS), the Senator from Delaware (Mr. ROTH), the Senator from Wyoming (Mr. SIMPSON), and the Senator from Wyoming (Mr. WALLOP), are necessarily absent.

I further announce that, if present and voting, the Senator from Wyoming (Mr. SIMPSON), would vote "yea."

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), the Senator from Connecticut (Mr. DODD), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Hawaii (Mr. MATSUNAGA), the Senator from Montana (Mr. MELCHER), the Senator from Tennessee (Mr. SASSER), the Senator from Mississippi (Mr. STENNIS), and the Senator from Arizona (Mr. DECONCINI), are necessarily absent.

I further announce that, if present and voting, the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), the Senator from Connecticut (Mr. DODD), and the Senator from Tennessee (Mr. SASSER), would vote nay.

The PRESIDING OFFICER (Mr. CHAFEE). Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 44, nays 40, as follows:

[Rollcall Vote No. 356 Leg.]

YEAS—44

Abdnor	Grassley	Murkowski
Andrews	Hatch	Nickles
Armstrong	Hatfield	Nunn
Baker	Heflin	Packwood
Boren	Helms	Percy
Byrd, Harry F., Jr.	Hollings	Pressler
Cochran	Huddleston	Proxmire
Denton	Humphrey	Quayle
Dixon	Jepsen	Stevens
Dole	Kassebaum	Symms
Domenici	Kasten	Thurmond
East	Laxalt	Tower
Garn	Lugar	Warner
Goldwater	Mattingly	Weicker
	McClure	Zorinsky

NAYS—40

Baucus	Exon	Mitchell
Boschwitz	Ford	Moynihan
Bradley	Glenn	Pell
Brady	Gorton	Pryor
Bumpers	Hart	Randolph
Burdick	Hawkins	Riegle
Byrd, Robert C.	Heinz	Rudman
Chafee	Inouye	Sarbanes
Chiles	Jackson	Schmitt
Cohen	Johnston	Specter
Cranston	Leahy	Stafford
D'Amato	Levin	Tsongas
Durenberger	Long	
Eagleton	Metzenbaum	

NOT VOTING—16

Bentsen	Hayakawa	Sasser
Biden	Kennedy	Simpson
Cannon	Mathias	Stennis
Danforth	Matsunaga	Wallop
DeConcini	Melcher	
Dodd	Roth	

So the motion to lay on the table the amendment (UP No. 1286) was agreed to.

Mr. GARN. Mr. President, I move to reconsider the vote by which the motion to table was agreed to.

Mr. McCLURE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that the distinguished Senator from Vermont (Mr. STAFFORD) be added as a cosponsor to the previous amendment (UP No. 1286).

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

Mr. BRADLEY addressed the Chair.

The PRESIDING OFFICER. The Senator from New Jersey.

We must have order in the Chamber. Will Senators please conduct their conversations in the cloakroom so that the Senators who are addressing the Chair might be heard.

Mr. PRESSLER addressed the Chair.

The PRESIDING OFFICER. The Senator from South Dakota.

UP AMENDMENT NO. 1287

(Purpose: To provide additional funding for the Congregate Housing Services program for the elderly)

Mr. PRESSLER. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from South Dakota (Mr. PRESSLER) proposes an unprinted amendment numbered 1287.

Mr. PRESSLER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 7, line 13, under title I for congregate services strike "$3,500,000" and insert "$4,750,000".

Mr. PRESSLER. Mr. President, this amendment is intended to add new money to the portion of the bill which provides for congregate housing demonstration programs. This funding is used to aid in providing supportive services in congregate housing for the elderly and handicapped. The money now included in the bill extends 28 existing projects; I would like to see these projects expanded to areas like my home State of South Dakota, where congregate housing services are sorely needed. My amendment adds $1.25 million for five additional demonstration programs, for a period of 3 years.

Over 2,200 elderly are now being served by the congregate housing services program. While this is a good start, this number is not even close to the number of elderly and handicapped who are potential users of this program. The demand for this type of housing can be expected to increase as the percentage of our population that is over 60 increases. The existing demonstration projects are based mostly in larger cities; I am here to defend the rights of rural areas, for their need for projects like this is every bit as great, if not greater, than the need of urban areas. Rural and small town older Americans live much closer to the poverty line than do their urban counterparts. Congregate housing services in small towns can prevent our people from being forced to live in substandard housing, as many of them do. I believe that providing for five additional demonstration programs is the least we can do to begin to deal with this problem now. We cannot afford to wait any longer.

Mr. GARN addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah.

Mr. GARN. Mr. President, I have conferred with the distinguished Senator from South Dakota. I am willing to accept this amendment, although I have told him that I certainly can make no promises about what would happen in conference with the House. However, on behalf of the majority I am willing to accept the amendment.

The amendment (UP No. 1287) was agreed to.

Mr. PRESSLER. Mr. President, I thank the majority and minority members and their staffs for their cooperation in consideration of my amendment.

Mr. MOYNIHAN addressed the Chair.

The PRESIDING OFFICER. The Senator from New York.

UP AMENDMENT NO. 1288

(Purpose: To pospone the effective date of tenant contribution regulations)

Mr. MOYNIHAN. Mr. President, I send to the desk an unprinted amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from New York (Mr. MOYNIHAN) proposes an unprinted amendment numbered 1288.

On page 5, line 16, before the period insert the following: ": *Provided further,* That no funds provided under this Act shall be used to enforce the regulations which took effect on August 1, 1982, increasing rents or rent contributions for the housing assistance programs under the United States Housing Act of 1937 prior to the expiration of 90 days after the date of enactment of this Act.".

Mr. MOYNIHAN. Mr. President, since 1937 it has been the policy of the U.S. Government to provide decent, safe, and sanitary dwellings for families of lower income. During this interval we have passed many bills and a declaration of a sense of the Senate by our distinguished former colleague (Mr. Brooke), of Massachusetts, that declared 25 percent of a person's income to be the presumed ratio of rent payments in federally assisted housing.

We now have an order from the Deputy Federal Housing Commissioner that would raise the tenant contribution to 27 percent of adjusted income for all current tenants and 30 percent for new tenants. The House hopes to hold back this 30-percent ratio. The Senate will surely want to consider the same proposition. Millions of families are involved.

I ask of the Senate to withhold action for 90 days until we can consider whether, in fact, it is the policy we desire.

Mr. GARN. Mr. President, I have discussed this matter with the distinguished Senator from New York. On the substance of the issue, I disagree with him. I have been one who in the past has promoted the increase to 30 percent. However, because of the limitations in his amendment, applying this only for 90 days, and in the interest of getting the HUD bill through, I am willing to accept the amendment.

The PRESIDING OFFICER. Without objection, the amendment (UP No. 1288) is agreed to.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. GARN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MOYNIHAN. Mr. President, I thank the distinguished chairman for his gracious and accommodating act. The Senate can now consider this matter in detail and decide what its will should be.

Mr. LEVIN addressed the Chair.

The PRESIDING OFFICER. The time is under control. If the Senator has an amendment, the time limit would apply to that. Otherwise, the Senator would have to be granted time by someone controlling time.

Mr. LEVIN. Mr. President, will the manager of the bill yield me 3 minutes?

Mr. GARN. I am happy to yield to the distinguished Senator from Michigan.

Mr. LEVIN. I thank the Senator.

Mr. President, on December 29, 1980, the Department of Housing and Urban Development announced a set-aside of funds for the construction of 200 units of senior citizen housing in Melvindale, Mich. The letter stated that $1.2 million in contract authority had been allocated to region V for the limited purpose of building the Melvindale project.

I ask unanimous consent that the letter, dated January 9, 1981, be printed in the RECORD.

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

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,
Washington, D.C., January 9, 1981.

Hon. CARL LEVIN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR LEVIN: This is to advise you that the Chicago Regional Office has received an allocation of $1,200,000 of contract authority for the City of Melvindale for approximately 200 units of Section 8 housing.

In order to utilize this allocation, the City may choose to use either HUD's routine NOFA procedure or the pre-approved site procedure. It is my understanding that the

City's preliminary inclination is to use the pre-approved site procedure. If the City wishes to use the pre-approved site procedure, the following steps must occur:

1. The City must establish site control for the designated site.

2. The City must request Detroit Area Office review and approval of the designated site.

3. The Detroit Area Office must then conduct a NOFA process (competitive) for the designated site.

My office and the Detroit Area Office will be available to assist the City of Melvindale in carrying out the steps outlined above.

Sincerely,

RON GATTON,
Regional Administrator.

Mr. LEVIN. Mr. President, the people of Melvindale were obviously very pleased and gratified by this announcement and began the necessary preparations toward making the senior citizen project a reality. But they were in for a shock. For, on March 3, 1981, the Washington office of HUD issued a telegram to the region V office withdrawing that $1.2 million in contract authority, thereby reneging on a clearly stated and documented promise. They claim in that letter a lack of funding availability at that time.

I have fought since that date with the administrators of the section 8 program at HUD to find out just how and why such a rescission of funds was possible. I have met with little success. Certainly, the explanations I have received have been unsatisfactory.

It seems to me that when this Government makes a commitment as clear and unquestionable as the commitment that was made to the city of Melvindale, the Federal Government has a responsibility to keep that commitment.

I had originally intended to offer an amendment to this bill to make sure that Melvindale, and any other city in a situation similar to that of Melvindale, would get the promised funds. I have been convinced, however, that there are too many technical difficulties in pursuing such a course.

I am, therefore, asking Senator GARN, as chairman, and Senator HUDDLESTON, as ranking minority member of the HUD Appropriations Subcommittee, if they will be willing to assist me in getting HUD to reconsider its decision to rescind these funds for the Melvindale project.

Mr. HUDDLESTON. Mr. President, in response to the distinguished Senator from Michigan, I certainly appreciate the situation he finds himself in and the concerns he has. Certainly, a locality should be able to depend upon the correspondence it receives from HUD or from any other department or agency of the Federal Government.

As the Senator from Michigan is aware, the section 8 new construction program is being phased out. There are no funds in this bill for that particular program. A large portion of the fiscal 1982 funds were rescinded. In fact, we are having some difficulty in clearing the pipeline of previously appropriated projects which have not been canceled or fallen out.

In view of the December 29, 1980, letter to the mayor of Melvindale, however, I am willing to urge the Department of Housing and Urban Development to reconsider this project and to seek in every possible way to determine if they can accommodate it within the HUD programs. I will be glad to work with the Senator from Michigan in accomplishing that.

Mr. GARN. Mr. President, I am certainly willing to make the necessary inquiries of HUD and look into this problem to see what we can do to help. With that assurance, I hope the Senator from Michigan will be satisfied. Both Senator HUDDLESTON and I will look into this matter.

Mr. LEVIN. I am indeed satisfied. I am grateful to both my friends for their assistance, whatever they can do to help to correct this breach of faith with the people of my State.

UP AMENDMENT NO. 1289

(Purpose: To amend the Tariff Schedules of the United States to provide duty-free treatment for imported steam)

Mr. COHEN. Mr. President, I send to the desk an unprinted amendment.

The PRESIDING OFFICER. The amendment will be stated.

The bill clerk read as follows:

The Senator from Maine (Mr. COHEN) proposes an unprinted amendment numbered 1289.

Mr. COHEN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

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

The amendment is as follows:

At the appropriate place in the resolution, insert the following:

SEC. . (a) Subpart J of part I of schedule 5 of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting after item 522.51 the following new item:

"522.53 Steam..... Free..... Free".

(b) The amendment made by this section shall apply with respect to articles entered, or withdrawn from warehouse for consumption, on or after the date which is fifteen days after the date of enactment of this Act.

Mr. COHEN. Mr. President, I offer an amendment to H.R. 6956. My proposal would amend the Tariff Schedules of the United States to permit imported steam to enter the United States duty-free.

The need for this amendment has arisen from the experience that Fraser, Inc., a pulp and paper manufacturer in the far northern reaches of the State of Maine, has encountered in meeting the demands of the energy crisis.

A short time ago, this country was caught in the midst of a serious energy crisis which imposed enormous costs on the American people—in higher inflation, reduced economic growth, and higher unemployment. We have learned a great deal since the oil embargo of 1973, and the United States is now some 15 percent more energy efficient than it was 10 years ago.

Each industry has reopened to spiralling energy costs differently. Some have met the energy crisis most aggressively, by employing energy conservation tactics and tapping alternative energy sources to reduce costs. Others, however, have been reluctant to invest in energy conservation improvements and alternative energy sources, in part because of economic uncertainty associated with this past year's economic difficulties.

Fraser, Inc. has met the energy crisis head on and with great success. The firm operates a paper-producing plant in Madawaska, Maine, and a pulp-producing plant right across the St. John River in Edmundston, New Brunswick. Producing pulp and paper, as Senators know, requires enormous amounts of energy.

The increasing price of industrial fuel oil and the continued dependence on this energy source from a volatile part of the world has prompted Fraser to undertake a major oil reduction program. It has done so in an effort to cut production costs and increase the company's competitiveness in North American paper markets.

Fraser's ambitious and innovative oil reduction program has continued to bring real savings to the company as energy prices have continued to rise. As a result, last year Fraser generated approximately 25 percent of its total energy requirements through renewable resources, resulting in savings to the company of $13.8 million.

In the same year, Fraser reported using 32 percent less energy per unit of production than in 1972. This is one of the highest savings for the industry.

In addition, Fraser has undertaken a 2-year, $53 million program to reduce oil consumption by 400,000 barrels of oil annually. The residual steam from the pulp process in Edmundston will be tapped to supply electricity for the paper drying process at the Madawaska plant.

This fall, Fraser, Inc. will complete construction of a pipeline across the St. John River to transport the steam from the Edmundston plant to the Madawaska plant. A parallel pipeline will return the condensate to Edmundston to be reused in the steam-making process.

With steam production at capacity, Fraser expects to raise the Edmundston-Madawaska complex's self-sufficiency in thermal energy to 80 percent, up from the current 27 percent. This will result in a direct saving of approximately 400,000 barrels of industrial fuel oil annually.

Before proceeding with this project, Fraser received approval and construction permits from nine Canadian Federal and Provincial agencies and seven U.S. Federal and State agencies. Although this project is ahead of schedule and fuel savings are expected to be realized this fall, a recent development has cast doubt on the projected economic benefits for the company.

The U.S. Customs Service has notified Fraser that a duty of as much as $1 million per year could be levied on the steam. Although steam is not specifically provided for in the tariff schedules of the United States, customs has held that steam is classified under the tariff schedules as a mineral substance. The item number is 523.91, which has a duty rate of 6.5 percent ad valorem. A Federal duty of up to $1 million levied on the steam essentially removes the economic incentive for Fraser to proceed with its alternative energy scheme. At the same time, it sends an improper message to the industrial sector. The Federal Government should encourage, rather than discourage, private investment in alternative energy development.

The amendment I am offering today will change the tariff schedules of the United States to permit imported steam to enter the U.S. duty free. The Department of Commerce and the Office of the U.S. Trade Representative have agreed that imported steam should not be subject to a duty and support my amendment.

Companion legislation has been introduced in the House of Representatives by my colleague from Maine, Congresswoman OLYMPIA SNOWE. Her bill is now being considered by the House Ways and Means Committee. The U.S. Trade Representative has sent a letter to the House Ways and Means Committee expressing its support of this legislation.

The economy of Aroostook County, the largest county east of the Mississippi River, is wholly dependent on two base industries, potato farming and processing and forest products. In recent years, these two industries have suffered greatly from national economic conditions and increased foreign competition.

The unemployment rate in the county, as it is known by Maine residents, exceeds 15 percent. Yet, Fraser has continued to be a reliable employer and important contributor to the State's economy. In the Madawaska plant alone, 1,000 Maine residents are employed.

The substantial savings Fraser would realize by this amendment will encourage the company to make future investments on the U.S. side of the border. This savings will benefit the U.S. economy, as well; rather than sending U.S. money to Venezuela or the Middle East to pay for oil supplies, it can be used at home.

I see no purpose in depriving one of our Nation's pulp and paper producers of the savings it rightly deserves by levying a duty an an item that will cause no harm to another American firm. Nor, do I believe that we should penalize American firms for undertaking major alternative energy investments.

The Department of Commerce and the Office of U.S. Trade Representative have agreed that imported steam should not be subject to a duty, and they support this amendment.

Mr. GARN. Mr. President, this amendment does not pertain to the HUD bill. However, I am willing to accept it, but I caution my friend from Maine that the House, I am sure, will raise a germaneness issue in the conference.

Mr. COHEN. I understand that. I appreciate the Senator's willingness to accept it on this particular vehicle. Frankly, I had intended to offer it to the debt ceiling bill, and it was to be agreed to on that measure, but all amendments were stripped. I decided to try any vehicle I can in order to bring it to the attention of the House. I understand that the House will not object to it. They are looking for a vehicle, as well.

The PRESIDING OFFICER. Without objection, the amendment is agreed to.

(By request of Mr. GARN, the following statement was ordered to be printed in the RECORD:)

● Mr. SIMPSON. Mr. President, as chairman of the Senate Veterans' Affairs Committee, I support the Veterans' Administration provisions of H.R. 6956, the HUD-independent agencies appropriations bill for fiscal year 1983, which is before us today. The provisions of this legislation are entirely consistent with the actions and intentions of the Veterans' Affairs Committee. I emphasize in particular that the bill provides medical care funding at the level of the President's request, a level which is some $500 million above the fiscal year 1982 level and which is sufficient to permit an increase of 1,259 in the average employment level within the VA's medical care system.

Mr. President, I make specific mention of two particular issues covered in this legislation. First, I call my colleagues' attention to the fact that the appropriation provided in this legislation for the VA's medical and prosthetic research account has been increased by a total of $12.5 million above the level of the administration's request. Ten million dollars of this increase has been strongly recommended by the Veterans' Affairs Committee, in order to help make up for the rather severe reduction that was made in VA research programs by the HUD-Independent Agencies Apporpriations Act for fiscal year 1983, in recognition of the great importance of the VA's research effort, both in terms of the provision of quality medical care at VA medical centers and of the VA's ability to attract and retain highly qualified health professionals to provide that health care to our Nation's veterans.

I note the language of the Appropriations Committee in its report, No. 97-549, accompanying this bill, to the effect that this $10 million increase is intended "to provide additional funding to VA's highest priority research," and would highlight that point by referring to the Veterans' Affairs Committee's budget views and estimates for fiscal year 1983 issued on March 8, 1982, where it was stated that the $10 million increase is intended to restore the three major research programs to the proportionate levels at which they were funded in fiscal year 1981—that is, $2 million for rehabilitative research, $0.5 million for health services research, and $7.5 million for medical research.

The other issue upon which I would like to comment specifically is the inclusion in this bill of a $1.7 million appropriation for construction of a clinical addition and alterations at the Murfreesboro, Tenn., VA Medical Center. Earlier this week, the Veterans' Affairs Committee approved, pursuant to its statutory duty under section 5004(a) of title 38, the design and site preparation phase of this project —the $1.7 million estimated cost of which is 10 percent of the $17 million total estimated cost of the project—in accordance with a proposal by President Reagan to strengthen the affiliation between the Murfreesboro facility and the Meharry Medical College located in Nashville, Tenn.

Although the committee did approve the design and site preparation phase of this project, it did so with significant misgivings. The committee noted in its statement of views attached to the resolution of approval that although justification has been offered with respect to Meharry's critical accreditation needs and its important function of training significant numbers of black physicians, many of whom have traditionally practiced in underserved areas, there remain to be answered significant questions concerning the precise scope of the project and its specific relation to the system of priorities that governs all VA major construction projects.

I believe that the Veterans' Affairs Committee has an obligation to consider this project not only in terms of the benefit to Meharry Medical College and civilian health care needs in general, but also in terms of the benefit to the Nation's veterans. They are, of course, our primary concern, and it is essential for the committee to have before it detailed information concerning the ways in which any particular project will enhance the quality of

health care for eligible veterans, before favorable action can be taken on any proposal submitted by the administration. The relative haste with which this project has been formulated by the administration and submitted by the VA, outside of the regular annual construction approval process, raises a most unusual and unprecedented situation and leaves a number of important issues unaddressed. I expect that the committee will be holding a hearing to explore all aspects of this project and its stated justifications prior to any further approval action by the committee of the construction phase of the project.

Mr. President, I strongly support portions of this bill which affect the Veterans' Administration, and I commend my good friend from Utah, the distinguished chairman of the HUD and Independent Agencies Appropriations Subcommittee, for his excellent work on this legislation and for his careful attention to the most pressing needs of our national veteran constituency.●

Mr. CRANSTON. Mr. President, as the ranking minority member of the Veterans' Affairs Committee, I should like to take this opportunity to express my thanks to the distinguished chairman of the Subcommittee on HUD-Independent Agencies, Senator GARN, for his cooperation with me on a variety of issues in this bill pertaining to VA appropriations.

GI BILL BENEFITS FOR CORRESPONDENCE TRAINING

I very much appreciate his stance on the payment of GI bill benefits for correspondence training, an issue that has been of particular concern to me.

As the Senate will recall, this issue has been before us on many past occasions, including several times during this Congress. During the first session of the present Congress, section 2004 of the Omnibus Budget Reconciliation Act of 1981—Public Law 97-35—reduced from 70 percent to 55 percent the portion of correspondence training costs that the VA pays. Subsequently, as I am sure the distinguished chairman remembers well, a proviso was enacted on December 23, 1981, in the HUD-Independent Agencies Act for Fiscal Year 1982—Public Law 97-101. That proviso orginated in the House Appropriations Committee and stated that all funding would be eliminated for the program except with respect to individuals already enrolled in correspondence training as of September 30, 1981.

In response to this proviso, section 5(a) of Public Law 97-174, the Veterans' Administration and Department of Defense Health Resources Sharing and Emergency Operations Act, was enacted on May 4, 1982. It provided that except as may be provided "by a provision of law enacted in express limitation" of the provision in section 1783(a)(1) of title 38 creating entitlement for GI bill benefits for correspondence training, funds in the VA's readjustment benefits account shall be available for the payment of correspondence training. Thus, Mr. President, upon the enactment of that law on May 4, the appropriations proviso was nullified, and the VA has been paying correspondence benefits.

This year again, however, the HUD-Independent Agencies Appropriations Act for Fiscal Year 1983, H.R 6956, as passed by the House on September 15, 1982, contains a proposed cutoff—in language that purports to be in express limitation of the relevant provision of title 38—of funding for correspondence training.

It should be noted that, after the House Appropriations Committee had reported H.R. 6956, but prior to its passage by the House, correspondence training was considered in August by the authorizing committees—the House and Senate Veterans' Affairs Committees—in the context of the reconciliation legislation which was enacted on September 8, 1982, as Public Law 97-253. The original House-passed version of that measure had contained a provision to terminate correspondence training benefits under the GI bill, but the House-Senate conferees on the reconciliation measure specifically decided not to proceed with legislation to restrict or terminate correspondence training and the House receded from its position.

Thus, Mr. President, the Congress has once again, just last month, expressed its view that GI bill benefits for correspondence training should continue to be paid.

I believe that this should be accepted as a definitive resolution of the issue.

Mr. GARN. Mr. President, I very much agree with the views that the able ranking minority member of the Veterans' Affairs Committee has expressed on this subject. In this connection, I would note that, upon my recommendation and that of the Subcommittee on HUD-Independent Agencies, the Appropriations Committee, in reporting the pending measure, rejected the House proviso. As stated on page 79 of our committee's report—Senate Report No. 97-549—on this measure:

> The Committee believes that correspondence training represents a cost-effective educational program for those veterans who cannot attend school on a full-time basis.

Mr. CRANSTON. Mr. President, I hope that, in conference on this appropriations measure, this clear position taken by the Appropriations Committee will be instrumental in convincing the House to recede from its position on the payment of these benefits.

Mr. GARN. The Senator from California can be sure that I will do all that I can to uphold the Senate position.

Mr. CRANSTON. I thank the distinguished Chairman for that assurance and for his support on this issue generally. I greatly appreciate his efforts thus far to insure that needed GI bill benefits continue to remain available to the Nation's Vietnam-era veterans. I trust that the other conferees on this measure will provide him with strong assistance on this issue.

I should add that we on the authorizing committee, the Committee on Veterans' Affairs, feel strongly that statutory entitlements and benefits under the provisions of title 38 should not be restricted or terminated in legislation developed outside the authorizing committee process.

Mr. President, I would like to comment briefly on some other matters relating to the VA that are also addressed in the pending measure.

MEDICAL CARE AND RESEARCH ACCOUNTS

Mr. President, I urge the Senate conferees to give sympathetic consideration to accepting the appropriation levels in the House bill in both the medical care and medical and prosthetic research accounts. In both accounts, the levels as passed by the House will result in higher employment levels. As my colleagues realize, the VA health-care system is very labor intensive, and available staffing levels in recent years, both for direct care in research activities, have not been sufficient for the agency to fullfill its various health-care missions in an optimal fashion.

With specific reference to the medical and prosthetic research account, I note that the Senate committee added $10 million to the administration's request "to be applied by the VA to restore the program back to the fiscal year 1981 level and to provide additional funding to VA's highest priority research." This action responds directly to the Veterans' Affairs Committee's recommendation to the Budget Committee in the Veterans' Affairs Committee's "Budget Views and Estimates" for fiscal year 1983, and I thank my good friend from Utah, Mr. GARN, and the others on his subcommittee and the full Appropriations Committee for their support in this matter.

The Veterans' Affairs Committee regards the VA's research efforts as being of great importance to the agency's ability to provide quality medical care. With specific reference to the VA's use of the additional $10 million, I note that the Veterans' Affairs Committee proposed an allocation of $7.5 million for medical research, $2 million for rehabilitative research, and $0.5 million for health services research, an allocation conforming to the fiscal year 1981 breakout among research activities that we trust is acceptable to the Appropriations Committee.

As a final point relating to the funding for VA research in fiscal year 1983, I hope that the action of the Congress in restoring the funding level at least to the fiscal year 1981 level will enable the agency to again fund, at the full $2 million level, the program begun by the VA in 1979 for supporting innovative research projects that are not accepted for funding in the normal peer review process. This program, which was established at my urging, is a very important element in the VA's overall research effort, and funding at the full $2 million level adopted in prior years would be an important indication of continued support within the VA for this approach to supporting possible breakthrough research.

GENERAL OPERATING EXPENSES

Mr. President, I am very pleased that the pending measure restores $5 million of a $7 million reduction made by the House to the general operating expense appropriation. I urge the Senate conferees to press hard in the conference to secure House acceptance of the Senate level in this account. A reduction of the magnitude adopted by the House--which would have to be taken primarily in the department of veterans' benefits—would have a significant adverse impact on the agency's actions in a number of areas, most particularly in its ability to process claims for benefits in a fair and timely manner.

LOS ANGELES OUTPATIENT CLINIC

I am very gratified that my good friend from Utah, Mr. GARN, included in the committee's report the situation concerning the VA's outpatient clinic in Los Angeles. I agree wholeheartedly with the committee's recognition that "the leasing arrangement for the existing facility has posed serious difficulties in recent years" and I commend the committee for its recognition that—

[T]he construction approach [of a replacement facility in the same general vicinity] could potentially provide a more cost-effective and stable long-term solution than leasing the existing facility.

In my view, adopting the construction approach is justified and should be undertaken as soon as feasible. Thus, I urge that the Senate conferees recede to the House in conference and include $3 million in fiscal year 1983 for design and site acquisition and preparation for a new outpatient clinic in Los Angeles.

VA CONSTRUCTION PROJECT AT MURFREESBORO, TENN.

Finally, Mr. President, I wish to discuss at some length the appropriation in the pending measure of $1.7 million for the design and site preparation phase of a clinical addition and alterations project at the Murfreesboro, Tenn., Veterans' Administration Medical Center. This project is part of an effort to augment the affiliation arrangement between Murfreesboro VAMC and Meharry Medical College of Nashville, Tenn., which in turn is one facet of a larger Federal Government action to assist Meharry, one of the principal institutions in the country for training black physicians, to remain a strong medical training facility.

Mr. President, I have been following very closely the situation at Meharry since this spring when I was contacted by a number of individuals expressing concern about Meharry's future, most particularly about the school's professional accreditation. One of the most significant problems facing Meharry is the school's limited access to clinical teaching beds, and one solution that was proposed was for Meharry to establish an affiliation arrangement with the Nashville VAMC.

Mr. President, I wrote to the VA's Chief Medical Director, Dr. Donald L. Custis, on April 28, 1982, regarding my concerns about Meharry and urged that certain action be undertaken. I ask unanimous consent that my letter to the Chief Medical Director, together with his interim reply, dated June 24, 1982, and his final reply, dated July 14, 1982, be printed in the RECORD at this point.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C., April 28, 1982.

Dr. DONALD L. CUSTIS,
Chief Medical Director, Veterans' Administration, Washington, D.C.

DEAR DON: I am writing with reference to the request by Meharry Medical College of Nashville, Tennessee, to participate in an affiliation agreement with the Veterans' Administration Medical Center in Nashville. I have received numerous expressions of concern from inside and outside California about the very serious situation that Meharry is confronting.

I recognize that affiliation agreements are, in the first instance, matters for local VA medical center consideration and action and are not generally susceptible to close direction from Central Office. In this regard, I am aware that VAMC Nashville has a long-standing, extensive affiliation relationship with Vanderbilt University.

Nevertheless, there are other elements in this particular case—such as Meharry's role as one of the principal institutions for training Black physicians, the school's record in placing physicians in shortage areas, the Federal Government's substantial financial support for the school to date, and the seriousness of Meharry's current need for the affiliation, which, if unmet, would apparently threaten the school's continued existence—that warrant special consideration being given to Meharry's request to participate in an affiliation agreement with VAMC Nashville.

Thus, I believe that the involvement of the Department of Medicine and Surgery's Central Office is necessary and appropriate, and I urge that you designate a small task force to investigate this matter. I would suggest that such a group might include, among others, the Acting Associate Deputy Chief Medical Director, the Assistant Chief Medical Director for Academic Affairs, the Regional Director for the Southeastern Region, and a Black VA hospital director or chief of staff or other DM&S official of comparable rank and would urge that they investigate the situation thoroughly, but as soon as possible, and report to you on their findings. To this end, I believe it would be necessary and appropriate for the VA officials selected to visit Nashville and meet with leaders at the three institutions concerned—VAMC Nashville, Vanderbilt University, and Meharry—and then meet with officials of accrediting bodies that have raised concerns about Meharry's current status and need for additional clinical training capacity, representatives from the Department of Health and Human Services familiar with the Federal Government's support of Meharry, and such others, including, for example, officials of the National Medical Association, the Association of American Medical Colleges, and the National Association for the Advancement of Colored People, who would be in a position to provide an outside perspective on the current situation and on ways to reach a fair and appropriate resolution of Meharry's request.

Don, I attach considerable urgency to this matter and would greatly appreciate your giving it your very prompt and personal attention. I look forward to receiving your response to my suggestions and, ultimately, a report from you on your decision on Meharry's request.

With warm regards,
Cordially,

ALAN CRANSTON,
Ranking Minority Member.

VETERANS ADMINISTRATION, DEPARTMENT OF MEDICINE, AND SURGERY,
Washington, D.C., June 24, 1982.

Hon. ALAN CRANSTON,
Ranking Minority Member, Committee on Veterans' Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR CRANSTON: Thank you for your letter on the matter of support for Meharry Medical College. I have delayed my answer hoping that by now a definitive resolution would have been reached to the mutual satisfaction of all interested parties. Although such an accomplishment is expected soon, I think it best to provide this interim reply.

I assure you this problem has been receiving serious attention. A federal interagency task force, chaired by the Department of Health and Human Services in which the Veterans Administration is represented, has been exploring options for assisting Meharry with its multifaceted difficulty in maintaining its accreditation.

Meharry's need for an expansion of a clinical teaching base is one aspect of the problem, with which the VA can be of assistance while still maintaining the current high quality of veteran patients' medical care. Other issues are financial, class size and faculty capability. As you know, the impact of any solution on Vanderbilt Medical School resources is also at stake. The task force appreciates that the views and relationships of all concerned are important considerations in reaching final decisions.

We will keep you informed of final developments.

Sincerely,

DONALD L. CUSTIS, M.D.,
Chief Medical Director.

VETERANS ADMINISTRATION, DEPARTMENT OF MEDICINE AND SURGERY,
Washington, D.C., July 14, 1982.

Hon. ALAN CRANSTON,
Ranking Minority Member, Committee on Veterans' Affairs, U.S. Senate, Washington, D.C.

DEAR SENATOR CRANSTON: As promised, I would like to bring you up-to-date regarding Meharry Medical College.

On June 25, Secretary of Health and Human Services, Richard S. Schweiker, announced the President's decision to assist Meharry in fulfilling its medical training mission by putting into effect three recommendations. The first was that the Department of Health and Human Services will seek to arrange to prepay the outstanding balance of the loan under which Meharry's Hubbard Hospital was financed with a HHS loan guarantee. The second recommendation was to ask the VA to move expeditiously to expand the existing affiliation between Meharry Medical College and Murfreesboro, Tennessee, VA Medical Center. That will provide, over the next one-to-three years, an additional 200 teaching beds in internal medicine and surgery. That action will both expand the resources in the mid-Tennessee area for providing services to veterans as well as provide Meharry with an expanded educational base for its medical student and house staff training programs. Third, an interim arrangement for increased clinical teaching resources will result from Vanderbilt University's indicated willingness to enter into discussions with Meharry Medical College, related to providing interim access to Vanderbilt educational programs for a number of Meharry house staff and medical students.

In addition, the President strongly urges and expects the appropriate state and local officials, as well as the private sector, to fully cooperate in the undertaking. The task force that made the recommendations upon which the President acted consisted of representatives of the VA, the Department of Health and Human Services, the Department of Education, the Department of Justice, and the Office of Management and Budget. A site team did visit Nashville as you mentioned in your original letter and it consisted of two representatives from the VA and two representatives from Health and Human Services.

Rest assured that we will continue to monitor Meharry's progress with its accreditation status and to assist in ways that are mutually beneficial to both the Medical College and the Veterans Administration.

Sincerely,

DONALD L. CUSTIS, M.D.,
Chief Medical Director.

Mr. CRANSTON. Mr. President, in light of my concerns regarding Meharry's status, I am pleased that the Appropriations Committee took the action it did to include $1.7 million for the initial phase of this construction project. The administration proposed funding this initial phase through a reprograming of major working reserve funds to the construction, major projects account. The Appropriations Committee very wisely did not simply approve, by letter the proposed reprograming but rather included the $1.7 million appropriation in the pending measure. Although it was not clear that the reprograming request would have activated the requirement in section 5004(a) of title 38 for Veterans' Affairs Committees' resolution of approval, the Appropriations Committee's action, together with its express acknowledgement in its committee report of the Veterans' Affairs Committee's role in authorizing the project, serves to underscore the importance of the Veterans' Affairs Committee's action in scrutinizing and, as appropriate, approving major VA medical construction projects before design work is funded and undertaken.

Mr. President, despite my general satisfaction that action is being taken at this time to assist Meharry, I must express my misgivings about the many problems that have arisen already in connection with this construction project. As is set out in greater detail in the statement of the Veterans' Affairs Committee views that was enclosed with the letter the committee chairman (Mr. SIMPSON) and I sent to the majority leader (Mr. BAKER) and the Speaker of the House (Mr. O'NEILL) transmitting the Veterans' Affairs Committee's resolution approving the initial phase of this project, there has been one unfortunate problem after another associated with this project to date.

Examples of these problems include the difficulty the VA had in timely transmitting a prospectus on the project to the Veterans' Affairs Committee; the lack of accurate information in the prospectus; the continued uncertainty about the size and scope of the project, with estimates of the number of beds to be converted to teaching beds varying by 100 percent; the extremely short time for our committee to consider the prospectus that was finally submitted and to do so without benefit of the comments on the project from concerned health system agencies, as is required by OMB Circular A-95; and the attempt by the agency to secure funding for the intitial phase—a process that might have circumvented the Veterans' Affairs Committee approval process through a reprograming action.

In light of these and other problems, I am committed to scrutinizing very carefully all further activity regarding the proposed project.

Mr. President, I ask unanimous consent that our September 21, 1982, letter to the majority leader, the committee resolution of approval, and the document entitled "Senate Committee on Veterans' Affairs Views with Respect to Approval of the Design Portion of the Clinicial Addition and Alterations Project at the Murfreesboro, Tennessee, Veterans' Administration Medical Center" to which I referred earlier be printed in the RECORD at this point.

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

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C., September 21, 1982.

Hon. HOWARD H. BAKER, Jr.,
Majority Leader, U.S. Senate, Washington, D.C.

DEAR MR. MAJORITY LEADER: Pursuant to section 5004(a) of title 38, United States Code, the Senate Committee on Veterans' Affairs, by a poll of its members completed on September 21, 1982, has adopted the enclosed resolution approving the design and site preparation portions of a construction project at the Murfreesboro, Tennessee, Veterans' Administration Medical Center. Under section 5004(a), no appropriation may be made for the construction of a VA Medical Center which involves a total expenditure of more than $2 million without the prior approval of both this Committee and the House Veterans' Affairs Committee. The total estimated cost of the proposed Murfreesboro construction project is $17 million, of which $1.7 million is requested for design and site preparation purposes in FY 1983.

In view of the swiftness with which this project was proposed and with which the Committee's approval of design development and site preparation was sought, the Committee has certain serious concerns relating to the project. These concerns are expressed in the Statement of Committee views attached to the enclosed resolution of approval.

Sincerely,

ALAN K. SIMPSON,
Chairman.

ALAN CRANSTON,
Ranking Minority Member.

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C., September 21, 1982.

Hon. THOMAS P. O'NEILL, Jr.,
Speaker, House of Representatives, Washington, D.C.

DEAR MR. SPEAKER: Pursuant to section 5004(a) of title 38, United States Code, the Senate Committee on Veterans' Affairs, by a poll of its members completed on September 21, 1982, has adopted the enclosed resolution approving the design and site preparation portions of a construction project at the Murfreesboro, Tennessee, Veterans' Administration Medical Center. Under section 5004(a), no appropriation may be made for the construction of a VA Medical Center which involves a total expenditure of more than $2 million without the prior approval of both this Committee and the House Veterans' Affairs Committee. The total estimated cost of the proposed Murfreesboro construction project is $17 million, of which $1.7 million is requested for design and site preparation purposes in FY 1983.

In view of the swiftness with which this project was proposed and with which the Committee's approval of design development and site preparation was sought, the Committee has certain serious concerns relating to the project. These concerns are expressed in the Statement of Committee Views attached to the enclosed resolution of approval.

Sincerely,

ALAN K. SIMPSON,
Chairman.

ALAN CRANSTON,
Ranking Minority Member.

RESOLUTION OF THE COMMITTEE ON VETERANS' AFFAIRS

Resolved by the Committee on Veterans' Affairs of the United States Senate, pursuant to section 5504(a) of title 38, United States Code, that the development of a design and the site preparation for the medical construction project entitled "Clinical Addition and Alterations" at the Murfreesboro, Tennessee, Veterans' Administration Medical Center is approved. This approval is effective with respect to appropriations in an amount not to exceed $1,700,000. The total estimated cost of such design and site preparation is $1,700,000.

ALAN K. SIMPSON,
Chairman.

ALAN CRANSTON,
Ranking Minority Member.

Adopted: September 21, 1982.

SENATE COMMITTEE ON VETERANS' AFFAIRS' VIEWS WITH RESPECT TO APPROVAL OF THE DESIGN PORTION OF THE CLINICAL ADDITION AND ALTERATIONS PROJECT AT THE MURFREESBORO, TENN., VETERANS' ADMINISTRATION MEDICAL CENTER

Pursuant to section 5004(a) of title 38, United States Code, the Senate Committee on Veterans' Affairs has, by resolution dated September 21, 1982, approved the design and site preparation portion of a proposed medical construction project entitled "Clinical Addition and Alterations" at the Murfreesboro, Tennessee, Veterans' Administration Medical Center.

JUSTIFICATION FOR APPROVAL

Despite the reservations and uncertainties expressed below, the Committee has taken action to approve the development of the design and site preparation phases of this project because of Meharry Medical College's national significance in training Black medical students and producing significant numbers of physicians to practice in underserved areas; because of the need for this project to move ahead expeditiously in order to enable Meharry to retain its accreditation; because of the upgrading of the health-care services for veterans that may be expected to result from a strengthened Murfreesboro-Meharry affiliation and from the renovation and expansion of facilities at the Murfreesboro VAMC; and in the interest of avoiding a point of order, under section 5004(a) of title 38, United States Code, against the appropriation of the design and site preparation funds.

BACKGROUND

The Administration first made this project known to the Committee by means of an August 10, 1982, letter to the Chairman of the Committee from the Office of the Administrator of Veterans' Affairs, stating that the letter was transmitted in accordance with the provisions of section 5004 of title 38. Section 5004(a) requires submission to the Committees on Veterans' Affairs of a prospectus for each VA medical construction project involving total expenditures of more than $2 million. No prospectus was submitted with that letter. However, the letter and an enclosed June 25, 1982, press release issued by the Secretary of Health and Human Services, indicated that, as part of the President's plan to assist Meharry Medical College in fulfilling its medical training mission, the VA was moving to expand the affiliation between Meharry Medical College and the Murfreesboro VAMC.

According to that release, the expanded affiliation "will provide over the next one to three years, 100 to 200 teaching beds in internal medicine and surgery" The VA's letter stated that "approximately 200 teaching beds" are required and that the VA proposed to meet that need through conversion of existing intermediate care beds to acute medical and surgical beds. The letter also noted that a modest surgical program and an ambulatory care clinic would also be established and that the estimated cost for necessary construction for the project is $17 million. The VA stated that it would "require 41.7 million to contract for working drawings in fiscal year 1983, to be obtained by a reprogramming from the Major Working Reserve" and that "[c]onstruction funds will be requested in a future budget." In the letter, the VA requested "[a]uthorization of $1.7 million for design".

By letter dated August 11, 1982, the VA informed the Chairman of the Veterans' Affairs Committee that it was "initiating action to reprogram $1.7 million for the design of a clinical addition and renovation project" at the Murfreesboro VAMC. Enclosed with that letter was a copy of a letter of the same date to the Chairman of the Senate Appropriations Committee proposing that the $1.7 million needed for a contract for working drawings for the project in fiscal year 1983 be reprogrammed from the VA's Major Working Reserve to its Construction, Major Projects account. Enclosed with the letter to the Appropriations Committee Chairman was a one-page explanation of the reprogramming request stating that a prospectus for the project was attached. The attachment, entitled "Clinical Addition and Alterations" indicates that 200 beds will be renovated, that new construction will provide for an expanded outpatient clinic and two-operating-room surgical suite, and that other work will expand certain other services and correct various existing deficiencies.

On September 10, 1982, the VA submitted to the Chairman of the Veterans' Affairs Committee a letter noting that it had intended to enclose a prospectus with its August 10 letter to him and corrected that inadvertent omission by providing an updated version of the prospectus. The updated prospectus indicated the VA's intention to request that funds for the construction phase of the project, in the amount of $15.3 million, be appropriated for fiscal year 1984.

On September 17, 1982, the VA notified the Committee that the term "design" as used in the context of the Murfreesboro request was understood by the VA to encompass site preparation as well.

DISCUSSION

Three aspects about this proposed construction project are most unusual. First, the size and scope of the project are unclear at this point. Second, the VA has not yet received local Health Systems Agency comments under OMB Circular A-95. Third, the reprogramming proposal circumvents the normal Committee authorization process.

Undetermined scope of the project

The Committee notes that the size of this project is apparently not yet established. Although the updated prospectus submitted on September 10 seems to indicate that the project would provide 200 teaching beds and states that the "[s]cope and requirements were finalized on August 2, 1982", at a September 1, 1982, hearing of the Special Oversight Subcommittee of the House Veterans' Affairs Committee in Nashville, Tennessee, the VA General Counsel testified that the number of new teaching beds planned was "100 to 200". Moreover, according to the updated prospects, three conceptual alternatives for the construction are still under consideration and the gross square foot area of new construction and alterations will not be determined until preliminary plans are completed in December of this year.

Thus, at this point, the ultimate construction cost estimate of $17 million and hence the 10-percent $1.7 million estimate for design and site preparation must be considered very rough and contingent upon a final decision on the scope of the project.

Accordingly, the estimates for VA Medical Care account expenditures in FY 1983 and 1984 for the expanded affiliation and related project activations must also be seen as lacking precision. In a September 3, 1982, letter responding to a Committee staff request, the VA's General Counsel provided an estimate of the fiscal year 1983 and 1984 medical care costs of the expanded affiliation—$2,280,000 and 69 full-time-equivalent employees (FTEE's) in fiscal year 1983 and $5,141,000 and 134 FTEE's in fiscal year 1984. He also advised that the agency intended to request in January 1983 "a supplemental 1983 appropriation in the amount of $2.28 million to cover the cost of the expanded affiliation." He noted: "These funds will not actually be needed by the Veterans' Administration until April of 1983, the period of time at which the medical care beds will become operational." It seems clear to the Committee that the ultimate dollar amounts and FTEE figures will depend upon the number of new teaching beds that are eventually provided.

Incomplete A-95 process

It also appears that the VA has not yet fully complied with its Office of Management and Budget Circular A-95 processes. Although State and Areawide Clearinghouses were notified of the project on August 5, 1982, VA regulations implementing Circular A-95 require a 60-day comment period, and the VA has not yet received any Health Systems Agency comments. This is the first time since the section 5004 Committee approval process was enacted in 1979 that approval has been sought for a project before the completion of the A-95 comment process.

Committee approval process

Design and Site Preparation Phase

The Committee also notes that the Administration proposal that funding for the design and site preparation phase be obtained through reprogramming of Major Working Reserve funds to the Construction, Major Projects account would not activate the requirement in section 5004(a) of title 38 for Veterans' Affairs Committees' resolutions of approval. Under that provision, the Veterans' Affairs Committees' approval is required only as a prerequisite to (that is, to avoid a point of order against) the making of appropriations for certain medical construction projects and leases. In this instance, the proposed reprogramming would entail only the use of funds appropriated in prior years, for the design and site preparation costs of the Murfreesboro project—not the making of an appropriation in fiscal year 1983.

In the Committee's view, the approval process set forth in section 5004 of title 38 was enacted in contemplation of the Veterans' Affairs Committees' scrutinizing and, as appropriate, approving major VA medical construction projects before design and site

preparation work on major construction projects is funded and undertaken.

In this regard, the Committee is very pleased that the Senate Appropriations Committee, rather than simply approving, by letter, the proposed reprogramming, has reported a fiscal year 1983 HUD-Independent Agencies appropriations measure, H.R. 6956, that contains an appropriation of $1.7 million for the design portion of this project. Thus, the table in that Committee's report (pages 84-85 of S. Rept. No. 97-549) setting forth the projects for which H.R. 6956 would make appropriations in the Construction, Major Projects account includes this $1.7 million for the Murfreesboro VAMC, with a like sum included in a "general reduction" totalling $11.7 million from the Major Working Reserve. Moreover, the Appropriations Committee noted in its discussion of this project (id. at 86):

"In order not to slow down the process of providing for the new beds at Murfreesboro, Tennessee, to support the new Meharry affiliation, the Committee has taken the highly unusual step, prior to submission of complete justification and authorizing committee action pursuant to section 5004 of title 38, of the United States Code of approving the $1,700,000 to initiate this important project. As this appropriations act proceeds through the Congress, the Committee plans to carefully review the findings and action of the Veterans' Affairs Committees relative to this project."

The Committee on Veterans' Affairs appreciates the Appropriations Committee's recognition of the importance of the authorizing committee process and intends the resolution of approval to be of assistance to both Appropriations Committees and both Houses in their further deliberations on the action they take in response to the VA's proposal.

Construction Phase

As already discussed, the Committee is concerned that this project was hastily formulated and unclearly defined in scope. Although justification has been offered with respect to Meharry's accreditation needs and its important function of training significant numbers of Black physicians, many of whom practice in underserved areas, the relationship between this project and the primary objectives of the VA medical facility construction program—including objective criteria which the Administrator has indicated are under development—has not been articulated to the Committee. In this regard, before any request for approval of the construction phase of this project is acted upon by this Committee, the Committee will hold a hearing and conduct a thorough inquiry into all aspects of the project and its stated justifications. Any Committee approval of the construction phase will of course be contingent upon the resolution of the issues noted above and the submission of an updated and detailed prospectus as envisioned by section 5004(b).

CONCLUSION

Mr. CRANSTON. Mr. President, in closing, I again express my deep appreciation to my good friend from Utah (Mr. GARN) for his cooperation with me and his great courtesy in listening to my views on various issues related to the VA as he has worked to develop this measure. I also want to note the fine work of his staff assistant on the subcommittee, Wallace Berger, and to thank him for his willing cooperation with staff members of the Veterans' Affairs Committee. I deeply appreciate the many courtesies shown to me and the minority staff of the Veterans' Affairs Committee, and I am pleased to give my support to the VA appropriations in the pending measure.

Mr. PRESSLER. Mr. President, I would like to commend the Appropriations Committee's action to retain the 75/25 large/small cities ratio in the urban development urban grant program.

The House had recommended that this ratio be ended because some $100 million was left in the fund last year. The Senate Appropriations Committee wisely decided that the surplus was due to the amount of redtape necessary to receive these funds rather than a lack of need on the part of our small cities. I wholeheartedly support their recommendation that HUD reexamine their regulations pertaining to UDAG money.

In my own State of South Dakota, our capital city of Pierre is just beginning the process of applying for UDAG money. Their project is an ambitious and a worthy one. Pierre hopes to completely revitalize their waterfront area and thus give a boost to the surrounding business district. The first step of their project will be the construction of a hotel/convention complex which will attract many visitors to the city. Private money has already been lined up to completely cover the costs of constructing the center. Federal money will be used to buy the necessary land.

We have already seen the great successes of large cities like Baltimore which benefited the entire community. I believe it is of vital importance that we give our smaller cities the chance to do the same. In many ways, our small cities have suffered even more than larger ones in recent years. It is very difficult to attract new businesses and workers to cities which are badly in need of rehabilitation.

Once again, I want to commend the Appropriations Committee on its actions and I urge them to continue their fight in conference committee.

Mr. DOMENICI. Mr. President, I would like to commend my distinguished colleagues, Senators HATFIELD and GARN, and the members of the Appropriations Committee for reporting the HUD-independent agencies appropriation bill expeditiously. We may be able to enact a final bill before the recess.

I support the bill as reported by the Appropriations Committee. H.R. 6956 provides $47.5 billion in new budget authority and $33 billion in outlays for fiscal year 1983 for important activities of the Department of Housing and Urban Development, Veterans' Administration, Environmental Protection Agency, NASA, and numerous independent Federal agencies.

I must note, however, that when outlays from prior year commitments and possible later requirements are taken into account, the HUD-Independent Agencies Subcommittee, while $9 billion in budget authority below its 302(b) crosswalk allocation, will be above its outlay allocation by $0.3 billion.

Senator GARN has brought us a bill that meets the spirit of budget restraint in the first budget resolution. However, with the $0.3 billion outlay overage, it will be necessary for the Appropriations Committee to achieve savings elsewhere in order to stay within its total outlay allocation of $459.4 billion under the budget resolution. The appropriations process remains bound by that ceiling.

The Senate Budget and Appropriations Committees have differences in the scoring of $1.1 billion in management initiative savings related to these programs. The Budget Committee does not count those savings. The Appropriations Committee does. But I will not take issue with this item today.

I must, however, oppose any amendments to H.R. 6956 where enactment would result in additional fiscal year 1983 outlays.

The Senate bill provides: $3.8 billion in new budget authority and $180 million in contract authority for assisted housing. This will support 94,000 units of housing in fiscal year 1983, including 16,000 units for the elderly or handicapped; 3,000 units of Indian housing; and 75,000 units slated for conversions and property disposition; Enactment of the Senate bill should result in a total fiscal year 1983 program level of $10 billion for the construction, rehabilitation and modernization of assisted housing, taking into account the expected carryover and recapture of $6 billion in budget authority; Senator DOMENICI $1.3 billion for payments for operation of low-income housing projects; $3.5 billion for community development grants and $0.4 billion for urban development action grants; $24.1 billion for the programs of the Veterans' Administration, which is consistent with the President's budget request for increased funding for medical care, research, and hospital construction; $3.7 billion for EPA, which is $0.1 billion more than was requested by the President, but still slightly below the fiscal year 1982 appropriation; $6.4 billion for NASA, which is $0.2 billion less than was requested by the President. This reduction primarily results from a provision requiring $0.4 billion in offsetting reimbursements from DOD for use of the Space Shuttle; $1.1 billion for the National Science Foundation, which is the same amount re-

quested by the President and assumed in the first budget resolution; and $0.6 billion for the Federal Emergency Management Agency.

With respect to the credit budget, the Senate-reported bill provides $2.9 billion in new direct loan obligations, $59.7 billion in new primary loan guarantee commitments, and $68.3 billion in new secondary loan guarantee commitments. The bill provides no money for Federal Financing Bank (FFB) purchases of low-rent public housing bonds guaranteed by the Department of Housing and Urban Development or Ginnie Mae purchases of mortgages insured by the Federal Housing Administration, thereby causing the subcommittee to be $3.1 billion under its first budget resolution allocation for new direct loan obligations. This action also causes the subcommittee to be $3 billion over its allocation for new primary loan guarantee commitments, since a reduction in new obligations to make direct loans that are guaranteed by other Federal agencies increases new primary loan guarantee commitments. This overage probably will not create a problem with the credit budget ceilings in the budget resolution.

An adjustment in the subcommittee totals has been made to assure that entitlement programs contained in this bill are charged at the levels assumed in the first budget resolution. This permits discretionary amounts in the bill to be compared to the subcommittee allocations under the first budget resolution.

Mr. President, I ask unanimous consent that two tables showing the relationship of the reported bill, together with possible later requirements, to the congressional spending and credit budgets and the President's budget requests be printed in the RECORD.

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

HUD-INDEPENDENT AGENCIES SUBCOMMITTEE SPENDING TOTALS

[In billions of dollars]

	Fiscal year 1983	
	Budget authority	Outlays
Outlays from prior-year budget authority and other actions completed		23.0
H.R. 6956, as reported in the Senate	47.5	33.0
Possible later requirements:		
Low-income housing operating subsidies	.2	.1
Veterans compensation, pensions, and readjustment benefits		.8
Total for HUD-Independent Agencies Subcommittee	47.7	56.9
Deduct entitlement increases above first budget resolution assumptions	−.2	
Adjusted total	47.5	56.9
First budget resolution 302(b) allocation	56.5	56.6
House-passed level	47.2	57.0
President's request	41.8	56.7
Adjusted total compared to:		
First budget resolution 302(b) allocation level	−9.0	+.3
House-passed level	+.3	−.1
President's request	+5.7	+.2

HUD-INDEPENDENT AGENCIES SUBCOMMITTEE CREDIT TOTALS

[In billions of dollars]

	Fiscal year 1983		
	New direct loan obligations	New loan guarantee commitments	
		Primary	Secondary
H.R. 6956, as reported in Senate, with direct loan obligations resulting from prior-year commitments and other actions completed (total for HUD-Independent Agencies Subcommittee)	2.9	59.7	68.3
First budget resolution 9(b)(2) allocation	6.0	56.7	68.3
House-passed level	2.6	58.9	68.3
President's request	3.6	53.6	38.4
Subcommittee total compared to:			
First budget resolution 9(b)(2) allocation level	−3.1	+3.0	
House-passed level	+.3	+.8	
President's request	−.7	+6.1	+29.9

GREAT LAKES WATER QUALITY

Mr. PERCY. Mr. President, I wish to take this opportunity to commend the HUD and Independent Agencies Appropriations Subcommittee for its action regarding Great Lakes water quality programs. The subcommittee added $3.5 million to the administration's request for EPA Great Lakes programs. In addition, the report accompanying the bill instructs the EPA to "provide the management, focus, and visibility to this program that it needs in order to effectively address the problems of the Great Lakes."

The administration's fiscal year 1983 budget sharply reduced Federal Great Lakes water quality funding, particularly spending on environmental research and monitoring efforts. The proposed cuts run counter to U.S. commitments to the Canadians under a 1978 agreement on water quality, and I have protested the reduction to the President. In my judgment, the proposed reductions were a false economy. Research and monitoring programs are the watchdogs and early warning systems of pollution in the Great Lakes.

The Great Lakes contain 20 percent of the world's and more than 95 percent of the Nation's surface fresh water. Illinoisans, and other midwesterners, depend on this resource for personal and industrial use, as well as recreational pleasure. Indeed, the quality of life of the Great Lakes region is dependent on the quality of water of the Great Lakes. For this reason, I was particularly concerned over proposed reductions in Great Lakes environmental programs.

I am pleased that the Senate has acted to restore funding for these programs, and directed that the EPA place high priority on them. I thank the committee.

Mr. President, I ask unanimous consent that a resolution by midwestern Governors on this subject, as well as my letter to the President, be included at this point in the RECORD.

The resolution and letter follow:

GREAT LAKES WATER QUALITY: RESOLUTION OF THE GREAT LAKES CONFERENCE ON WATER

Whereas, the United States and Canada have entered into an Agreement to protect the water quality of the Great Lakes; and

Whereas, it is the position of the Great Lakes States that such an Agreement is vital and necessary to assure the continued high quality of the Great Lakes; and

Whereas, Ontario and Canada have a federal provincial agreement which funds their obligation to the Great Lakes water quality agreement; and

Whereas, the Comptroller General of the United States has found that the United States is having difficulty meeting its commitments under the Agreement; and

Whereas, the Great Lakes States were not signatories to the 1972 and 1978 Great Lakes Water Quality Agreement; and

Whereas, many of the programs necessary to meet the objectives of the Agreement are the responsibilities of the states; and

Whereas, it is clear that United States funding, as now recommended, will not be adequate to meet Agreement objectives related to municipal waste treatment water quality programs, Great Lakes monitoring and Great Lakes research; and

Whereas, no mechanism exists that relates the responsibilities of the government of the United States and the governments of the Great Lakes States to meet the objectives of the Great Lakes Water Quality Agreement;

Now, therefore, be it resolved, by the undersigned States, That there be transmitted to the President and the United States Congress a request for the establishment of a formal arrangement between the United States Government and the Great Lakes States to meet the objectives of the Great Lakes Water Quality Agreement, and that adequate funding be directed to maintain research, monitoring and programs essential to the implementation of the terms of Agreement.

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C., April 26, 1982.

The PRESIDENT,
The White House,
Washington, D.C.

DEAR MR. PRESIDENT: I wish to take this opportunity to express my deep concern over a matter relating to United States and Canadian relations.

The Great Lakes Water Quality Agreement was entered into by the United States and Canada to restore and enhance water quality in the Great Lakes. You made reference to the Agreement during your trip to Ottawa last year. In addressing a joint session of the Canadian parliament, you stated that you "want to continue to work cooperatively to understand and control the air and water pollution that respects no borders."

Article VI of the Water Quality Agreement of 1978 requires each nation to implement a coordinated environmental surveillance and monitoring program in the Great Lakes. In line with this, Article XI of the Agreement requires each nation to seek appropriations for the research programs, "including the funds needed to develop and implement the programs . . . in Article VI." The Administration's fiscal year 1983 budget, however, sharply reduces federal Great Lakes environmental research, a reduction of approximately eighty percent from funding levels of two years ago.

The Environmental Protection Agency Large Lakes Research Station in Grosse Ile, Michigan and the National Oceanic and Atmospheric Administration Environmental Research Laboratory at Ann Arbor, Michigan were established in response to the Water Quality Agreement and provided with $7.7 million in fiscal year 1981. In addition, the Environmental Protection Agency's Great Lakes National Program Office in Chicago, Illinois, which was funded at $11.1 million in fiscal year 1981, is charged with research responsibilities. The fiscal year 1983 budget request reduces the National Program Office to $3.8 million and totally eliminates the Large Lakes Research Station and the Environmental Research Laboratory. Moreover, such related programs as Sea Grant, the Great Lakes Basin Commission and the Department of Energy Great Lakes Research Laboratory are proposed to be or have been eliminated.

The Canadians have budgeted nearly four times the amount for Great Lakes research as the United States. They are greatly disturbed over the proposed funding reductions of our government. Last year, the Canadian Ambassador sent a diplomatic note questioning our government on the reductions, and you will be dismayed to know that our government did not respond to our neighbors for an entire year. In response to the fiscal year 1983 budget request, the Canadians once again have taken issue by diplomatic note, to which I would trust the United States will respond more expeditiously.

The Great Lakes contain ninety five percent of the surface fresh water of the United States and twenty percent of the world's fresh water. They serve as an important source of food, water, energy, transportation and recreation for the United States and Canada. In my judgment, the proposed Great Lakes research funding reductions are false economy and call into question our commitment to our obligations under the Water Quality Agreement between ourselves and the Canadians. For these reasons, I urge you to restore funding for these vital programs.

Sincerely,

CHARLES H. PERCY,
Chairman.

Mr. SCHMITT. Mr. President, I would like to commend my distinguished colleague, Mr. GARN, for his leadership on the HUD and Independent Agencies Appropriation bill for fiscal year 1983.

There are several portions of this bill which I would like to highlight. The Veterans' Administration portion of the HUD/IA bill includes $103,500,000 for improvements on the Albuquerque Veterans Hospital. This money will provide veterans in New Mexico, Arizona, Colorado, and Texas with a new clinical services/bed facility. This facility is planned for completion in 1986.

The hospital recently celebrated its 50th anniversary. The hospital opened its doors on August 22, 1932, with 262 beds.

Today the Albuquerque VA Medical Center serves the entire State of New Mexico, with a veteran population of 214,000 and 6 counties in southwest Texas. The center provides care for almost 9,000 inpatients and over 111,000 outpatients annually. The average length of stay has been reduced from 35 days in 1965 to 14 days at present. Employees now number 1,131, including 74 physicians (one-half of whom are part-time), and 330 members of nursing service. The annual operating cost has grown from $850,000 in 1932 to $40 million in 1982. Hospital beds number 404, with an additional 47 in the nursing home care unit.

The VA medical discoveries made at the Albuquerque VA Hospital are in common medical practice all over the Nation.

I am pleased to see this long-term project of mine come to fruition. I would also like to thank the chairman of the subcommittee, Senator GARN, for his cooperation in this matter.

Second, as chairman of the authorizing subcommittee for NASA, your efforts to accommodate the issues that our subcommittee were concerned about are greatly appreciated. I look forward to continuing this extemely cooperative effort in the future, as we have in the past.

Finally, included in the National Science Foundation portion, funding is provided for industry/university cooperative projects which will include research projects, research and instructional scientific equipment, fellowships, scholarships, and other programs to promote academic research and education in the basic sciences and engineering. This funding will add to the strengthening of the research capabilities of the Nation's academic institutions and the opportunities of young men and women to assure rewarding careers in science, engineering, and technology.

Mr. President, Mr. GARN's actions with respect to both NASA and NSF clearly demonstrate his concern and commitment to maintaining our Nation's leadership in science and technology.

Mr. ROBERT C. BYRD. Mr. President, I am pleased that the fiscal year 1983 appropriation bill for the Department of Housing and Urban Development and Independent Agencies includes funding for many needed veterans' programs.

Through the years I have been a consistent supporter of legislation to improve veterans' programs, including education, training, rehabilitation, medical care and pension and compensation programs. This bill includes the funding necessary to carry out these needed programs and to meet this country's obligation to the men and women who have served in the military. I am also pleased that funding to address some of the problems facing our Vietnam-era veterans in particular—funding for readjustment assistance, counseling, and agent orange research programs—is included in this bill.

Mr. GARN. Mr. President, I know of no further amendment to be offered.

The PRESIDING OFFICER. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read a third time.

Mr. GARN. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. All time has expired.

The bill, having been read the third time, the question is, Shall it pass?

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

The assistant legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from Missouri (Mr. DANFORTH), the Senator from Minnesota (Mr. DURENBERGER), the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mrs. KASSEBAUM), the Senator from Maryland (Mr. MATHIAS), the Senator from Delaware (Mr. ROTH), the Senator from Wyoming (Mr. SIMPSON), and the Senator from Wyoming (Mr. WALLOP) are necessarily absent.

I further announce that, if present and voting, the Senator from Minnesota (Mr. DURENBERGER) and the Senator from Wyoming (Mr. SIMPSON) would each vote "yea."

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Delaware (Mr. BIDEN), the Senator from Arizona (Mr. DECONCINI), the Senator from Connecticut (Mr. DODD), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Montana (Mr. MELCHER), and the Senator from Tennessee (Mr. SASSER) are necessarily absent.

I further announce that, if present and voting, the Senator from Nevada (Mr. CANNON) and the Senator from Tennessee (Mr. SASSER) would each vote "yea."

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

The result was announced—yeas 73, nays 11, as follows:

[Rollcall Vote No. 357 Leg.]

YEAS—73

Abdnor	Chafee	Exon
Andrews	Chiles	Ford
Baker	Cochran	Garn
Baucus	Cohen	Glenn
Boren	Cranston	Goldwater
Boschwitz	D'Amato	Gorton
Bradley	Denton	Grassley
Brady	Dixon	Hatch
Bumpers	Dole	Hatfield
Burdick	Domenici	Hawkins
Byrd, Robert C.	Eagleton	Heinz

Hollings	Metzenbaum	Sarbanes
Huddleston	Mitchell	Schmitt
Inouye	Moynihan	Specter
Jackson	Murkowski	Stafford
Jepsen	Nunn	Stennis
Johnston	Packwood	Stevens
Kasten	Pell	Thurmond
Laxalt	Percy	Tower
Leahy	Pressler	Tsongas
Levin	Pryor	Warner
Long	Quayle	Weicker
Matsunaga	Randolph	Zorinsky
Mattingly	Riegle	
McClure	Rudman	

NAYS—11

Armstrong	Hart	Lugar
Byrd, Harry F., Jr.	Heflin	Nickles
East	Helms	Proxmire
	Humphrey	Symms

NOT VOTING—16

Bentsen	Durenberger	Roth
Biden	Hayakawa	Sasser
Cannon	Kassebaum	Simpson
Danforth	Kennedy	Wallop
DeConcini	Mathias	
Dodd	Melcher	

So the bill (H.R. 6956), as amended, was passed.

Mr. GARN. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. GARN. Mr. President, I move that the Senate insist on its amendments and request a conference with the House and the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer (Mr. CHAFEE) appointed Mr. HATFIELD, Mr. GARN, Mr. WEICKER, Mr. LAXALT, Mr. D'AMATO, Mr. SCHMITT, Mr. SPECTER, Mr. HUDDLESTON, Mr. PROXMIRE, Mr. STENNIS, Mr. LEAHY, and Mr. SASSER conferees on the part of the Senate.

Mr. GARN. Mr. President, I ask unanimous consent that the Secretary of the Senate be authorized to make technical and clerical corrections in the engrossment of Senate amendments to H.R. 6956.

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

Mr. BAKER. Mr. President, we have drawn first blood. I wish to take this opportunity to congratulate the distinguished chairman of the subcommittee of the Appropriations Committee for his handling of this measure. This is the first of 13 regular appropriations bills that we have passed, and I congratulate him for it. He did the same thing last year, as I recall. His subcommittee was the first one to produce an appropriations bill that qualified for the Senate to consider and indeed considered.

I extend my congratulations, as well, to the distinguished chairman of the committee and the distinguished ranking member, and to the distinguished ranking member of the subcommittee. Mr. President, their staffs, as usual, have been diligent and dedicated and successful.

ORDER OF BUSINESS

Mr. BAKER. Mr. President, there is another matter that I indicated on yesterday I was prepared to take up by unanimous consent after the minority leader inquired. I am prepared to do that at this time if he wishes to do so. I refer to S. 2913, Calendar Order No. 808.

Mr. ROBERT C. BYRD. Mr. President, I very much wish to do so.

Mr. BAKER. Mr. President, I know of the minority leader's interest in this. I would remind Members that, in our colloquy yesterday, prior to the motion to recommit the debt limit, the minority leader indicated that this would be offered as an amendment to the debt limit, and I expect that would have happened. But I am pleased to say that I was able to advise the minority leader that that item is cleared on our side and I was prepared to take it up. So, he has make manifestly clear his deep interest in this subject.

VETERANS' COMPENSATION, EDUCATION, AND EMPLOYMENT AMENDMENTS OF 1982

Mr. BAKER. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of S. 2913.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

A bill (S. 2913) to amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans, to increase the rates of dependency and indemnity compensation for surviving spouses and children of disabled veterans, and to modify and improve the education and vocational rehabilitation programs administered by the Veterans' Administration and veterans' employment programs administered by the Department of Labor, and for other purposes.

UP AMENDMENT NO. 1290

(Purpose: To authorize reimbursement for the reasonable charge for chiropractic services provided to certain veterans)

Mr. BAKER. Mr. President, on behalf of the Senator from South Carolina (Mr. THURMOND), Mr. SIMPSON, and others, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Tennessee (Mr. BAKER), on behalf of the Senator from South Carolina (Mr. THURMOND), for himself, Mr. SIMPSON, Mr. CRANSTON, Mr. DECONCINI, Mr. INOUYE, Mr. LUGAR, Mr. BURDICK, Mr. ANDREWS, Mrs. HAWKINS, Mr. HOLLINGS, and Mr. BUMPERS, proposes an unprinted amendment numbered 1290.

Mr. BAKER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

On page 44, between lines 19 and 20, insert the following new section:

SEC. 410. (a)(1) Section 601 is amended by adding at the end the following new paragraph:

"(9) The term 'chiropractic services' means the manual manipulation of the spine performed by a chiropractor (who is licensed as such by the State in which he or she performs such services and who meets the uniform minimum standards promulgated for chiropractors under section 1861(r)(5) of the Social Security Act (42 U.S.C. 1395x(r)(5))) to correct a subluxation of the spine. For the purposes of this paragraph, such term does not include physical examinations, laboratory tests, radiologic services, or other tests or services determined by the Administrator to be excluded.".

(2)(A) Subchapter III of chapter 17 of such title is amended by adding at the end thereof the following new section:

"§ 630. Chiropractic services

"(a) The Administrator shall, under regulations which the Administrator shall prescribe, reimburse a veteran eligible for medical services under this chapter for the reasonable charge for chiropractic services for which such veteran has made payment, if—

"(1) such chiropractic services were for the treatment of a service-connected neuromusculoskeletal condition of the spine,

"(2) the veteran is a veteran who has been furnished hospital care by the Veterans' Administraton for a neuromusculoskeletal condition of the spine within a twelve-month period prior to the provision of such chiropractic services, or

"(3) the veteran is a veteran described in section 612(f)(2) of this title who has been furnished hospital care or medical services by the Veterans' Administration for a neuromusculoskeletal condition of the spine, to the extent that such veteran is not entitled to such chiropractic services or reimbursement for the expenses of such services under an insurance policy or contract, medical or hospital service agreement, membership or subscription contract, or similar arrangement for the purpose of providing, paying for, or reimbursing expenses for such services.

"(b) In any case in which reimbursement may be made under this section, the Administrator may, in lieu of reimbursing such veteran, make payment of the reasonable charge for such chiropractic services directly to the chiropractor who furnished such sevices.

"(c)(1) The Administrator shall, in consultation with appropriate pubic and nonprofit private organizations and other Federal departments and agencies that provide reimbursement for chiropractic services, establish a schedule of reasonable charges for such services, which schedule shall be consistent with the reasonable charges allowed under title XVIII of the Social Security Act (42 U.S.C ch. 7).

"(2) The amount payable by the Administrator for chiropractic services furnished under this section shall not exceed $200 in any twelve-month period in the case of any veteran.

"(d) Notwithstanding any other provision of this title, total expenditures for chiropractic services reimbursed under this section shall not exceed $4,000,000 in any fiscal year and no reimbursement or payment may

be made under this section for chiropractic service furnished after September 30, 1986."

(B) The table of sections at the beginning of chapter 17 of such title is amended by inserting after the item relating to section 629 the following new item:

"630. Chiropractic services.".

(b) Not later than December 31, 1983 and not later than December 31 of each of the next three years thereafter, the Administrator of Veterans' Affairs shall prepare and submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives reports on the use made of the authority provided for in the amendments made by the first session. Each such report shall include—

(1) the number of requests by eligible veterans for reimbursement or payment for chiropractic services in the most recent fiscal year under section 630 (as added by subsection (a)(2)(A) of this section), and the number of such veterans who made such requests;

(2) the number of reimbursements or payments made by the Administrator of Veterans' Affairs under such section in such fiscal year and the number of veterans to or for whom such reimbursements or payments were made; and

(3) the total amounts of expenditures by the Administrator of Veterans' Affairs for such reimbursements and payments under such section in such fiscal year.

Mr. THURMOND. Mr. President, today I am offering an amendment to S. 2913 which will amend title 38 of the United States Code to authorize eligible veterans to receive chiropractic care in certain circumstances under the Veterans' Administration medical care program. This amendment is comprised of the same legislation as S. 1956, which I introduced on December 15, 1981.

Mr. President, S. 1956 was considered at a hearing before the Senate Veterans' Affairs Committee on July 13, 1982, at which time it was endorsed by such major veterans' organizations as the Disabled American Veterans and the Veterans of Foreign Wars. It was not reported by the Committee due to restrictions contained in the Budget Act of 1974. However, the legislation has the support of the distinguished chairman of the Veterans' Affairs Committee, and the distinguished ranking minority member, both of whom are cosponsors.

Mr. President, for a number of years I have been concerned that our Nation's 30 million veterans are not being offered and afforded the opportunity to benefit from chiropractic health professionals within the VA health-care system. Despite the long-standing authority to provide this care, the VA has refused to do so.

Additionally, I believe that it is time that the VA's policy and practice be brought more in line with the programs of other State and Federal health-care programs which now provide chiropractic treatment to their beneficiaries. For instance, under the medicare program, which is administered by HHS, it is typical for eligible persons in need of chiropractic care to seek and obtain services of a doctor of chiropractice and to receive reimbursement for such services from HHS. Reimbursement for chiropractic services is also currently provided under the Federal Employees Compensation Act and a number of States include chiropractic services under their medical assistance programs.

Mr. President, our veterans deserve the same access to medical treatment, including chiropractic treatment, as do the recipients of medicare and other Government programs which provide health-care services. The legislation which I propose today will establish a pilot program to compel the use of chiropractors within the VA. It limits the veterans who are eligible for its benefits and also limits total expenditures for chiropractic services to $4 million in any fiscal year. Unless extended, the program as proposed will expire on September 30, 1986.

Mr. President, this legislation was passed by the Senate during the last Congress. That bill was defeated in the House, but the House joined the Senate in strongly urging the VA's Department of Medicine and Surgery to reevaluate its position and to use its existing authority to provide, at least on a pilot basis, chiropractic services in appropriate cases as part of the hospital care or medical services furnished to veterans. This message was ignored by the VA. I therefore urge Congress to send a stronger message to the VA on this matter by favorably considering this bill.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment (UP No. 1290) was agreed to.

(By request of Mr. BAKER, the following statement was ordered to be printed in the RECORD:)

● Mr. SIMPSON. Mr. President, it gives me great pleasure to speak in favor of S. 2913, the proposed Veterans' Compensation, Education, and Employment Amendments of 1982, which was unanimously ordered reported by the Committee on Veterans' Affairs on August 19, and reported to the full Senate on September 17. At this time, I would urge my colleagues to join in assuring the passage of this very important legislation.

This measure combines provisions from two bills, S. 2378, the proposed Veterans' Disability Compensation and Survivors' Benefits Amendments of 1982, and S. 2747, the proposed Veterans' Education and Employment Amendments of 1982, an amendment to each of these, plus provisions derived from several other bills and legislative provisions that have arisen around these issues.

The most time-sensitive provision contained in S. 2913 is that which would provide a 7.4 percent across-the-board cost-of-living adjustment (COLA) for service-connected disabled veterans and their eligible dependents and survivors. It would make this increase effective on October 1, 1982. This full COLA was not foreseeable when we began the first concurrent budget resolution process early in the year. The original Senate budget resolution contained a modified COLA for compensation recipients. This position was adopted because of very tight budget constraints, reflecting a strong sentiment in the Senate that some form of uniformly applied COLA restraint should be effected for all programs in order to achieve an appropriate means of bringing the fiscal year 1983 budget under control. That is not what occurred.

Circumstances changed. The Congress did not accept a uniform restriction on COLA's throughout all Federal benefit programs; therefore, the only rationale for the compensation COLA restriction was removed. The originally proposed COLA restriction for service-connected compensation was painful enough under any circumstances. Once the Senate removed restrictions for recipients of social security, SSI, food stamps, and railroad retirement for those who may never have served in the military defense of their country—it became quite clear that a restriction on the compensation and dependency and indemnity compensation (DIC) COLA was unthinkable.

The restoration of the full COLA has been made possible by some determined negotiation and cooperation on the part of those of us who are particularly concerned about veterans' issues, on both sides of the aisle. The cooperation of all concerned is evidenced in the favorable outcome contained in this legislation. Compensation for sacrifices made by service-connected disabled veterans remains a firm commitment of this Nation.

The education segments of this proposed bill attempt to correct some areas where inequities have occurred. One such situation addressed involves the termination date which has been set for the curent GI bill. Under current law, that entitlement will no longer be available after December 31, 1989, and some members of the Armed Forces must soon separate from active duty if they wish to make use of their educational beneifts. Not only do those service persons see the termination date as being inequitable, but the military services find they are losing valued, career personnel because of an incentive to separate created unintentionally by the termination date for the GI bill. If passed, this legislation will provide career military persons the opportunity to use their GI bill benefits just as other eligible persons in the past have been able to do, and it

will halt any unnecessary departure of military talent.

Another provision of S. 2913 would allow an extension of time for the pursuit of education for veterans who have suffered from alcoholism or drug abuse. If such a veteran has been treated in a recognized program and has recovered, an extension of up to 4 years may be granted for the veteran to use GI bill educational or vocational rehabilitation benefits.

In its employment provisions, the proposed bill seeks to fine-tune the administration of veterans' employment services in the Department of Labor. Unemployment among disabled and Vietnam-era veterans remains high, and we all wish to alleviate the situation as much as possible. Technical changes made by this proposed bill, combined with our anticipated enactment of S. 2036 (the replacement legislation for the current CETA program with its amendment that I introduced which would provide an approximately $13½ million program earmarked for veterans), would result in the Department of Labor being in a position to administer its very important employment programs for disabled and Vietnam-era veterans with a much higher degree of effectiveness.

Among the several other diverse but important provisions of the bill are proposals that would raise the compensation rate for certain blinded veterans, restore burial benefits for certain indigent veterans, extend for another year, until 1984, the targeted delimiting date for the use of educational benefits by certain undereducated and underemployed veterans, and give the VA authority to suspend GI educational benefit payments at schools engaged in a pattern of noncompliance with reporting requirements, in order that the VA can more readily avoid making overpayments. The problem with collecting on overpayments and defaulted loans is one which continues to be most disturbing. Another area of concern to those of us who are conscious of the need for the Government to save money, balanced with our concern for quality health care within the VA system, is the OMB initiative to contract with the private sector for certain nongovernmental activities where substantial savings to the Government might be realized. This policy, as it could be applied to the provision of health care in the VA, caused great controversy. Accordingly, and to allay any apprehension that direct patient care will be contracted out, the proposed bill contains a provision to insure that commercial activities performed at VA hospitals operated by the Government shall be retained in house if the agency's chief medical director determines that such performance would be in the best interest of patient care.

The committee's overriding concern in formulating this provision was to assure that no purely cost-savings initiative should be permitted to interfere with the provision by the VA of quality, direct, health-care services to eligible veterans, and that care should be taken to insure that there will be no possibility that any contracting out that is undertaken will have any adverse effect, either directly or indirectly, on patient care. At the same time, the committee believes that the entire Federal Government—including the Veterans' Administration—should be operated in the most cost-effective and least wasteful manner that is consistent with the accomplishment of important governmental objectives, such as the provision of quality health care for our Nation's veterans.

For the record, I should like to note that after Committee Report No. 97-550 on S. 2913 was filed on September 17, 1982, the committee received a September 20, 1982, letter from the General Counsel of the Department of Housing and Urban Development expressing that Department's views on amendment No. 1909, which would clarify the 2-year minimum service requirement and from which the provisions of section 406 of the proposed bill were derived. That letter, which I am hereby including to be printed in the RECORD, corrects an error in HUD's preliminary August 6 response to my request for agency views on the proposed amendment.

The letter follows:

DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT,
Washington, D.C., September 20, 1982.

Re Amendment 1909 to S. 2378, 97th Congress (Simpson, et al.).

Hon. ALAN K. SIMPSON,
Chairman, Committee on Veterans' Affairs, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: On August 6, 1982, we wrote you with a tentative list of HUD programs affected by the proposed Amendment. A copy is enclosed. This is in further response to your request for comments on the above legislation and the applicability of title 10, section 977 of the United States Code on HUD programs. The Amendment would supersede section 977.

Review of the impact of Amendment 1909 on HUD programs is complete. We have no programs to add to those identified by us in our previous letter dated August 6th. These programs are the home loan programs under sections 203, 220 and 234 of the National Housing Act. Further analysis has disclosed, however, that the Amendment does not impact on the Section 236 program previously identified since preference in that program applies to families of those on active duty not to veterans.

Title 10, section 977 of the United States Code entitled "Denial of certain benefits to persons who fail to complete at least two years of an original enlistment" applies to the same programs which are subject to Amendment 1909. Section 977 has not yet been implemented. Actions are currently underway to correct this, subject, of course, to the Congressional action now proposed.

The Department of Housing and Urban Development has no objection to the Amendment insofar as the Amendment directly affects this Department. We defer to the views of the other agencies affected by this Amendment.

The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely yours,

JOHN J. KNAPP,
General Counsel.

Mr. SIMPSON. In addition, I would wish to include for the RECORD the letter I received on September 23, 1982, from the chairman of the Armed Services Committee, Senator TOWER. It clarifies any question which might arise to whether the provisions of sections 406 and 407 of the proposed bill meet with the approval of the Armed Services Committee.

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

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C., September 22, 1982.

Hon. Alan K. Simpson,
U.S. Senate, Dirksen Senate Office Building, Washington, D.C.

DEAR ALAN: I am in receipt of your letter dated September 21, 1982, concerning the minimum-service requirements contained in section 977 of title 10, United States Code. The majority and minority staff have reviewed the applicable provisions in S. 2913 and have found them to be consistent with the original intent of the Armed Services Committee when section 977 of title 10 was considered by the Committee.

The provisions in section 406 and 407 of your bill would provide for a uniform set of rules governing federal benefits derived from military service and also make necessary technical corrections to the minimum-service requirement. For these reasons, I support the inclusion of these measures in S. 2913.

Thank you for requesting my views on this subject in advance of floor action on S. 2913. I look forward to the continued close working relationship that our members and staff have experienced in areas of mutual concern.

With warm personal regards, I remain,

Sincerely,

JOHN TOWER.

Mr. SIMPSON. In summary, this bill contains legislative proposals which affect our Nation's veterans in many ways. While it addresses multiple concerns, they are all important and need attention at this time, especially the proposed 7.4 percent COLA for our Nation's service-connected veterans and their dependents and survivors.

At this point, I ask that the review of the bill's provisions derived from the committee report on S. 2913 be printed in the RECORD.

The material follows:

SUMMARY OF S. 2913 AS REPORTED

S. 2913 as reported, (hereinafter referred to as the "Committee bill") has five titles: Compensation and dependency and indemnity compensation rate increases and program improvements; amendments to veterans' education and rehabilitation programs; veterans' employment amendments; miscel-

laneous improvements; and effective dates, as follows:

TITLE I: COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION (DIC) RATE INCREASES AND PROGRAM IMPROVEMENTS

This title includes amendments to chapters 11 and 13 of title 38, United States Code, which would provide, effective October 1, 1982, a 7.4-percent increase (the same increase provided to social security recipients and VA pension beneficiaries effective June 1, 1982) in:

(1) basic compensation rates for service-connected disabled veterans and, generally, in the rates payable for certain severe disabilities;

(2) the subsistence allowances for spouses, children, and dependent parents paid to service-connected disabled veterans rated 30 percent or more disabled;

(3) the annual clothing allowance paid to veterans whose compensable disability requires the use of a prosthetic or orthopedic appliance (including a wheelchair) that tends to tear or wear out their clothing, and

(4) the Dependency and Indemnity Compensation (DIC) rates paid to:

(a) surviving spouses of veterans whose deaths were service connected;

(b) surviving spouses for dependent children and surviving spouses who are so disabled as to be in need of regular aid and attendance or to be permanently housebound; and

(c) the children of veterans whose deaths were service connected where no surviving spouse is entitled to DIC, the child is age 18 through 22 and attending an approved educational institution, or the child is age 18 or over and became permanently incapable of self-support prior to reaching age 18.

In addition, the Committee bill would realign the amounts of dependents' allowance paid to service-connected disabled veterans who are 30 percent or more disabled. Furthermore, the base rate of compensation payable to service-connected disabled veterans who are totally blinded without light perception would be elevated from (M) to (N). The final provision in title I would clarify Congressional intent that the existence of clear and unmistakable VA administrative error would be a basis for entitlement to DIC benefits when such administrative error is the only bar to entitlement otherwise.

TITLE II: AMENDMENTS TO VETERANS' EDUCATION AND REHABILITATION PROGRAMS

This title includes amendments to chapters 31, 32, 34, 35, and 36 of title 38, United States Code, which would:

1. Repeal the mandatory nature of the "vet rep" program and allow the VA Administrator to provide outreach services to veterans concerning their educational benefits through stationing VA employees in places such as schools.

2. Relax restrictions on vocational rehabilitation and education benefits in the cases of veterans who have been convicted of felonies and who are residing in halfway houses or participating in work-release programs.

3. Change the manner in which lump sum payments to a VEAP account are calculated.

4. Authorize the VA to receive funds from the Department of Defense for certain DoD-funded pilot programs and to deposit and disburse those funds through the existing VEAP account.

5. Repeal the 1989 termination date of the GI Bill and provide that DoD pays for educational benefits after December 31, 1989.

6. Relieve vocational schools from the requirement to compute and report on the number of graduates who have obtained employment in the career field during the preceding 2 years in order to establish that 50 percent have been so employed.

7. Clarify the rate at which entitlement use is charged for pursuit of independent study.

8. Provide that certain restrictions on payments of GI Bill and vocational rehabilitation benefits do not apply to veterans and eligible persons incarcerated by virtue of convictions of misdemeanors.

9. Remove a requirement that the VA report to Congress on the educational loan default rate on a school-by-school basis.

10. Grant the Administrator authority to suspend GI Bill benefits when a school exhibits a significant pattern of violations of reporting or approval requirements. Schools would receive 60 days notice and students would receive 30 days notice before the suspension is effected.

11. Clarify the intent of Congress with respect to the so-called "targeted delimiting date extension" of GI Bill education benefits for veterans who are educationally disadvantaged and for veterans who are unskilled and underemployed, state time limits for regulations to be promulgated, and extend until December 31, 1984, eligibility for this program.

12. Allow veterans who because of an alcoholism or drug dependence or abuse condition were prevented from using their full GI Bill or vocational rehabilitation benefits to use those benefits beyond their basic 10 year eligibility period during a period of up to 4 years providing their condition is controlled, has been treated by a program recognized by the VA Administrator, and they apply within certain time limits.

TITLE III: VETERANS' EMPLOYMENT AMENDMENTS

This title includes a freestanding provision and amendments to chapters 41, 42, and 43 of title 38, United States Code, and Public Law 90-83 which would:

1. State that the Congress is concerned about the high level of unemployment which exists among disabled and Vietnam-era veterans, and that veterans' employment is a national responsibility to be addressed by the Secretary of Labor through programs administered by the Assistant Secretary of Labor for Veterans' Employment (ASVE).

2. Require the ASVE to issue regulations promulgating the policies of these programs.

3. Specify that State Directors for Veterans' Employment Service are to be assigned full-time Federal clerical support.

4. Provide authority to waive the two-year residency requirement for appointments to the positions of State Director or Assistant State Director of Employment if a candidate for a position has been Assistant State Director in another state for at least one year, and only after no available, qualified candidate has been found among state residents.

5. Require State and Assistant State Directors for Veterans' Employment to coordinate programs specifically with VA programs which provide vocational rehabilitation and readjustment counseling (Vet Centers).

6. Clarify that funds available for DVOP services are provided for use in the States and not for use by the States.

7. Authorize waivers of the requirement that 25 percent of DVOP staff be outstationed within each state provided that at least 20 percent of all DVOP's nationwide be outstationed from state employment service offices.

8. State that ASVE will monitor the appointment of DVOP's.

9. Describe the Secretary of Labor's responsibility for determining that the DVOP program has a sufficient level of funding.

10. Call for an annual report to Congress on the Disabled Veteran Outreach Program.

11. Specify that the U.S. Postal Service and the Postal Rate Commission are subject to the requirements of chapter 42 of title 38, including the requirements for mandatory listing and affirmative action by its contractors and for submission of affirmative action plans.

12. Require that federal contractors report at least annually to the Secretary of Labor on their hiring of veterans of the Vietnam-era and special disabled veterans.

13. Transfer to the ASVE the responsibility to assist veterans in reemployment in their former positions after the satisfactory completion of any period of active duty.

14. Repeal the Exemplary Rehabilitation Certificate Program.

TITLE IV: MISCELLANEOUS IMPROVEMENTS

This title includes amendments to chapters 19, 23, 36, 37, 53 and 81 which would:

1. Allow the VA to assign the proceeds of a life insurance policy to an expanded list of beneficiaries in cases where there has been a contested claim, but the parties wish to settle without the expense of legal action.

2. Remove the 4-year time restriction for filing certain life insurance claims and provide that sums payable will not escheat to a state.

3. Establish that the VA will pay the $300 burial benefit in the case of an indigent, wartime veteran or a veteran discharged or released from active duty for a service-connected disability whose body is not claimed when a state or locality would otherwise have to use its resources to pay the costs.

4. Give authority to the VA to guarantee loans to veterans to refinance liens on their mobile homes in order to finance the purchase of a mobile home lot.

5. Change the term "mobile home" to "manufactured home".

6. Reduce from 2 years to 180 days the length of time available to a veteran to seek relief from the recovery of benefit payments, overpayments, and interest thereon, but provide that this limit may be waived in certain circumstances.

7. Clarify that the 2-year minimum service requirements in section 3103A of title 38, United States Code, applies to all Federal programs with certain exceptions.

8. Provide that this bill will supersede any provision of law which would eliminate correspondence training under section. 1786(a) of title 38 that is not enacted as an amendment to such title, as part of the reconciliation process under the Congressional Budget Act of 1974.

9. Affirm, with respect to OMB Circular A-76, the importance of an independent VA health-care system with quality health services provided in the most cost-effective manner possible, and prohibit contracting out unless 1) there would be no adverse impact on direct medical care and 2) savings of at least 10 percent would result; leave existing VA contract authority intact.

● Mr. SIMPSON. The Congressional Budget Office's estimate of the fiscal year 1983 budget authority for S. 2913 which was included in the committee report contained an error due to failure to take into account the reduction of certain rates effected by section 405, Public Law 97-253, the Omnibus Reconciliation Act of 1982.

CBO's corrected estimate is $708.8 million. This estimate has been planned and accounted for in the budgetary process and is contained in the first concurrent budget resolution. I ask that CBO's corrected cost estimate be printed in the RECORD.

The material follows:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., September 20, 1982.

Hon. ALAN K. SIMPSON,
Chairman, Committee on Veterans Affairs, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to Section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached revised cost estimate for S.2913, the Veterans' Compensation, Education, and Employment Amendments of 1982, as ordered reported by the Committee on August 19, 1982.

Should the Committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

RAYMOND C. SHEPPACH,
for Alice M. Rivlin, Director.

CONGRESSIONAL BUDGET OFFICE—COST ESTIMATE

1. Bill number: S. 2913.

2. Bill title: Veterans' Compensation, Education, and Employment Amendments of 1982.

3. Bill status: As ordered reported by the Senate Committee on Veterans' Affairs, August 19, 1982.

4. Bill purposes: To increase the rates of disability compensation and of dependency and indemnity compensation, to make adjustments and improvements in the education and vocational rehabilitation programs administered by the Veterans' Administration (VA) and the veterans' employment programs adminstered by the Department of Labor, and for other purposes.

5. Cost estimate:

[By fiscal year, in millions of dollars]

	1983	1984	1985	1986	1987
Budget authority	708.8	792.1	749.4	733.0	741.1
Outlays	655.1	791.6	748.8	732.3	740.4

The cost of this bill would fall in budget function 700.

6. Basis for estimate: The following section-by-section cost analysis only addresses those sections of the bill that would be expected to have a budgetary impact.

Certain sections of this bill would result in additional future federal liabilities through extensions of existing entitlements and would require subsequent appropriations action to provide the necessary budget authority. The figures shown as "Required Budget Authority" represent an estimate of the additional budget authority needed to cover the estimated outlays that would result from enactment of those provisions.

Section I.—Sections 101-106: These sections would increase the monthly rates payable under disability compensation and dependency and indemnity compensation by 7.4 percent, except that, in calculating the new rates, all amounts less than $1 were rounded to the next lower dollar. This increase would be effective October 1, 1982.

[By fiscal year, in millions of dollars]

	1983	1984	1985	1986	1987
Required budget authority	709.1	719.1	726.1	735.3	743.8
Estimated outlays	655.4	718.6	725.5	734.6	743.1

The cost of these sections was estimated by first calculating the cost of a full 7.4 percent increase under normal rules of rounding (i.e., all amounts greater than $.50 rounded to the next higher dollar). This was achieved by multiplying the projected average cost in each year for all disability compensation and for all DIC cases by 7.4 percent, then multiplying the resulting average increase in cost per year for each program by the estimated number of cases in the program each year.

It was determined which payment categories would receive $1 per month less under the new rounding procedure than they would have received under normal rounding rules. The number of cases in each of these categories was then multiplied by 12 payments per year to estimate the savings that would result from these cost reduction measures. The cost of a full 7.4 percent increase was reduced by these savings.

Section 405 of Public Law 97-253, the Omnibus Reconciliation Act of 1982, provided for reductions in various current compensation and DIC benefit rates to be effective January 1, 1983. This was done in anticipation of the enactment prior to that date of a cost-of-living increase in these programs which would reflect certain cost reducing adjustments. The rate increase provided by section 101-106 of this bill contains the anticipated adjustments. Sections 101-106 would, thus, nullify the provisions of section 405 of the reconciliation act but would provide substitute cost reduction measures that would result in equal savings.

Section 110: This section would increase the amount of compensation payable to certain blinded veterans.

According to VA information, there are only about 2,500 veterans suffering from service-connected blindness in both eyes. Since this provision would only affect a portion of these veterans, it is not expected to result in a significant cost.

Title II.—Section 201: This section would authorize the Administrator of the Veterans' Affairs to hire and assign veterans' representatives (VET Reps) to educational institutions and other appropriate locations as deemed necessary. Under current law Vet Reps are to be assigned according to a formula based on the number of trainees in the various VA education programs. This section would take effect October 1, 1982.

Since there are currently only five Vet Reps working in the Outreach Services program, the budgetary impact of this provision is not expected to be significant.

Section 202: This section relates to the payment of subsistence allowances to veterans in training under chapter 31 (title 38, U.S.C.) who are residing in halfway houses or participating in work-release programs in connection with the conviction of a felony. The amendment would eliminate the requirement of the Administrator to verify that the veteran is paying some portion of his/her own living expenses prior to approving the payment of the subsistence allowance.

This section would result in the payment of subsistence allowances to some individuals who would not be eligible to receive them under current law. However, the number of such cases would be small, and the resulting increase in benefit cost should be fully offset by the savings in administrative costs from the elimination of the verification process.

Section 204: Under current law, authority to pay educational assistance benefits under chapter 34 (title 38, U.S.C.) expires after December 31, 1989. This section would eliminate that expiration date and allow veterans meeting all other eligibility criteria to utilize their benefits at any time within their delimiting period of ten years from their date of discharge from service. Subsection (b) of section 204, however would mandate that the Secretary of Defense reimburse the Administrator for all benefits paid under chapter 34 after December 31, 1989.

[By fiscal year, in million of dollars]

	1983	1984	1985	1986	1987
Required budget authority	−0.3	−1.0	−1.7	−2.3	−2.7
Estimated outlays	−0.3	−1.0	−1.7	−2.3	−2.7

The analysis of this section indicates that the removal of the 1989 termination date would result in a modest reduction in the use of G.I Bill benefits prior to 1989 that would be far outweighted by the newly authorized utilization after 1989. The cumulative reduction in outlays between 1983 and 1989 is estimated at approximately $14 million and corresponds to a post-1989 increase in outlays of about $725 million.

The near-term savings are relatively low because the 1989 termination date is expected to have only a small impact on separatons of military personnel eligible for the G.I Bill. This analysis rests on the premise that career service members' retention depends on their valuation of anticipated future benefits. In evaluating future benefits, CBO's methodology adjusts for the lower value that people place on deferred income in comparison to current income. Since the current law termination date eliminates the anticipated future benefits of post-1989 use of the G.I Bill, it shoud decrease the likelihood that members will reenlist. Reenlistment bonuses and potential retirement benefits, however, would far outweigh the loss of education benefits for many servicemembers. Thus, it is estimated that only about 1,300 who would otherwise have separated. However, if the termination date is removed, many veterans would be expected to use their benefits after 1989 who would not have left the service prior to 1989 in order to do so.

Section 208: This section would extend by one year the delimiting period for the receipt of chapter 34 (title 38, U.S.C.) educational assistance benefits. This extension applies to Vietnam-era veterans pursuing a program of on the job training, secondary education, or a program of education with a vocational objective. The veteran would be allowed to use his unused entitlement to train unless the Veteran's Administration determines, on the basis of his employment and training history, that the veteran does not need the program to obtain a reasonably stable employment situation.

[By fiscal year, in millions of dollars]

	1983	1984	1985	1986	1987
Required budget authority		74.0	25.0		
Outlays		74.0	25.0		

This estimate assumes that approximately 41,000 veterans would receive training as a result of the extension to December 31, 1984 of the delimiting date. It is assumed that the requirement of a review of the veterans employment and training history in relation to the proposed course or training will not have significant impact on the number of new trainees.

Section 209: This section would extend the delimiting period, for the purpose of education benefits under chapter 31, 34 and 35, for veterans who were unable to utilize their benefits because of alcohol or drug dependence.

According to VA sources, this provision would not affect a large enough number of individuals to result in a significant cost.

Title III.—This title would make a number of technical and procedural amendments in federal programs of employment assistance for veterans. The provisions, however, would not affect the total amount authorized to be appropriated for any program. Therefore, no additional cost to the government would be expected to ensue from their enactment.

Title IV.—Section 403: This section would authorize the Administrator to reimburse a state or other political jurisdiction for the burial expenses of a veteran whose remains are unclaimed.

According to an informal telephone survey conducted by VA of all their regional offices, the number of deceased veterans whose remains are unclaimed each year is quite small. It is expected that less than 100 claims for reimbursement would be made under this provision in any year. The cost of the provision, therefore, would not be significant.

Section 404: This section would authorize the Administrator to guaranty loans used to refinance existing loans on manufactured homes.

Since the purpose of refinancing a mortgage is to obtain terms more favorable to the borrower, the provision could enable some veterans to avoid default on their VA-insured loans. The provision would, therefore, tend to reduce costs to the Loan Guaranty Revolving Fund, but the amount of reduction is not expected to be significant.

7. Estimate comparison. None.

8. Previous CBO estimate: The CBO cost estimate of S. 2913 that was submited on September 17, 1982 showed an incorrect estimate for sections 101-106 of the bill. The earlier estimate failed to take into account the reduction of certain rates effected by section 405, Public Law 97-253, the Omnibus Reconciliation Act of 1982.

9. Estimate prepared by: Nina Shepherd, Kelly Lukins and Neil Singer.

10. Estimate approved by:

C. G. NUCKOLS,
(for James L. Blum,
Assistant Director for Budget Analysis).

● Mr. SIMPSON. In conclusion, I wish to recognize and thank the very able members of the majority staff for their long and hard work on this measure—Tom Harvey, chief counsel and staff director, Julie Susman, Brent Goo, Scott Wallace, Joe Buzhardt, Carol DeAngelus, Becky Hucks, Laurie Altemose, Kay Eckhardt, Lucy Scoville, Harold Carter, and James MacRae, as well as members of the very capable minority staff—Jonathan Steinberg, chief counsel and staff director, Ed Scott, Babette Polzer, Bill Brew, Ingrid Post, and Charlotte Hughes.

Mr. President, I strongly believe this bill should be considered favorably. The House has already passed similar legislation contained in H.R. 6782 and H.R. 6794. I urge that we proceed deligently in order that we may forward a final bill to the President as swiftly as possible in order to enable the VA to send out the increases in compensation and DIC checks on time to our Nation's most deserving veterans, their dependents and survivors.●

VETERANS' COMPENSATION, EDUCATION, AND EMPLOYMENT AMENDMENTS OF 1982

Mr. CRANSTON. Mr. President, as the ranking minority member of the Committee on Veterans' Affairs, I am most pleased to join the distinguished chairman of the committee (Mr. SIMPSON) in urging that the Senate approve the provisions of S. 2913, the proposed Veterans' Compensation, Education, and Employment Amendments of 1982, as that measure was reported from the committee on September 17.

The issues addressed in title I of the pending legislation are, in many ways, at the very heart of veterans' benefits programs. The recognition of the sacrifices made and the hardships endured by our Nation's veterans are best reflected in our commitment to assuring that we meet the needs of those who bear the scars of battle from service to our country and the dependents and survivors of those who made the supreme sacrifice. The needs of the 2,300,000 veterans who suffer from service-connected disabilities and the 350,000 survivors of veterans who died from service-connected causes must be our No. 1 priority.

Mr. President, I want to express my complete support for the full 7.4-percent disability/dependency and indemnity compensation cost-of-living increase in the pending measure. In light of where we started in the context of the various proposals made for the veterans' function—function 700—in the first budget resolution earlier this year—some of which would have precluded or greatly restricted the COLA—a full 7.4-percent COLA is a real victory.

Further, Mr. President, I want to note how delighted I am with the fact that the pending measure is a measure on which there is agreement on every issue between the majority and minority members of the committee. Extensive bipartisan coordination and cooperation have marked the development of this bill at every stage and have made a substantial contribution to this legislation. In addition to the importance of this compensation increase, this measure would also make some significant improvements in VA programs—including improvements in education and employment assistance for Vietnam-era and disabled veterans. At this time, I want to highlight five provisions that I authored in the committee bill.

TARGETED DELIMITING DATE EXTENSION AMENDMENTS

First, section 208 of S. 2913 contains a provision based on an amendment—amendment No. 1984—that my friend from Wyoming (Mr. SIMPSON) joined me in introducing on July 21, 1982. This amendment would clarify congressional intent underlying a provision which I authored and which was enacted last year to provide for a 2-year targeted delimiting date extension for certain Vietnam-era veterans.

Section 201 of Public Law 97-72, the Veterans' Health Care, Training, and Small Business Loan Act of 1981, which was enacted on November 3, 1981, amended title 38 to provide for a one-time, 2-year extension of the GI bill delimiting period—that is, an extension of the 10-year period following discharge during which a Vietnam-era veteran may use his or her GI bill benefits. This extension was targeted on educationally disadvantaged and unskilled or unemployed Vietnam-era veterans and was designed to permit such veterans an additional period of up to 2 years to pursue vocational objective or apprenticeship or other on-job-training programs and, for those without high school diplomas, to pursue high-school-equivalency courses. As enacted in Public Law 97-72, the extension became effective on January 1, 1982, and will continue until December 31, 1983.

Mr. President, the purpose behind this extension was to provide in a cost-effective manner for a limited extension of the delimiting period for those veterans of the Vietnam era—particularly but not exclusively who are unemployed and educationally disadvantaged—who have never effectively utilized the GI bill benefits to which they are or were entitled and are in need of certain education or training assistance. The provisions of the targeted delimiting date extension that were enacted last year were similar to those passed by the Senate during the 96th Congress in connection with S. 870, but not then agreed to by the House and hence not contained in the final version of H.R. 5288 as it became Public Law 96-466, the Veterans' Rehabilitation and Education Amendments of 1980.

On March 11, 1982, the Veterans' Administration published a notice in the Federal Register requesting comments on the provisions of DVR circular 22-81-15, dated December 22, 1981, implementing this targeted delimiting

date extension. On March 18, I wrote to the Administrator of Veterans' Affairs to express my concerns about the manner in which the VA was administering this new provision and that the VA's interpretation of this provision was unduly restrictive and not consistent with the underlying congressional intent, as evidenced by the legislative history of the provision.

My concerns on this matter, which were shared by the committee, related primarily to the eligibility criteria established by the VA for veterans who are, in the words of the statute, "in need of (vocational objective or apprenticeship or other on-job training) in order to achieve a suitable occupational or vocational objective." In implementing the extension provision, the VA ignored clear congressional intent that the extension was to be focused on the needs of Vietnam-era veterans who are experiencing unemployment problems. Instead, the VA took the position that no veteran should be determined to be in need of such vocational or on-job training unless he or she is found to be unskilled. Under these VA criteria, no veteran who holds a 2-year degree or has completed 60 hours of college-level courses, or who has ever had a job requiring more than 3 months of vocational preparation is considered unskilled. This is so regardless of whether that individual is currently employed or underemployed or able to obtain employment.

Thus, Mr. President, the VA's manner of implementing the provision enacted last year reduced the determination of whether a veteran is "in need" of and thus eligible for training to a mechanical process under which the veteran is automatically found ineligible if any one of these three criteria apply. Where any of the criteria are found to apply, the inability of the veteran to obtain suitable employment and his or her need for training in order to be able to do so are given no consideration. There is no criterion that permits making individualized determinations of eligibility in the cases of unemployed or underemployed veterans who are clearly in need of training despite the applicability of one of these three regulatorily imposed criteria for denying eligibility.

The most unfortunate effect of these criteria is demonstrated quite dramatically in the VA's data, provided on May 21, 1982, on experience under the extension for the first quarter of 1982. Of 2,455 applications received for delimiting date extensions, only 98—or less than 4 percent of those received—were approved on the basis that the veteran was found unskilled; 575 applications—or about 23 percent—were denied on the grounds that the veteran was not unskilled. There were an additional 1,153 claims still classified as "under development" at the close of the first quarter, generally to determine whether or not the veteran was unskilled.

These numbers contrast sharply with those projected by the Congressional Budget Office last year in connection with its cost estimate for H.R. 3423, the Veterans' Training and Business Loan Act of 1981—title I of which contained the House version of the provision eventually enacted into law. At that time, CBO estimated that 38,900 veterans would receive training under the targeted delimiting date extension and that the cost of the provision would be $52 million in fiscal year 1982 and $90 million in fiscal year 1983. The provision ultimately enacted was no less restrictive than that which formed the basis for these CBO cost estimates.

It should also be noted that the VA, in its December 29, 1981, press release announcing the availability of the extension stated that:

> As many as 39,000 Vietnam-era veterans are expected to take advantage of * * * [this] extension * * *.

Further, in its fiscal year 1983 budget documents, the VA estimated that $48.6 million would be expended for this program in fiscal year 1982, and the VA's fiscal year 1983 budget request included $68.7 million in the VA's readjustment benefits account for this delimiting-date extension. Certainly, the way the provision is being implemented by the VA will never permit participation to reach the level assumed in these projections.

The VA has advised that it is prepared to make a series of appropriate but minor modifications in the manner in which automatic ineligibility is being determined, and I am somewhat encouraged by even these modifications since they show some movement from the VA's previous intractable position. However, I believe the new criteria will still result in automatic ineligibility determinations that will disqualify too many Vietnam-era veterans in need of assistance and still fall far short of meeting the needs of certain Vietnam-era veterans who are unskilled, unemployed, or underemployed—needs that this Congress clearly felt should be met and needs that are now even greater, as evidenced by the unemployment rates, than they were when this extension provision was enacted.

In August of this year, there were more than half a million unemployed veterans age 30 or over who could potentially be in need of the kind of assistance the targeted delimiting date extension would offer.

However, as the committee report stressed, this program is not intended to exclude veterans who are employed. Nor would all Vietnam-era veterans who are unemployed be eligible for the type of training and education available under the targeted delimiting date extension.

As a whole, it is clear that much of the unemployment problem of these individuals is related to the military-service experience of veterans of the Vietnam era. As documented in the March 1981 study prepared for the Veterans' Administration by the Center for Policy Research, entitled, "Legacies of Vietnam: Comparative Adjustment of Veterans and Their Peers," Vietnam veterans have not achieved as high a level of education as their peers and hold jobs that are, on the average, at lower levels than those held by nonveterans of comparable age. The study concluded that, when background differences are controlled, Vietnam-era veterans—and, to the greatest extent, those who served in Vietnam—still show "residual disadvantage in educational and occupational attainment" and that in general "military duty in Vietnam had a negative effect upon postmilitary achievement."

Thus, I am delighted that the committee bill would amend the targeted delimiting-date extension enacted last year—section 1662(a)(3) of title 38—to clarify congressional intent by substantially limiting the programmatic flexibility given the Administrator to make determinations regarding a Vietnam-era veteran's need for training. The provision would thus invalidate section 3.c. and 6.b of DVB circular 22-81-15, the regulatory provisions restricting eligibility for the delimiting period extension, and would instead establish specific statutory criteria for determining the need for training. Under this provision the veteran could not be determined ineligible without an examination of the veteran's particular employment and training history; he or she would be found eligible if an examination showed the veteran to be in need of an OJT or vocational program or course in order to obtain a reasonably stable employment situation consistent with the veteran's abilities and aptitudes.

I want to emphasize that this amendment is designed to permit a veteran to be denied eligibility only after a case-by-case determination and to avoid the use of any arbitrary, automatically disqualifying criteria such as those set forth in the DVM circular. In addition, since many of the Vietnam-era veterans for whom this extension provisions was designed have been foreclosed from the opportunity to make appropriate use of their remaining GI bill entitlements, the amendment would extend their eligibility period for one additional year—until December 31, 1984.

I am delighted that the committee has approved this provision and want to thank the distinguished chairman for his assistance in connection with it. I believe it will go a long way toward assisting Vietnam-era veterans

who are still encountering difficulties in readjusting to civilian life.

TOLLING OF ELIGIBILITY ON ACCOUNT OF ALCOHOL AND DRUG CONDITIONS

Second, Mr. President, section 209 of S. 2913 represents a second provision drawn from amendment No. 1984 that would provide for an extension—or tolling—of a Vietnam-era veteran's GI bill delimiting period when the veteran has been prevented by an alcohol or drug dependence or abuse condition from pursuing a program of education. Similarly, this section of the pending measure would provide for an extension of the eligibility period for a VA rehabilitation program for a service-connected disabled veteran who has suffered from such a condition.

In the GI Bill Improvement Act of 1977, Public Law 95-202, the Congress provided for the granting of extensions of the 10-year GI bill delimiting period in the case of an eligible veteran or an eligible spouse who is prevented from pursuing a program of education during that period due to a mental or physical disability not the result of willful misconduct. Under that law, the delimiting period does not run during any period of time that the veteran or eligible spouse is determined to have been unable to pursue training because of the disability.

However, there have been a number of instances in which the VA has denied a delimiting-period extension to an otherwise eligible veteran under this authority on the grounds that the disability on which the veterans based his or her claim was an alcohol or drug abuse or addiction disability, which the VA considers categorically to be a condition due to willful misconduct. The VA has based its denial in these cases on the legislative history of the 1977 provision that addressed the issue of how determinations of disability should be made for the purposes of the extension.

In 1979, the Veterans' Affairs Committee reexamined the practical consequences of denying a delimiting-period extension in such cases and the differences between awarding such an extension on the grounds of alcohol or drug disabilities and awarding other VA benefits, such as compensation or pension, based on such disabilities. As a result of this reexamination, the committee saw no substantial purpose to be served by denying a veteran a GI bill delimiting period extension when the veteran was prevented by a drug or alcohol disability, during part or all of the ordinary 10-year delimiting period, from using GI bill benefits and the veteran had recovered from the disability. In fact, in the committee's view, it could be expected that GI bill educational assistance would have considerable value for achieving and maintaining the medical, social, and economic rehabilitation of veterans recovering from disabilities related to alcohol or drugs.

Thus, in 1979, the committee reported in S. 870—and the Senate passed in section 201(2) of H.R. 5288—a provision to establish that an alcohol or drug dependence or abuse disability from which a veteran or eligible spouse has recovered shall not, solely for purpose of deciding requests for delimiting-period extensions, be considered to be the result of willful misconduct. Similarly, in S. 1188, the bill reported by the committee in 1980 to revise and update chapter 31, relating to VA rehabilitation programs for service-comparable provision to provide for the tolling, on account of an alcohol or drug disability, of a service-connected disabled veteran's delimiting period for a chapter 31 rehabilitation program.

However, despite the committee's strongest urgings, the House would accept neither the GI bill nor the rehabilitation program provision for delimiting-period extensions based on drug or alcohol disabilities.

Last year, in connection with S. 921, the proposed Veterans' Programs Extension and Improvement Act of 1981, the Senate again approved similar provisions, and again the House refused to accept them.

I believe both that the opportunity to use GI bill and VA rehabilitation program benefits can be extremely important to the readjustment and rehabilitation of the Vietnam-era and service-connected disabled veterans involved and that the delimiting period extensions for those who were, but are no longer, prevented by alcohol or drug disabilities from using those benefits would be fully consistent with the readjustment and rehabilitation goals of both programs.

Thus, section 209 of the committee bill contains provisions—derived from our amendment No. 1984—that would amend chapters 31, 34, and 35 to permit the Administrator to extend delimiting periods in the cases of veterans and eligible persons who have been prevented from using their education or rehabilitation entitlements under title 38 as a result of alcohol or drug dependence or abuse conditions.

In view of certain concerns and objections raised by the Veterans' Administration about the implication of the provision insofar as disability compensation is concerned and about its ability to administer such provisions effectively, we have recast the provisions substantially. It is intended that the revised provisions indicate, even more clearly than the prior versions, that these provisions are not intended to undercut, in any manner, any administrative directives or legislative provisions expressly or implicitly to the effect that alcohol or drug abuse or dependence are necessarily the result of willful misconduct. Hence, the committee bill would make clear that, for the purposes of determining eligibility for an extension of the applicable delimiting period, an alcohol or drug dependence or abuse condition would not be considered a "disability"; it would simply be considered a "condition" that could have prevented a veteran or eligible person from pursuing a program of education or participating in a program of vocational rehabilitation. In addition, in recognition of the administrative difficulties that could arise from the enactment of the provisions, the committee bill contains a number of provisions that have been carefully developed to facilitate the implementation of and eliminate abuse under the provision. These changes are described on pages 75 and 76 of the committee report—Senate Report No. 97-550.

In sum, these provisions represent my belief that it is simply not necessary to resolve the issue of the relationship of alcohol and drug dependence or abuse conditions to compensation for disabilities in order to make this kind of an education or rehabilitation benefit extension available. I hope that the prospects for enactment of this provision will be enhanced by the committee bill's revision to this provision to, as clearly as possible, avoid touching upon this isue.

RESTORATION OF VA BURIAL BENEFITS IN CASES OF CERTAIN INDIGENT VETERANS

Third, Mr. President, S. 2913 contains provisions derived from a measure I introduced earlier this year—S. 2048—that would restore the $300 VA burial benefit in the cases of certain indigent veterans whose bodies are not claimed.

Last year, as Members may recall, pursuant to the requirements in the first concurrent resolution on the budget for fiscal year 1982 that the House and the Senate Veterans' Affairs Committees recommend legislative savings totalling $110 million in fiscal year 1982 and slightly less in fiscal years 1983 and 1984, the committees recommended legislation placing certain limitations on the Veterans' Administration $300 burial benefit. Subsequently, the Congress enacted legislation as part of the Omnibus Budget Reconciliation Act of 1981—Public Law 97-35—to restrict eligibility for this burial allowance to the survivors of veterans who at the time of death are in receipt of either VA compensation or VA non-service-connected disability pension. Previously, this benefit was paid for any veteran who was entitled to compensation, who had been discharged from active service for a service-connected disability, or who had served during a period of war. This restriction was made effective with respect to deaths occurring after September 30, 1981. No restrictions were placed on either the $150 plot al-

lowance or on the $1,100 burial benefit payable for a veteran who dies from a service-connected disability.

According to the Congressional Budget Office, cost-savings resulting from the enactment of this legislation were estimated to be $75.2 million in fiscal year 1982, $79.8 million in fiscal year 1983, and $84.4 million in fiscal year 1984. The committee adopted this approach because it believed that it was preferable to make the bulk of the required fiscal year 1982 savings by pruning this benefit—rather than benefits for living persons—in a manner that is consistent with the priorities placed on veterans with service-connected disabilities and needy veterans of wartime service.

The 1981 Senate-passed provision upon which the provision contained in Public Law 97-35 was based in part, would have retained eligibility for wartime veterans who, even though not in receipt of pension, would have met the VA pension income standards. This eligibility for so-called pension-income eligibles was dropped in negotiations with the other body because of the disproportionately high administrative cost that the VA stated would be associated with making income determinations retroactively. In fact, if this eligibility had been enacted, the VA advised that the total administrative costs for it would have exceeded the total amount of benefits paid on this basis since each claim filed for benefits on the grounds of an individual being pension-income eligible would have had to be developed in spite of the fact that few were expected to be paid.

Nevertheless, early this year, I became concerned by reports—particularly in the Los Angeles area—that there are a relatively small number of impoverished wartime veterans who are not in receipt of VA need-based pension and are thus ineligible for the burial benefit under existing law and who are at risk of a pauper's burial at local government expense when they die. Based on data furnished by the VA, during the period October 1, 1981, through July 31, 1982, there were reported cases of 115 such veterans nationwide who died and for whom the burial benefits were not paid as a result of the provisions enacted last year. My understanding is that more than 60 of these veterans died in Los Angeles County.

I do not believe that any destitute wartime veterans should be denied a decent funeral. The intent mirrored in the provisions enacted last year preserving eligibility for VA pensions was to provide for those who are needy. With respect to those destitute wartime veterans, as well as peacetime veterans discharged for service-connected disabilities that were noncompensable at the time of death, who—for various reasons such as not meeting the total disability requirement, failure to meet the 90-day service requirement, or failure to make application—are not in receipt of VA need-based pension, I believe that a cost-effective and compassionate approach to providing this benefit is possible.

Thus, section 403 of the committee bill incorporates provisions derived from my bill, S. 2048, which I introduced on February 2. The committee bill would provide that a deceased veteran would be deemed to have been in receipt of pension and consequently eligible for the $300 burial benefit if a State, county, or city certifies to the VA, first, that no next of kin or other person has claimed the veteran's body or has assumed the responsibility for the burial and funeral expenses of the veteran, and, second, that the amount of funds or resources available to it from other sources is insufficient to cover the burial and funeral expenses. In these cases, the State or political subdivision would be paid the lesser of the $300 or the cost of the burial and funeral expenses it actually incurred. In addition, the committee bill would similarly restore benefits in the cases of peacetime veterans who had been discharged or released from active military, naval, or air service for a service-connected disability who are not in receipt of VA compensation or military disability retirement.

LIMITATIONS ON CONTRACTING OUT ACTIVITIES IN VA HEALTH-CARE FACILITIES

Mr. President, I have been concerned for some time that the application to the VA's Department of Medicine and Surgery, DM&S, of Office of Management and Budget Circular A-76—which provides for contracting out to private entities the performance of certain functions presently carried out by Government employees—could have a significant adverse impact on the department's overall ability to fulfill its various missions, especially its primary mission of providing quality health care to eligible veterans. In this regard, I was very pleased when the Veterans' Affairs Committee, in response to a request from all five democratic members, held an oversight hearing on this issue last November 5. That hearing provided a great deal of information on the possible impact of the circular but, from my perspective, nothing said at that hearing or subsequent thereto has allayed my concerns about the possible untoward impact of imposing contracting out on DM&S. Thus, I proposed and the committee agreed to include in S. 2913 a provision restricting in a specific and very straightforward fashion the agency's ability to convert an activity in DM&S presently carried out by VA employees to one to be carried out by employees of a contractor.

Specifically, section 409 of the committee bill would provide that, except with regard to the exercise of certain existing contract authority under title 38, no contracting out that would result in the conversion of a DM&S activity from one performed by a Government employee to one performed by an employee of a contractor would be lawful unless, first, the Chief Medical Director determines that the activity in question is not a direct patient-care activity or an activity incident to direct care; and, second, the Administrator determines that the contract in question would reduce the cost of that activity by at least 10 percent and would not reduce the quantity or quality of health-care services available at the medical center involved. For cost comparison purposes, the cost of performance by Government employees would be based on an estimate of the most efficient and cost-effective organization for effective in-house performance, and the cost of conducting the cost comparison study itself would be added to the cost of the contract in computing the 10-percent differential. In authoring this amendment, it was my intention that the factors applied be fairly drawn so as not to favor either contracting out or in-house performance of the activity in question, that the cost data used in the comparison should be derived insofar as possible from actual VA experience, and that various indirect costs of contracting—such as severance pay for VA employees who would be released and the costs to the VA of awarding and monitoring contractor performance—be fully taken into account.

Mr. President, this provision, if enacted, will have the desired effect of insulating from contracting out the direct health-care functions of DM&S. This should insure that the Department remains able to carry out its various missions. As to other activities in DM&S—those not direct health-care or incident to direct care activities—contracting out could take place only when there is a clear demonstration the contract's cost plus the cost of the cost-comparison study would result in significant savings and the contract would not result in any decrease in the quality or quantity of the health-care services provided to eligible veterans.

It is also noteworthy that the committee provision includes a proposed finding of the Congress of the United States that it is the policy of the United States that the Veterans' Administration maintain a comprehensive, nationwide health-care system for the direct provision of quality health-care services to eligible veterans. I proposed this finding to reverse any implication to the contrary that may have been created by the rejection on November 19, 1981, of my amendment—unprinted amendment No. 688—to an amendment dealing with the disapproval of a proposed deferral of funds for certain VA con-

struction projects. My amendment would have provided expressly:

The Congress * * * reaffirms its historic commitment to the maintenance of a comprehensive, nationwide Veterans' Administration health-care system for the provision of direct health-care services to eligible veterans.

CORRESPONDENCE TRAINING

Mr. President, the fifth and final provision I want to highlight, and which I authored, is the provision in section 408 of the committee bill relating to GI bill benefits for correspondence training.

The issues of terminating or reducing correspondence benefits under the GI bill have been subjects of congressional action on a number of occasions over the past 2 years. In the first session of the present Congress, section 2004 of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, reduced from 70 percent to 55 percent the portion of correspondence training costs that the VA pays. Subsequently, a proviso was enacted in the HUD-Independent Agencies Appropriations Act for fiscal year 1983, Public Law 97-101, that originated in the House Appropriations Committee, stating that all funding would be eliminated for the program except with respect to individuals already pursuing correspondence training as of September 30, 1981. In response to this proviso, section 5(a) of Public Law 97-174, the Veterans' Administration and Department of Defense Health Resources Sharing and Emergency Operations Act, provided that except as may be provided "by a provision of law enacted in express limitation" of the provision—section 1783(a)(1) of title 38—creating such entitlement, funds in the VA's readjustment benefits account, from which GI bill and certain other benefits are paid, shall be available for the payment of correspondence training benefits. Thus, upon the enactment of Public Law 97-174 on May 4, 1982, the appropriations proviso was nullified.

Mr. President, this year again, the HUD-Independent Agencies Appropriations Act for fiscal year 1983, H.R. 6956, as passed by the House on September 15, 1982, contains a proposed cutoff, in language that purports to be in express limitation of the relevant provision of title 38, of funding for correspondence training.

After the House Appropriations Committee had reported H.R. 6956, but prior to its passage by the House, correspondence training was considered by the authorizing committees in the context of reconciliation legislation, which was enacted on September 8, 1982, as Public Law 97-253. The original House-passed version of that measure—H.R. 6955—had contained a provision to terminate correspondence training benefits under the GI bill, but the House-Senate conferees on that measure—senior members of the authorizing committees—specifically decided not to proceed with legislation to restrict or terminate correspondence training and the House receded from its provision.

Mr. President, other members of the committee and I feel strongly that a veteran's entitlement—such as VA correspondence training benefits—should not be terminated or reduced through appropriations action that purports to withhold the availability of funds for the payment of such entitlements. Rather, substantive program changes, if they are to be made, should originate in the authorizing committees within whose jurisdiction the programs fall and should be accomplished only through measures within the authorizing committee's jurisdiction. In this case, as noted earlier, the authorizing committees, in the agreement reached on reconciliation legislation that was incorporated in the conference report—House Report No. 97-759—on H.R. 6955, expressly rejected termination of correspondence benefits.

Thus, the committee bill would provide in section 408 that funds in the VA's readjustment benefits account shall remain available for correspondence training unless a restriction on their availability is enacted by means of an amendment to section 1786(a)(3) of title 38 in a reconciliation bill.

In support of the purpose of this provision of the committee bill to prevent veterans' entitlements to correspondence training benefits from being terminated through the appropriations process, section 501(f) of the committee bill would provide that section 408 shall take effect on the day after the effective date of any law that is enacted after August 19, 1982, and which the Administrator determines to be inconsistent with the provisions of section 408. Section 501(f) is thus designed to render a nullity any provision of law, other than reconciliation legislation, that would purport to restrict the availability of readjustment benefits account funds for correspondence training under the GI bill.

CONCLUSION

Mr. President, in closing, I want again to stress that we have before us an excellent example of a bipartisan work product that reflects the Congress true commitment to service-connected disabled and Vietnam-era veterans. Senator SIMPSON deserves congratulations for bringing to the floor this measure, as do the members of the committee's majority staff who worked with the legislation—Tom Harvey, Julie Susman, Brent Goo, Becky Hucks, and Laurie Altemose. In addition, I would like to make special mention of the contributions of the committee's minority staff—Babette Polzer, Ed Scott, Jon Steinberg, Bill Brew, Ingrid Post, and Katy Burdick—to the drafting and development of the bill.

I am delighted, Mr. President, to endorse the provisions of the committee bill. I wholeheartedly recommend them to my colleagues and urge the Senate to approve the measure unanimously.

FAIR TREATMENT FOR VETERANS

Mr. ROBERT C. BYRD. Mr. President, I am pleased to support S. 2913, which provides vitally needed adjustments in the Federal treatment of veterans in the areas of disability payments, educational, and employment assistance.

It has all too often been true that the needs of our men and women who have served the Nation, who have answered the call to duty, fade from our attention after the emergency has ended. When other pressing national concerns dominate our attention, it is often forgotten that the time these men and women devoted to serving in our Armed Forces often works to their disadvantage when they return to civilian life. The time spent in serving the Nation is time not spent in furthering one's career, in succeeding in competition for jobs in the larger society. Of even more importance, those veterans who have sacrificed not only their time, but whose physical and mental capacities have been impaired because of disabilities incurred during their period of service, find themselves at a disadvantage when they return to civilian life.

It has always been recognized that it is fair and right for the Nation to provide some assistance to make up for these disadvantages. During the current period of economic difficulty, of high unemployment, of reduced opportunity, and more severe competition for jobs, the disadvantages of service have become more acute. The level of compensation for service-connected disability has become increasingly crucial to veterans and to the dependents and survivors of those who served. These compensation rates are an important cord in the national safety net. Thus the 7.4 percent cost-of-living increase provided in this bill in compensation rates for service-connected disability and to the dependents of severely disabled veterans, which matches the rate of increase provided to social security recipients and VA pension beneficiaries effective June 1, 1982, is a fair and needed increase.

Information on available educational and employment opportunities has not always come to the attention of eligible veterans. This is particularly true for veterans who are educationally disadvantaged and for veterans who are unskilled and underemployed. The Nation is now reeling from an unemployment rate which may soon push above 10 percent. This legislation

rightly expresses congressional concern about the high levels of unemployment among disabled and Vietnam-era veterans.

We should be concerned that more than half a million veterans age 30 and over are now unemployed. We should be concerned that Vietnam-era veterans between the ages of 25 and 29 were unemployed at the rate of 16.9 percent as of May 1982. The 685,000 unemployed Vietnam-era veterans are clearly one of the hardest hit portions of our labor force. The veterans' committee has determined that much of this unemployment problem is related to the military service experience of veterans of the Vietnam era.

Vietnam veterans clearly have not achieved the educational and employment levels of their peers who did not serve. This disadvantage in educational and occupational attainment, which VA studies have shown to be an effect of military experience in Vietnam, is a proper and urgent subject of national concern. I am pleased, therefore, that the bill provides for additional flexibility in determining extensions of eligibility for educational assistance and rehabilitation programs for Vietnam-era and service-connected disabled veterans.

S. 2913 expresses our conviction that veterans' employment is a national responsibility which must be addressed by the Secretary of Labor. It makes certain needed changes in the administration and coordination of veterans' employment programs among the Labor Department, the Veterans' Administration, and the State directors for veterans' employment. It strengthens and calls for an annual report to the Congress on the disabled veterans outreach program.

I congratulate the Veterans' Affairs Committee of the Senate for its careful work in addressing the problems of our veterans and ask for swift passage of this measure. I will lend my full support to moving this bill through conference with the House of Representatives so that a final conference report may be passed into law before the Congress goes home for the elections.

Mr. MITCHELL. Mr. President, I rise in support of S. 2913, the Veterans' Compensation, Education, and Employment Amendments of 1982. I am pleased to be a cosponsor of this important piece of legislation.

S. 2913 guarantees that those veterans who were disabled while in the service of their country will receive a full cost-of-living adjustment (COLA) in fiscal year 1983. In addition, the bill will make important changes in existing veterans' education and employment programs. While I support the entire bill, there are a number of specific provisions which I particularly support.

First, I am pleased that veterans who are receiving disability compensation will receive a full 7.4-percent cost-of-living adjustment effective October 1. VA pensioners, whose cost-of-living adjustments are automatically indexed to social security, will also receive a full cost-of-living adjustment effective July 1.

During consideration of the budget this year, several proposals were put forth which would have limited the cost-of-living adjustment for those veterans who were disabled while serving their country. One such proposal would have provided a full COLA for disabled veterans with a disability rating of 70 percent or more but would have capped the COLA at 4 percent for those veterans with a disability rating of less than 70 percent.

This proposal would have sent a clear message to America's disabled veterans: If you are 70 percent disabled you deserve, and will receive, a full cost-of-living adjustment. If you are only 60 percent disabled, however, you deserve, and will only receive, a 4 percent COLA. I could not, and would not, support such an arbitrary and discriminatory proposal. In fact, during consideration of the budget I offered an amendment with Senator CHILES to restore a full cost-of-living adjustment for all disabled veterans. Unfortunately, my amendment was not accepted. I am pleased that in the final analysis commonsense prevailed and the full COLA was restored.

Second, I am particularly supportive of changes S. 2913 would make in existing law governing the disabled veterans outreach program. The bill makes it clear that funds provided under the disabled veterans outreach program are for use in a State and not necessarily to a State. This change in law is based on a bill I introduced earlier this year and is designed to give the Secretary of Labor the authority to contract with a nonprofit organization to run the program. In addition, the bill makes it clear that funds provided for the DVOP program are to be used in a manner which is consistent with the law governing the DVOP program, regardless of the source of funding.

Until April of this year, Maine's DVOP was administered by the Maine American Legion pursuant to a contract with the Department of Labor. Until this year, funds for the program came from CETA, title III discretionary funds. In fiscal year 1982, however, funding for the program was switched to the grants-to-States program which funds the Job Service. The Department of Labor ruled that this change in funding precluded the Department from entering into a contract with the American Legion to operate the program. As a result, Maine's DVOP was transferred to the Maine Job Service.

While S. 2913 would not require the Secretary of Labor to contract with an organization within a State, the bill makes it clear he has the authority to do so, regardless of the source of funding.

Third, I strongly support changes S. 2913 would make to existing law governing the GI bill. Unemployment among the veteran population remains intolerably high, particularly among Vietnam-era veterans. For a variety of reasons, many Vietnam veterans have not been able to take advantage of their GI bill benefits. Recognizing this problem, last year Congress extended the delimiting date for certain Vietnam-era veterans to take advantage of their benefits for 2 years, until Decmeber 31, 1983.

The regulations drafted by the VA to implement this provision, however, were so stringent that they precluded virtually all Vietnam veterans from taking advantage of the extension. S. 2913 would correct this problem by instructing the VA to ease up on its restrictions and by extending the delimiting date for 1 more year until December 31, 1984.

The bill also provides for an extension of GI bill benefits for any veteran who was precluded from taking advantage of his or her benefits due to an alcohol- or drug-related problem. I believe this extension will allow many thousands of veterans to obtain the schooling they want, and need, to lead meaningful, productive lives.

Fourth, I am pleased that S. 2913 incorporates a bill I cosponsored earlier this year to restore the $300 burial benefit for certain indigent veterans. The Omnibus Reconciliation bill, enacted last year, eliminated the burial benefit for all veterans except those who were receiving a VA pension when they died. This change in law was made to meet the level of savings mandated by the reconciliation instructions contained in the first budget resolution and at the same time insure that the poorest of our Nation's veterans would receive a decent and proper burial.

Shortly after the law went into effect, however, it became clear that there were many veterans who were in fact indigent, but who were not in receipt of a VA pension when they died. As a result, the bodies of many veterans went unclaimed and the veteran received a pauper's funeral. Clearly this was not the intent of Congress when it passed the reconciliation bill last year.

S. 2913 would address this unfortunate situation. The bill provides that a veteran whose body is not claimed will be deemed to be in receipt of a VA pension at the time of death, and will therefore be eligible for the $300 burial benefit. While this bill does not restore the burial benefit for all veter-

ans, it will insure that indigent veterans receive a decent burial. I believe this is the least this country can do for those who have served our Nation in time of crisis in the past.

Finally, S. 2913 makes important changes in law governing the contracting-out of services at VA health care facilities. With the exception of already existing contracting-out authority for veteran services, such as readjustment counseling services for Vietnam veterans, S. 2913 would prohibit contracting-out of services if the Chief Medical Director determines the service in question is a "direct medical care activity."

For those services which are not direct medical care activities, contracting could occur only if the Administrator determines that contracting out: First, would not result in a decrease in the quality or quantity of health care services offered and, second, would result in substantial savings to the taxpayer.

I believe these changes are important and will insure that the quantity or quality of health care services offered our Nation's veterans will not be diminished as a result of contracting out.

In conclusion, Mr. President, as a member of the Senate Veterans' Affairs Committee, I would like to reaffirm my commitment to meeting the needs of our Nation's veterans. I believe this bill goes a long way toward meeting that commitment. I urge my colleagues who share this view to support this legislation.

Mr. BAKER. Third reading.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment and third reading of the bill.

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

Mr. BAKER. Mr. President, I ask unanimous consent that the Chair lay before the Senate a message from the House on H.R. 6782.

The Presiding Officer laid before the Senate H.R. 6782, an act to increase the rates of disability compensation for disabled veterans, to increase the rates of dependency and indemnity compensation of surviving spouses and children of veterans, and for other purposes.

The PRESIDING OFFICER. Without objection, the bill will be considered as having been read twice, and the Senate will proceed to its immediate consideration.

Mr. BAKER. Mr. President, I move that all after the enacting clause be stricken and insert in lieu thereof the text of S. 2913, as amended.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Tennessee.

The motion was agreed to.

The PRESIDING OFFICER. The question is on the engrossment of the amendment and the third reading of the bill.

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

The bill was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 6782) was passed, as follows:

Resolved, That the bill from the House of Representatives (H.R. 6782) entitled "An Act to amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans, to increase the rates of dependency and indemnity compensation for surviving spouses and children of veterans, and for other purposes", do pass with the following amendments:

Strike out all after the enacting clause and insert:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Veterans' Compensation, Education, and Employment Amendments of 1982".

(b) Except as otherwise specifically 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.

TITLE I—COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION RATE INCREASES AND PROGRAM IMPROVEMENTS

PART A—RATE INCREASES

RATES OF DISABILITY COMPENSATION

SEC. 101. (a) Section 314 is amended—

(1) by striking out "$58" in subsection (a) and inserting in lieu thereof "$62";

(2) by striking out "$107" in subsection (b) and inserting in lieu thereof "$114";

(3) by striking out "$162" in subsection (c) and inserting in lieu thereof "$173";

(4) by striking out "$232" in subsection (d) and inserting in lieu thereof "$249";

(5) by striking out "$328" in subsection (e) and inserting in lieu thereof "$352";

(6) by striking out "$413" in subsection (f) and inserting in lieu thereof "$443";

(7) by striking out "$521" in subsection (g) and inserting in lieu thereof "$559";

(8) by striking out "$604" in subsection (h) and inserting in lieu thereof "$648";

(9) by striking out "$679" in subsection (i) and inserting in lieu thereof "$729";

(10) by striking out "$1,130" in subsection (j) and inserting in lieu thereof "$1,213";

(11) by striking out "$1,403" and "$1,966" in subsection (k) and inserting in lieu thereof "$1,506" and "$2,111", respectively;

(12) by striking out "$1,403" in subsection (l) and inserting in lieu thereof "$1,506";

(13) by striking out "$1,547" in subsection (m) and inserting in lieu thereof "$1,661";

(14) by striking out "$1,758" in subsection (n) and inserting in lieu thereof "$1,888";

(15) by striking out "$1,966" each place it appears in subsections (o) and (p) and inserting in lieu thereof "$2,111";

(16) by striking out "$844" and "$1,257" in subsection (r) and inserting in lieu thereof "$906" and "$1,350", respectively;

(17) by striking out "$1,264" in subsection (s) and inserting in lieu thereof "$1,357"; and

(18) by striking out "$244" in subsection (t) and inserting in lieu thereof "$262".

(b) The Administrator of Veterans' Affairs may adjust administratively, consistent with the increases authorized by this section, the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857 who are not in receipt of compensation payable pursuant to chapter 11 of title 38, United States Code.

RATES OF ADDITIONAL COMPENSATION FOR DEPENDENTS

SEC. 102. Section 315(1) is amended—

(1) by striking out clauses (A) through (G) and inserting in lieu thereof the following:

"(A) has a spouse but no child, $74;

"(B) has a spouse and one or more children, $124 plus $40 for each child in excess of one;

"(C) has no spouse but one or more children, $50 plus $40 for each child in excess of one;";

(2) by redesignating clauses (H), (I), and (J) as clauses (D), (E), and (F), respectively;

(3) by striking out "$56" in clause (D) (as redesignated by clause (2) of this section) and inserting in lieu thereof "$60";

(4) by striking out "$125" in clause (E) (as redesignated by clause (2) of this section) and inserting in lieu thereof "$134"; and

(5) by striking out "$105" in clause (F) (as redesignated by clause (2) of this section) and inserting in lieu thereof "$112".

CLOTHING ALLOWANCE FOR CERTAIN DISABLED VETERANS

SEC. 103. Section 362 is amended by striking out "$305" and inserting in lieu thereof "$327".

RATES OF DEPENDENCY AND INDEMNITY COMPENSATION FOR SURVIVING SPOUSES

SEC. 104. (a) Section 411(a) is amended to read as follows:

"(a) Dependency and indemnity compensation shall be paid to a surviving spouse, based on the pay grade of the person upon whose death entitlement is predicated, at monthly rates set forth in the following table:

"Pay grade	Monthly rate	"Pay grade	Monthly rate
E-1	$445	W-4	$639
E-2	$459	O-1	$563
E-3	$470	O-2	$582
E-4	$500	O-3	$622
E-5	$514	O-4	$658
E-6	$526	O-5	$726
E-7	$552	O-6	$817
E-8	$582	O-7	$884
E-9	[1] $608	O-8	$969
W-1	$563	O-9	$1,041
W-2	$586	O-10	[2] $1,139
W-3	$603		

[1] If the veteran served as sergeant major of the Army, senior enlisted advisor of the Navy, chief master sergeant of the Air Force, sergeant major of the Marine Corps, or master chief petty officer of the Coast Guard, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $655.

[2] If the veteran served as Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, or Commandant of the Marine Corps, at the applicable time designated by section 402 of this title, the surviving spouse's rate shall be $1,222.".

(b) Subsection (b) of such section is amended by striking out "$48" and inserting in lieu thereof "$51".

(c) Subsection (c) of such section is amended by striking out "$125" and inserting in lieu thereof "$134".

(d) Subsection (d) of such section is amended by striking out "$62" and inserting in lieu thereof "$66".

RATES OF DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 105. Section 413 is amended—

(1) by striking out "$210" in clause (1) and inserting in lieu thereof "$225";

(2) by striking out "$301" in clause (2) and inserting in lieu thereof "$323";

(3) by striking out "$389" in clause (3) and inserting in lieu thereof "$417"; and

(4) by striking out "$389" and "$79" in clause (4) and inserting in lieu thereof "$417" and "$84", respectively.

RATES OF SUPPLEMENTAL DEPENDENCY AND INDEMNITY COMPENSATION FOR CHILDREN

SEC. 106. Section 414 is amended—

(1) by striking out "$125" in subsection (a) and inserting in lieu thereof "$134";

(2) by striking out "$210" in subsection (b) and inserting in lieu thereof "$225"; and

(3) by striking out "$107" in subsection (c) and inserting in lieu thereof "$114".

PART B—COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION IMPROVEMENTS

INCREASE IN COMPENSATION RATE FOR CERTAIN BLINDED VETERANS

SEC. 110. Section 314(n) is amended by inserting "or has suffered total blindness without light perception in both eyes," after "anatomical loss of both eyes,".

ENTITLEMENT TO CERTAIN DEPENDENCY AND INDEMNITY COMPENSATION

SEC. 111. Section 410(b)(1) is amended by inserting "or but for a clear and unmistakable error would have been" after "was" the first two places it appears.

PART C—SUPERSESSION OF CERTAIN PROVISIONS

SEC. 120. The provisions of this title shall supersede the provisions of section 405 of the Omnibus Reconciliation Act of 1982 (Public Law 97-253; 96 Stat. 803).

TITLE II—AMENDMENTS OF VETERANS' EDUCATION AND REHABILITATION PROGRAMS

VETERANS OUTREACH SERVICES PROGRAM

SEC. 201. Section 243 is amended to read as follows: "The Administrator may assign veterans representatives to educational institutions or other appropriate locations as necessary (1) to provide assistance in connection with the provision of benefits under this title to veterans and eligible persons, and (2) to provide outreach services under this subchapter.".

REHABILITATION PROGRAM SUBSISTENCE ALLOWANCE

SEC. 202. Section 1508(g)(2) is amended—

(1) by inserting "not" after "shall"; and

(2) by striking out all after "felony" and inserting in lieu thereof a period.

CALCULATION OF LUMP-SUM PAYMENTS; USE OF POST-VIETNAM ERA VETERANS' EDUCATION ACCOUNT

SEC. 203. Section 1622 is amended—

(1) by striking out in subsection (d) "$75" and inserting in lieu thereof "$100"; and

(2) by adding at the end the following new subsection:

"(e) The administrator may receive from the Secretary and disburse on behalf of the Secretary funds for administering the education assistance program authorized by section 2141 of title 10 and may use the fund for such purpose.".

REPEAL OF 1989 TERMINATION DATE

SEC. 204. (a) Section 1662 is amended by striking out subsection (e) in its entirety.

(b)(1) Chapter 34 is amended by adding at the end the following new section:

"§ 1694. Reimbursement by the Secretary of Defense

"The Secretary of Defense shall reimburse the Administrator for all amounts of educational or training assistance allowances paid by the Administrator under this chapter or chapter 36 of this title after December 31, 1989.".

(2) The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"1694. Reimbursement by the Secretary of Defense.".

REPEAL OF 50-PERCENT RULE

SEC. 205. (a) Section 1673(a) is amended—

(1) by striking out "(1)" before "The";

(2) by striking out paragraph (2) in its entirety;

(3) by redesignating clauses (A), (B), (C), and (D) as clauses (1), (2), (3), and (4), respectively; and

(4) by striking out clause (2) (as redesignated by clause (3) of this subsection) and inserting in lieu thereof the following:

"(2) any sales or sales management course which does not provide specialized training within a specific vocational field;".

(b) Section 1723(a) is amended—

(1) by striking out "(1)" before "The";

(2) by striking out paragraph (2) in its entirety;

(3) by redesignating clauses (A), (B), (C), and (D) as clauses (1), (2), (3), and (4), respectively; and

(4) by striking out clause (2) (as redesignated by clause (3) of this section) and inserting in lieu thereof the following:

"(2) any sales or sales management course which does not provide specialized training within a specific vocational field;".

ADMINISTRATIVE AND TECHNICAL AMENDMENTS

SEC. 206. (a) Section 1652(b) is amended by striking out "402(a) of the Economic Opportunity Act of 1964 (42 U.S.C. 2902(a))" and inserting in lieu thereof "section 7(i) of the Small Business Act (15 U.S.C. 636(i))".

(b) Section 1673(d) is amended by inserting "except to the extent provided for in section 1691(c) of this title" after "subchapter V" in the first sentence.

Section 1682 is amended—

(1) by amending subsection (a)(1) by striking out "or (c)" and inserting in lieu thereof "(c), or (g)";

(2) by amending subsection (e)—

(A) in the first sentence by inserting "(2)" after "subsection (b)"; and

(B) in the second sentence by striking out "at" and inserting in lieu thereof "in accordance with the rate at which training is pursued, but in no event at more than"; and

(3) by amending subsection (g)—

(A) by inserting at the end of paragraph (1) the following new sentence: "Except for the payment of the educational assistance allowance for necessary supplies, books, and equipment required of similarly circumstanced nonveterans, no amount shall be payable to a veteran while so incarcerated for any course for which no tuition or fees are charged.";

(B) by amending paragraph (2)—

(i) by inserting "not" after "shall"; and

(ii) by striking out all after "felony" and inserting in lieu thereof a period.

(d) Section 1780(a) is amended—

(1) by striking out "1504" and inserting in lieu thereof "1508";

(2) by inserting "or" at the end of clause (4);

(3) by striking out the semicolon and "or" at the end of clause (5) and inserting in lieu thereof a period; and

(4) by striking out clause (6) in its entirety.

(e) Section 1798(e)(3) is amended by striking out all after the first sentence.

AUTHORITY TO SUSPEND GI BILL BENEFITS IN CERTAIN CASES

SEC. 207. Section 1790(b) is amended—

(1) in paragraph (2) by striking out "Any" and inserting in lieu thereof "Except as provided in paragraph (3) of this subsection, any"; and

(2) by adding at the end the following new paragraph:

"(3)(A) The Administrator may suspend educational assistance to eligible veterans and eligible persons already enrolled, and may disapprove the enrollment or reenrollment of any eligible veteran or eligible person, in any course as to which the Administrator has evidence showing a substantial pattern of eligible veterans or eligible persons, or both, who are receiving such assistance by virtue of their enrollment in such course but who are not entitled to such assistance because (i) the course approval requirements of this chapter are not being met, or (ii) the educational institution offering such course has violated one or more of the recordkeeping or reporting requirements of this chapter or chapter 32, 34, or 35 of this title.

"(B)(i) Action may be taken under subparagraph (A) of this paragraph only if (I) the Administrator has provided the State approving agency concerned and such institution with written notification of any such failure to meet such approval requirements and any such violation of such recordkeeping or reporting requirements, (II) such institution (aa) has refused to take corrective action, or (bb) within sixty days after such notification (or within such other reasonable period as the Administrator determines is appropriate) has failed to take corrective action, and (III) the Administrator has, not less than thirty days prior to taking action under such subparagraph, provided each eligible veteran and eligible person already enrolled in such course with written notification of the Administrator's intention to take such action, together with the reasons therefor, if such corrective action is not taken within such sixty days (or within such other reasonable period as the Administrator has determined is appropriate) and of the date on which the Administrator intends to take action under such subparagraph.".

CLARIFICATION OF TARGETED DELIMITING DATE EXTENSION

SEC. 208. (a) Section 1662(a)(3) is amended—

(1) by striking out "may" in subparagraph (C)(i) and inserting in lieu thereof "shall" and by striking out "only if the veteran has been determined by the Administrator to be in need of such a program or course in order to achieve a suitable occupational or vocational objective" and inserting in lieu thereof "unless the Administrator determines, based on an examination of the veteran's employment and training history, that the veteran is not in need of such a program or course in order to obtain a reasonably stable employment situation consistent with the veteran's abilities and aptitudes," and

(2) by striking out "1983" in subparagraph (D) and inserting in lieu thereof "1984".

(b)(1) Not later than thirty days after the date of the enactment of this Act, the Administrator of Veterans' Affairs shall publish in

the Federal Register, for public review and comment for a period not to exceed thirty days, proposed regulations under section 1662(a)(3)(C)(i) of title 38, United States Code, as amended by subsection (a) of this section.

(2) Not later than ninety days after the date of the enactment of this Act, the Administrator shall publish in the Federal Register final regulations under such section 1662(a)(3)(C)(i) as so amended.

TOLLING DELIMITING DATES BY REASON OF DRUG AND ALCOHOL CONDITIONS

SEC. 209. (a) Section 1503(b)(1) is amended—

(1) by inserting "(A)" before "In"; and

(2) by inserting at the end the following new subparagraph:

"(B)(i) Subject to divisions (iii) and (iv) of this subparagraph, in any case in which the Administrator determines that a veteran has been prevented from participating in a vocational rehabilitation program under this chapter within the period of eligibility prescribed in subsection (a) of this section because a condition described in division (ii) of this subparagraph made it infeasible for such veteran to participate in such a program, the twelve-year period of eligibility shall not run during the period of time that such veteran was so prevented from participating in such a program.

"(ii) The condition referred to in division (i) of this subparagraph as described in this division is an alcohol or drug dependence or abuse condition of a veteran in a case in which it is determined, under regulations which the Administrator shall prescribe, that—

"(I) such veteran (aa) has received recognized treatment for such condition, or (bb) has participated in a program of rehabilitation for such condition, and

"(II) such condition is sufficiently under control to enable such veteran to participate in a vocational rehabilitation program under this chapter.

"(iii) Division (i) of this subparagraph applies only if the veteran has filed an application under this paragraph within one year after (I) the last date of the period of eligibility otherwise applicable under this section, (II) the termination of the last period of such treatment or such program of rehabilitation, or (III) the date on which final regulations prescribed pursuant to division (i) of this subparagraph are published in the Federal Register, whichever is the latest.

"(iv) The period of time during which, pursuant to division (i) of this subparagraph, the twelve-year period of eligibility does not run shall be limited to the period during which the veteran was receiving treatment or the period of time the veteran was participating in a program of rehabilitation for such condition plus such additional length of time as the veteran demonstrates, to the satisfaction of the Administrator, that the veteran was prevented by such condition from participating in a vocational rehabilitation program under this chapter, but in no event shall such period of time be more than four years.

"(v) When, pursuant to division (i) of this subparagraph, a period of eligibility does not run for a period of time, such period of eligibility shall again begin to run on the first day, following such condition becoming sufficiently under control to enable such veteran to participate in such a program of vocational rehabilitation, on which it is reasonably feasible, as determined under such regulations, for such veteran to participate in such a program.".

(b) Section 1662(a) is amended—

(1) in paragraph (1)—

(A) by inserting "or because of a condition (and under the circumstances) described in paragraph (4) of this subsection" after "misconduct"; and

(B) by inserting "(except as provided in paragraph (4)(B)(ii) of this subsection)" after "length of time"; and

(C) by inserting "because of such disability" after "sentence"; and

(2) by inserting at the end the following new paragraph:

"(4)(A) A condition referred to in paragraph (1) of this subsection as described in this paragraph is an alcohol or drug dependence or abuse condition of a veteran in a case in which it is determined, under regulations which the Administrator shall prescribe, that—

"(i) such veteran (I) has received recognized treatment for such condition, or (II) has participated in a program of rehabilitation for such condition, and

"(ii) such condition is sufficiently under control to enable such veteran to pursue such veteran's chosen program of education under this chapter.

"(B)(i) Notwithstanding the provisions of paragraph (1) of this subsection, a veteran may be granted an extension of the applicable delimiting period because of such condition upon application for such extension made within one year after (I) the last date of the delimiting period otherwise applicable under this section, (II) the termination of the last period of such treatment or such program of rehabilitation, or (III) the date on which final regulations prescribed pursuant to subparagraph (A) of this paragraph are published in the Federal Register, whichever is the latest.

"(ii) An extension of the applicable delimiting period because of such condition shall be limited to the period of time the veteran was receiving treatment or the period of time the veteran was participating in a program of rehabilitation for such condition plus such additional length of time as the veteran demonstrates, to the satisfaction of the Administrator, that the veteran was prevented by such condition for initiating or completing such program of education, but in no event shall the extension be for more than four years. When such extension is granted, the delimiting period with respect to such veteran will again begin running on the first day, following such condition becoming sufficiently under control to enable such veteran to pursue such veteran's chosen program of education under this chapter, on which it is reasonably feasible, as determined in accordance with such regulations, for such veteran to initiate or resume pursuit of a program of education with educational assistance under this chapter.".

(c) Section 1712(b) is amended—

(1) in paragraph (2)—

(A) by inserting "or because of a condition (and under the circumstances) described in paragraph (3)(A) of this subsection" after "misconduct";

(B) by inserting "(except as provided in paragraph (3)(B)(ii) of this subsection)" after "length of time"; and

(C) by inserting "because of such disability" after "sentence"; and

(2) by inserting at the end the following new paragraph:

"(3)(A) A condition referred to in paragraph (2) of this subsection as described in this paragraph is an alcohol or drug dependence or abuse condition of an eligible person in a case in which it is determined, under regulations which the Administrator shall prescribe, that—

"(i) such person (I) has received recognized treatment for such condition, or (II) has participated in a program of rehabilitation for such condition, and

"(ii) such condition is sufficiently under control to enable such person to pursue such person's chosen program of education under this chapter.

"(B)(i) Notwithstanding the provisions of paragraph (2) of this subsection, an eligible person may be granted an extension of the applicable delimiting period because of such condition upon application for such extension made within one year after (I) the last date of the delimiting period otherwise applicable under this section, (II) the termination of the last period of such treatment or such program of rehabilitation, or (III) the date on which final regulations prescribed pursuant to subparagraph (A) of this paragraph are published in the Federal Register, whichever is the latest.

"(ii) An extension of the applicable delimiting period because of such condition shall be limited to the period of time the eligible person was receiving treatment or the period of time such person was participating in a program of rehabilitation for such condition plus such additional length of time as such person demonstrates, to the satisfaction of the Administrator, that such person was prevented by such condition from initiating or completing such program of education, but in no event shall the extension be for more than four years. When such extension is granted, the delimiting period with respect to such person will again begin running on the first day, following such condition becoming sufficiently under control to enable such person to pursue such person's chosen program of education under this chapter, on which it is reasonably feasible, as determined in accordance with such regulations, for such person to initiate or resume pursuit of a program of education with educational assistance under this chapter.".

TITLE III—VETERANS' EMPLOYMENT AMENDMENTS

CONGRESSIONAL FINDINGS

SEC. 301. The Congress makes the following findings:

(1) There exists serious unemployment and underemployment among disabled veterans and veterans of the Vietnam era.

(2) Alleviating unemployment and underemployment among such veterans is a national responsibility.

(3) Because of the special nature of such veterans' employment and training problems and the national responsibility to meet those problems, policies and programs to address those problems need to be effectively and vigorously implemented by the Secretary of Labor through the Assistant Secretary of Labor for Veterans' Employment.

PURPOSE OF JOBS TRAINING PROGRAMS

SEC. 302. Section 2002 is amended—

(1) by inserting "and regulations" after "to this end policies"; and

(2) by inserting a comma and "with priority given to the needs of disabled veterans and veterans of the Vietnam era," after "opportunities".

STATE AND ASSISTANT DIRECTORS FOR EMPLOYMENT

SEC. 303. (a)(1) Section 2003 is amended by striking out the section heading and all of the matter preceding clause (1) and inserting in lieu thereof the following:

"§ 2003. State and Assistant State Directors for Veterans' Employment

"(a) The Secretary of Labor shall assign to each State a representative of the Veterans' Employment Service who shall serve as the State Director for Veterans' Employment, and shall assign full-time clerical support to each such Director. The Secretary shall also assign to each State one Assistant State Director for Veterans' Employment per each 250,000 veterans and eligible persons of the State veterans population and such additional Assistant State Directors for Veterans' Employment as the Secretary shall determine, based on the data collected pursuant to section 2007 of this title, as are necessary to carry out effectively the purposes of this chapter. Full-time Federal clerical support personnel assigned to State Directors for Veterans' Employment shall be appointed in accordance with the provisions of title 5 governing appointments in the competitive service and shall be paid in accordance with the provisions of chapter 51 and subchapter III of chapter 53 of such title.

"(b) Each State Director for Veterans' Employment and each Assistant State Director for Veterans' Employment assigned to serve in any State (1) shall be an eligible veteran who at the time of appointment has been (A) a bona fide resident of the State for at least two years, or (B) if the Secretary, through the Assistant Secretary of Labor for Veterans' Employment, determines after a good faith search within the State that there is no eligible veteran available for appointment who meets such requirement and who is also qualified for the position, an Assistant State Director for Veterans' Employment for at least one year in any other State, and (2) shall be appointed in accordance with the provisions of title 5 governing appointments in the competitive service and be paid in accordance with the provisions of chapter 51 and subchapter III of chapter 53 of such title.

"(c) Each State Director for Veterans' Employment and Assistant State Director for Veterans' Employment shall be attached to the public employment service system of the State to which such Director is assigned. Such Director shall be administratively responsible to the Secretary of Labor for the execution of the veterans' and eligible persons' counseling and placement policies of the Secretary through the public employment service system and in cooperation with other employment and training programs administered by the Secretary, by other Federal jobs training program grantees in the State, or directly by the State.

"(d) In cooperation with the staffs of the public employment service system and of each other program in the State described in subsection (c) of this section, the State Director for Veterans' Employment for the State and the Assistant State Director for Veterans' Employment for the State shall—".

(2) The item relating to section 2003 in the table of sections at the beginning of chapter 41 is amended to read as follows:

"2003. State and Assistant State Directors for Veterans' Employment.".

(b) Clause (6) of such section is amended to read as follows:

"(6) promote the participation of veterans in Federal employment and training programs and monitor the implementation and operation of such programs to ensure that eligible veterans, disabled veterans, and veterans of the Vietnam era receive such special consideration or priority in the provision of services as is required by law or regulation;".

(c) Such section is further amended by striking out the period at the end of clause (7) and inserting in lieu thereof a semicolon and adding at the end the following:

"(8) supervise the listing of jobs and subsequent referrals of qualified veterans as required by section 2012 of this title;

"(9) be responsible for ensuring that complaints of discrimination filed under section 2012 of this title are resolved in a timely fashion;

"(10) working closely with appropriate Veterans' Administration officials, cooperate with employers in identifying disabled veterans who have completed or are enrolled in training under chapter 31 of this title;

"(11) cooperate with the directors of the veterans assistance offices established under section 242 of this title in identifying and assisting veterans who have readjustment problems and who may need employment placement assistance or vocational training assistance; and

"(12) in the case of disabled veterans, when requested by Federal and State agencies and private employers, assist those entities in identifying and acquiring prosthetic and sensory aids and devices which tend to enhance disabled veterans' employability.".

DISABLED VETERANS' OUTREACH PROGRAM SPECIALISTS

SEC. 304. (a) Section 2003(a) is amended—

(1) in paragraphs (1) and (3), by striking out "available to" and inserting in lieu thereof "available for use in";

(2) in paragraph (2), by striking out "provided to" and inserting in lieu thereof "provided for use in"; and

(3) by adding at the end the following new paragraph:

"(5) The distribution and use of funds provided for use in States under this section shall be subject to the continuing supervision and monitoring of the Assistant Secretary for Veterans' Employment and shall not be governed by the provisions of any other law, or regulation prescribed thereunder, that is inconsistent with the provisions of this section.".

(b) Subsection (b)(2) of such section is amended—

(1) by inserting a comma and "except that the Secretary, after consultation with the appropriate State Directors assigned under section 2003 of this title, may grant waivers of such limitation as long as the percentage of such specialists so stationed in all States does not exceed 80 percent of such specialists stationed in all States" after "such State"; and

(2) by striking out "section 621A" and inserting in lieu thereof "section 612A".

(c) Subsection (c) of such section is amended—

(1) by striking out "prime sponsors under the Comprehensive Employment and Training Act" in paragraph (4) and inserting in lieu thereof "appropriate grantees under other Federal employment and training programs"; and

(2) by adding at the end the following new paragraph:

"(8) Development of outreach programs in cooperation with the Veterans' Administration's vocational rehabilitation staff, with institutions of higher learning, and with employers to assure maximum assistance to disabled veterans who have completed or are enrolled in training under chapter 31 of this title.".

(d) Section 2003A is further amended—

(1) by striking out subsection (d) in its entirety;

(2) by redesignating subsection (e) as subsection (d); and

(3) by adding at the end of subsection (d) (as redesignated by clause (2) of this subsection) the following new sentence: "In administering the program provided for in this section, the Assistant Secretary of Labor for Veterans' Employment shall monitor the appointment of veterans to serve as disabled veteran outreach program specialists to ensure that appointments are made in accordance with the preference requirements prescribed in subsection (a)(2) of this section.".

ESTIMATES OF FUNDS FOR ADMINISTRATION

SEC. 305. (a) Section 2006(a) is amended—

(1) by inserting in the first sentence "and chapters 42 and 43 of this title" after "of this chapter";

(2) by adding after the third sentence the following new sentence: "Estimates referred to in the preceding sentence shall include amounts necessary to fund the disabled veterans' outreach program under section 2003A of this title and shall be approved by the Secretary of Labor only if the level of funding proposed is in compliance with such section."; and

(3) by adding at the end the following new sentence: "The Secretary shall carry out the provisions of this subsection through the Assistant Secretary for Veterans' Employment.".

(b) Subsection (d) of such section is amended by inserting a comma and "upon the recommendation of the Assistant Secretary of Labor for Veterans' Employment," after "Secretary of Labor".

ANNUAL REPORT TO CONGRESS

SEC. 306. Section 2007(c) is amended by adding at the end the following new sentence: "The report shall also include a report on activities carried out under section 2003A of this title.".

APPLICABILITY OF CHAPTER 42 PROGRAMS

SEC. 307. Section 2011(5) is amended to read as follows:

"(5) The terms 'department or agency' and 'department, agency, and instrumentality in the executive branch' each mean any agency of the Federal Government or the District of Columbia, including any Executive agency as defined in section 105 of title 5, and the United States Postal Service and the Postal Rate Commission.".

REPORTS OF CONTRACTORS ON VETERANS' EMPLOYMENT EMPHASIS

SEC. 308. (a) Section 2012 is amended by adding at the end the following new subsection:

"(d)(1) Each contractor with respect to which subsection (a) of this section applies shall report at least annually to the Secretary of Labor on the number of veterans of the Vietnam era and the number of special disabled veterans in the work force of such contractor by job category and hiring location.

"(2) The Secretary of Labor shall insure that the administration of the reporting requirement under paragraph (1) of this subsection is coordinated with respect to requirements for the contractor to make other reports to the Secretary of Labor.".

(b) Within ninety days after the date of the enactment of this Act, the Secretary of Labor shall prescribe regulations implementing the amendment made by subsection (a).

JURISDICTION OF ASSISTANT SECRETARY OF LABOR FOR VETERANS' EMPLOYMENT

SEC. 309. (a) Section 2025 is amended to read as follows:

"§ 2025. Jurisdiction; assistance in obtaining reemployment

"(a) The Secretary of Labor shall carry out the provisions of this chapter through the Assistant Secretary of Labor for Veterans' Employment.

"(b) The Secretary shall render aid in the replacement in their former positions or reemployment of persons who have satisfactorily completed any period of active duty in the Armed Forces or the Public Health Service. In rendering such aid, the Secretary shall use existing Federal and State agencies engaged in similar or related activities and shall utilize the assistance of volunteers.".

(b) The item relating to section 2025 in the table of sections at the beginning of chapter 43 is amended to read as follows:

"2025. Jurisdiction; assistance in obtaining reemployment.".

REPEAL OF EXEMPLARY REHABILITATION CERTIFICATES PROGRAM

SEC. 310. Section 6 of Public Law 90-83 (81 Stat. 221; 29 U.S.C. 601-607) is repealed.

TITLE IV—MISCELLANEOUS IMPROVEMENTS

ASSIGNMENTS BY VETERANS ADMINISTRATION INSURANCE BENEFICIARIES

SEC. 401. (a) Section 718 is amended by inserting at the end the following new subsection:

"(c) Except as to insurance granted under section 722(b) of this title, in any case involving a dispute between two or more persons, each of whom is claiming proceeds of a policy maturing on or after the date of the enactment of this subsection, an assignment of all or any portion of the proceeds to a person other than a person specified in subsection (b) of this section is authorized to resolve such dispute if the proposed assignee claims such proceeds on the grounds that—

"(1) the insured during such insured's lifetime designated such proposed assignee as the beneficiary;

"(2) the insured contracted during such insured's lifetime with such proposed assignee to designate such proposed assignee as the beneficiary; or

"(3) such proposed assignee was named, during such insured's lifetime, in a judicial order or decree as a person whom the insured was ordered to designate as the beneficiary or to retain as the designated beneficiary.

Except in cases in which the insurance proceeds are payable in a lump sum, the designated contingent beneficiary, if any, must join in any such assignment by a person upon whose death or disqualification such contingent beneficiary's claim to the proceeds would be predicated.".

(b) Section 753 is amended—

(1) by inserting "(a)" before "Any"; and

(2) by adding at the end the following new subsection:

"(b) In any case involving a dispute between two or more persons, each of whom is claiming proceeds of a policy maturing on or after the date of the enactment of this subsection, an assignment of all or any portion of the proceeds to a person other than a person specified in subsection (a) of this section is authorized to resolve such dispute if the proposed assignee claims such proceeds on the grounds that—

"(1) the insured during such insured's lifetime designated such proposed assignee as the beneficiary;

"(2) the insured contracted during such insured's lifetime with such proposed assignee to designate such proposed assignee as the beneficiary; or

"(3) such proposed assignee was named, during such insured's lifetime, in a judicial order or decree as a person whom the insured was ordered to designate as the beneficiary or to retain as the designated beneficiary.

Except in cases in which the insurance proceeds are payable in a lump sum, the designated contingent beneficiary, if any, must join in any such assignment by a person upon whose death or disqualification such contingent beneficiary's claim to the proceeds would be predicated.".

REMOVAL OF TIME RESTRICTION FOR FILING INSURANCE CLAIMS

SEC. 402. Section 770 is amended—

(1) by amending subsection (c) by striking out the second sentence; and

(2) by adding at the end the following new subsection:

"(h) Under no circumstances shall insurance payable under this subchapter escheat to a State, and payment shall not be made to the insured's estate or the estate of any beneficiary unless it is affirmatively shown that any sum to be paid will not escheat.".

BURIAL BENEFITS FOR CERTAIN INDIGENT VETERANS OF WARTIME SERVICE

SEC. 403. Section 902 is amended by adding at the end the following new subsection:

"(c)(1) For the purposes of this section, a deceased veteran of any war or a deceased veteran who was discharged or released from active military, naval, or air service for a service-connected disability shall be deemed to have been in receipt of pension at the time of such veteran's death if a State or political subdivision of a State certifies in writing to the Administrator that—

"(A) there is no next of kin or other person claiming the body of such deceased veteran;

"(B) such State or political subdivision has assumed responsibility for the burial and funeral expenses of such deceased veteran; and

"(C) there is not available, other than from such State or political subdivision, an amount of resources or funds sufficient to cover the burial and funeral expenses of such deceased veteran.

"(2) The payment made on behalf of such deceased veteran under subsection (a) of this section as a result of paragraph (1) of this subsection shall, notwithstanding the provisions of subsection (b) of this section, be paid to such State or political subdivision and shall be the lesser of $300 or the actual burial and funeral expenses incurred by such State or political subdivision.".

GUARANTEED LOANS TO REFINANCE LIENS ON MANUFACTURED HOMES AND TO PURCHASE MANUFACTURED HOME LOTS; CHANGE IN NOMENCLATURE

SEC. 404. (a) Section 1819(a) is amended—

(1) by striking out "one of the following purposes" and inserting in lieu thereof "the purpose or purposes specified in one of the following clauses";

(2) in paragraph (1), by inserting at the end the following new clause:

"(G)(i) To refinance in accordance with paragraph (5) of this subsection an existing loan that was made for the purchase of and is secured by a manufactured home, and (ii) to purchase a lot on which such manufactured home is or will be placed.";

(3) in paragraph (2), by striking out "any of the purposes described in paragraph (1) of this subsection" and inserting in lieu thereof "a purpose specified in any one of the clauses (A) through (E) or (G) of paragraph (1) of this subsection or for the purposes specified in clause (G) of such paragraph";

(4) in paragraph (3), by striking out "(C) or (E)" and inserting in lieu thereof "(C), (E), or (G)"; and

(5) by inserting at the end the following new paragraph:

"(5)(A) For a loan to be guaranteed for the purposes specified in clause (G) of paragraph (1) of this subsection—

"(i) the loan must be secured by the same manufactured home as was the loan being refinanced and such manufactured home must be owned and occupied by the veteran as such veteran's home; and

"(ii) the amount of the loan may not exceed an amount equal to the sum of—

"(I) the purchase price of the lot,

"(II) the amount (if any) determined by the Administrator to be appropriate under paragraph (2) of this subsection to cover the cost of necessary preparation of such lot,

"(III) the balance of the loan being refinanced, and

"(IV) such closing costs (including any discount permitted pursuant to section 1803(c)(3)(E) of this title) as may be authorized by the Administrator, under regulations which the Administrator shall prescribe, to be included in such loan.

"(B) When a loan is made to a veteran for the purposes specified in clause (G) of paragraph (1) of this subsection, and the loan being refinanced was guaranteed, insured, or made under this section, the portion of the loan made for the purpose of refinancing such loan may be guaranteed by the Veterans' Administration under this chapter without regard to the amount of outstanding guaranty entitlement available for use by such veteran, and the amount of such veteran's guaranty entitlement shall not be charged as a result of any guaranty provided for such purpose. For the purposes of section 1802(b) of this title, such portion of such loan shall be deemed to have been obtained with the guaranty entitlement used to obtain the loan being refinanced.".

(b) Section 1803(c)(3) is amended—

(1) by striking out "or" at the end of clause (C);

(2) by striking out the period at the end of clause (D) and inserting in lieu thereof a semicolon and "or"; and

(3) by inserting at the end the following new clause:

"(E) to refinance indebtedness and purchase a manufactured-home lot pursuant to section 1819(a)(1)(G) of this title, but only with respect to that portion of the loan used to refinance such indebtedness.".

(c)(1) Section 1811 is amended—

(A) by striking out in subsection (c)(1) "mobile home" and inserting in lieu thereof "manufactured home"; and

(B) by striking out in subsection (d)(1) "mobile home" and inserting in lieu thereof "manufactured home".

(2) Section 1819 is further amended—

(A) by striking out "mobile home" each place it appears and inserting in lieu thereof "manufactured home";

(B) by striking out "mobile homes" each place it appears and inserting in lieu thereof "manufactured homes";

(C) by striking out "mobile-home" both places it appears in subsection (a)(4)(A)(ii) and inserting in lieu thereof "manufactured-home"; and

(D) by amending the catchline to read as follows:

"§ 1819. Loans to purchase manufactured homes and lots".

(3) The table of sections at the beginning of chapter 37 is amended by amending the item related to section 1819 to read as follows:

"1819. Loans to purchase manufactured homes and lots.".

PERIOD FOR REQUEST OF OVERPAYMENT WAIVER

SEC. 405. Section 3102(a) is amended—

(1) by striking out "two years" and inserting in lieu thereof "one hundred and eighty days"; and

(2) by inserting a comma and "or within such longer period as the Administrator determines is reasonable in a case in which the payee demonstrates to the satisfaction of the Administrator that such notification was not actually received by such payee within a reasonable period after such date" after "payee".

MINIMUM SERVICE REQUIREMENT

SEC. 406. (a) Section 3103A is amended—

(1) by redesignating subsection (d) as subsection (e) and inserting after subsection (c) the following new subsection:

"(d)(1) Notwithstanding any other provision of law and except as provided in paragraph (3) of this subsection, a person described in paragraph (2) of this subsection who is discharged or released from a period of active duty before completing the shorter of—

"(A) twenty-four months of continuous active duty, or

"(B) the full period for which such person was called or ordered to active duty,

is not eligible by reason of such period of active duty for benefits under Federal law (other than a law described in subsection (a) of this section) on the basis of such person's period of active duty, and no dependent or survivor of such person shall be eligible for such benefits on such basis.

"(2) Paragraph (1) of this subsection applies—

"(A) to any person who originally enlists in a regular component of the Armed Forces after September 7, 1980; and

"(B) to any other person who enters on active duty on or after the date of the enactment of this subsection and has not previously completed a continuous period of active duty of at least twenty-four months or been discharged or released from active duty under section 1171 of title 10.

"(3) Paragraph (1) of this subsection does not apply—

"(A) to any person described in this subsection (b)(3) (A), (B), or (C) of this section; or

"(B) to any benefit (i) under the Social Security Act other than additional wages deemed to have been paid, under section 229(a) of the Social Security Act (42 U.S.C. 429(a)), for any calendar quarter beginning on or after the date of the enactment of this subsection, or (ii) under title 5 other than benefits based on meeting the definition of preference eligible in section 2108(3) of such title.";

(2) in subsection (e) (as redesignated by clause (1) of this subsection) by inserting "(including a right to special consideration, preference, priority, or similar advantage)" after "privilege"; and

(3) by adding at the end the following new subsection:

"(f) Nothing in this section shall be construed to deprive any person of any procedural rights, including any rights to assistance in applying for or claiming a benefit.".

(b)(1) Subsection (d) of section 3103A of title 38, United States Code, as added by subsection (a), shall not apply with respect to the receipt by any person of any benefit provided by or pursuant to law before the date of the enactment of this Act.

(2) For the purposes of paragraph (1) of this subsection, additional wages deemed to have been paid under section 229(a) of the Social Security Act (42 U.S.C. 429(a)) shall be considered to be a benefit that was received by a person on the date that such person is discharged or released from active duty (as defined in section 101(21) of title 38, United States Code).

SEC. 407. Section 977 of title 10, United States Code, is superseded.

CORRESPONDENCE TRAINING

SEC. 408. Notwithstanding any provision of law unless that law is enacted as an amendment to section 1786(a)(3) of title 38, United States Code, in a reconciliation bill pursuant to the Congressional Budget Act of 1974, funds in the Veterans' Administration readjustment benefits account shall be available for payments under paragraph (1) of section 1786(a) of such title for the pursuit of a program of education exclusively by correspondence.

LIMITATIONS ON CONTRACTING OUT

SEC. 409. (a) It is the policy of the United States that the Veterans' Administration shall—

(1) maintain a comprehensive, nationwide health-care system for the direct provision of quality health-care services to eligible veterans; and

(2) provide such services through the most cost-effective means that are consistent with carrying out fully the functions of the Department of Medicine and Surgery of the Veterans' Administration under title 38, United States Code.

(b) Section 5010 is amended by adding at the end the following new subsection:

"(c)(1) Notwithstanding any other provision of law but except as provided in paragraph (2) of this subsection—

"(A) no contract may be entered into as a result of which an activity at a health-care facility over which the Administrator has direct jurisdiction would be converted from an activity performed by employees of the Federal Government to an activity performed by individuals who are employees of a contractor of the Federal Government unless the Chief Medical Director has determined that such activity is not a direct patient care activity or an activity incident to direct patient care; and

"(B) in the case of an activity determined by the Chief Medical Director under clause (A) of this paragraph to be neither such activity, the Administrator, after considering the advice of the Chief Medical Director and the result of a study described in subsection (a)(5) of this section, which study shall be based on an estimate of the most efficient and cost-effective organization for the effective performance of the activity by Veterans' Administration employees, may, in the exercise of the Administrator's sole discretion but only under the conditions described in the following sentence, enter into a contract as a result of which an activity at a health-care facility over which the Administrator has direct jurisdiction would be converted from an activity performed by employees of the Federal Government to an activity performed by individuals who are employees of a contractor of the Federal Government. The Administrator may enter into such a contract only if the Administrator determines that—

"(i) over the proposed duration of the contract the cost to the Federal Government of (I) performing such activity under such contract plus (II) the conduct of such study would be not less than 10 percent lower than the cost of performance of such activity by employees of the Federal Government, and

"(ii) such contract would not result in a reduction in the quantity or quality of health-care services provided to eligible veterans by the Veterans' Administration at such facility.

"(2) The provisions of paragraph (1) of this subsection do not apply (A) to any contract or agreement under chapter 17 or section 5011, 5011A, or 5053 of this title or section 686 of title 31, or (B) to a contract under section 4117 of this title if the Chief Medical Director determines that such contract is necessary to obtain services at a Veterans' Administration facility that could not otherwise be provided at such facility.".

SEC. 410. (a)(1) Section 601 is amended by adding at the end the following new paragraph:

"(9) The term 'chiropractic services' means the manual manipulation of the spine performed by a chiropractor (who is licensed as such by the State in which he or she performs such services and who meets the uniform minimum standards promulgated for chiropractors under section 1861(r)(5) of the Social Security Act (42 U.S.C. 1395x(r)(5))) to correct a subluxation of the spine. For the purposes of this paragraph, such term does not include physical examinations, laboratory tests, radiologic services, or other tests or services determined by the Administrator to be excluded.".

(2)(A) Subchapter III of chapter 17 of such title is amended by adding at the end thereof the following new section:

"§ 630. Chiropractic services

"(a) The Administrator shall, under regulations which the Administrator shall prescribe, reimburse a veteran eligible for medical services under this chapter for the reasonable charge for chiropractic services, for which such veteran has made payment, if—

"(1) such chiropractic services were for the treatment of a service-connected neuromusculoskeletal condition of the spine,

"(2) the veteran is a veteran who has been furnished hospital care by the Veterans' Administration for a neuromusculoskeletal condition of the spine within a twelve-month period prior to the provision of such chiropractic services, or

"(3) the veteran is a veteran described in section 612(f)(2) of this title who has been furnished hospital care or medical services by the Veterans' Administration for a neuromusculoskeletal condition of the spine, to the extent that such veteran is not entitled to such chiropractic services or reimbursement for the expenses of such services under an insurance policy or contract, medical or hospital service agreement, membership or subscription contract, or similar arrangement for the purpose of providing, paying for, or reimbursing expenses for such services.

"(b) In any case in which reimbursement may be made under this section, the Administrator may, in lieu of reimbursing such veteran, make payment of the reasonable charge for such chiropractic services directly to the chiropractor who furnished such services.

"(c)(1) The Administrator shall, in consultation with appropriate public and nonprofit private organizations and other Federal departments and agencies that provide re-

imbursement for chiropractic services, establish a schedule of reasonable charges for such services, which schedule shall be consistent with the reasonable charges allowed under title XVIII of the Social Security Act (42 U.S.C. ch. 7).

"(2) The amount payable by the Administrator for chiropractic services furnished under this section shall not exceed $200 in any twelve-month period in the case of any veteran.

"(d) Notwithstanding any other provision of this title, total expenditures for chiropractic services reimbursed under this section shall not exceed $4,000,000 in any fiscal year and no reimbursement or payment may be made under this section for chiropractic services furnished after September 30, 1986."

(B) The table of sections at the beginning of chapter 17 of such title is amended by inserting after the item relating to section 629 the following new item:

"630. Chiropractic services.".

(b) Not later than December 31, 1983 and not later than December 31 of each of the next three years thereafter, the Administrator of Veterans' Affairs shall prepare and submit to the Committees on Veterans' Affairs of the Senate and the House of Representatives reports on the use made of the authority provided for in the amendments made by the first section. Each such report shall include—

(1) the number of requests by eligible veterans for reimbursement or payment for chiropractic services in the most recent fiscal year under section 630 (as added by subsection (a)(2)(A) of this section), and the number of such veterans who made such requests;

(2) the number of reimbursements or payments made by the Administrator of Veterans' Affairs under such section in such fiscal year and the number of veterans to or for whom such reimbursements or payments were made; and

(3) the total amounts of expenditures by the Administrator of Veterans' Affairs for such reimbursements and payments under such section in such fiscal year.

TITLE V—EFFECTIVE DATES

SEC. 501. (a) Except as otherwise provided in subsections (b), (c), (d), (e), and (f) the provisions of this Act shall become effective on October 1, 1982.

(b) The provisions of sections 207, 208, 308(b), and 406 shall be effective on the date of the enactment of this Act.

(c)(1) The provisions of section 111 shall take effect on October 1, 1982.

(2) As soon as practicable after September 30, 1982, the Administrator of Veterans' Affairs shall make a payment to each person who would have been entitled to any payment under section 410(b) of title 38, United States Code, for any portion of the period beginning on October 1, 1978, and ending on September 30, 1982, if the amendment made by section 111 had taken effect on October 1, 1978. Such payment shall be a lump-sum payment in the total amount such person would have been entitled to receive if such amendment had taken effect on October 1, 1978.

(d) The amendment made by section 403 shall apply with respect to burial and funeral expenses incurred after October 1, 1982.

(e) The amendment made by section 405 shall take effect on the one hundred and eightieth day after the date of the enactment of this Act.

(f) Section 408 shall take effect on the day after the effective date of any law (i) that is enacted after August 19, 1982, and (ii) that the Administrator of Veterans' Affairs determines to be inconsistent with the provisions of such section.

Mr. BAKER. Mr. President, I send a title amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

To amend the title so as to read:

An act to amend title 38, United States Code, to increase the rates of disability compensation for disabled veterans, to increase the rates of dependency and indemnity compensation for surviving spouses and children of disabled veterans, and to modify and improve the education and vocational rehabilitation programs administered by the Veterans' Administration and veterans' employment programs administered by the Department of Labor, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the amendment to the title.

The amendment was agreed to.

Mr. ROBERT C. BYRD. Mr. President, before the Senator proceeds, I wish to thank the distinguished majority leader for calling up this measure, as he indicated on yesterday that he would. I thank him for his very kind remarks in my behalf.

Mr. BAKER. Mr. President, I was pleased to do so, and I am happy that we were able to pass this important measure at this time.

Mr. President, I now ask that Calendar Order No. 808 be indefinitely postponed.

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

ORDER OF PROCEDURE

Mr. BAKER. Mr. President, there are two matters to be taken up, I understand. One is conference report on the reclamation bill, S. 1409, the Buffalo Bill Dam, Pick-Sloan Missouri Basin bill, and also the banking bill. I sort of yield to Members as to which one of those they want to go with next. I am prepared to ask the Chair to lay either one of them before us at this time.

Mr. McCLURE. Will the Senator yield?

Mr. BAKER. I yield to the Senator from Idaho.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. McCLURE. Mr. President, the Senator from Ohio (Mr. METZENBAUM) is on the floor and has an interest in the reclamation conference report, and the Senator from Wisconsin, Senator PROXMIRE, has indicated his desire to speak on the matter. Senator MOYNIHAN also wants to speak.

I do not know of any prolonged debate on this matter. At least, one or two of the principals have also indicated that they do not intend to request a rollcall vote.

With that in mind, I think we could take care of the conference report in a relatively short period of time.

I know that I and the other members of the committee do not intend to debate the matter at length. We do have statements to make for the RECORD. I would hope that we could have the consideration of that done rather quickly.

Mr. BAKER. Mr. President, I yield to the Senator from Utah.

Mr. GARN. Mr. President, I am certainly willing to yield for the purpose of bringing up the conference report on the reclamation bill if it could be done quickly. I think most everyone in this body is well aware of the year-and-a-half of time which has gone into the banking bill. With no votes on Monday and the vast differences between our version and the House version, if we do not get it completed today we can just forget it. There would be no way to get to a conference and get the conference report back.

I just say I would be happy to yield to my distinguished colleague from Idaho to bring up the reclamation bill conference report if everyone understands the importance of the banking bill. I hope it can be done as expeditiously as possible so we can get to the banking bill.

Mr. SARBANES. Will the Senator yield?

Mr. BAKER. I yield.

Mr. SARBANES. I second what the chairman has said. I gather it is the majority leader's intention to complete the banking bill this afternoon.

Mr. BAKER. Yes, Mr. President, it is. I think if we get on with the business at hand we can do the conference report promptly.

UNANIMOUS-CONSENT REQUEST—S. 2879

Mr. BAKER. Mr. President, I have a unanimous-consent request with respect to the banking bill. If the minority leader is prepared to consider it at this time, I would like to put it so Members will know where we stand.

Mr. ROBERT C. BYRD. Yes.

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate turns to the consideration of Calendar Order No. 774, S. 2879, it be considered under the following time agreement: 1 hour on the bill to be equally divided between the chairman of the Banking Committee and the ranking minority member or their designees; 30 minutes on first-degree amendments; 20 minutes on second-degree amendments; 10 minutes on any debatable motion or point of order if submitted to the Senate, and that the agreement be in the usual form.

In addition, two Boren amendments on which there be 1 hour each equally divided dealing with branching and

with reserve requirements on money market funds.

Mr. METZENBAUM. Mr. President, reserving the right to object, I will advise the minority leader that I have no objection to the general thrust of this request, but I am concerned that there may be certain matters pending in the Senate in separate pieces of legislation that may be germane to this legislation.

I am frank to say to the majority leader that until I know what the amendments are I will not be in a position to agree to the unanimous-consent request.

Having said that, I want to emphasize that I am perfectly agreeable to agree to the unanimous-consent request provided I know what the amendments are and that they are not some of the other matters that are around the Senate at the moment and about which I have some concern.

If that could be done, I would withdraw my objection. Absent that, I would object.

Mr. BAKER. Mr. President, I hope the Senator will withhold his objection for a moment. I think I know what he is driving at. I think we can clarify that in a minimum amount of time. I guess I have no alternative——

Mr. RIEGLE. Mr. President, will the Senator yield to me?

Mr. BAKER. I yield.

Mr. RIEGLE. If I understood correctly both the request and the possible objection by the Senator from Ohio, it is with respect to two Boren amendments.

Mr. BAKER. I do not think that is what it is.

Mr. RIEGLE. I just want to say to the Senator from Ohio that in the discussions on various amendments that different people suggest they want to offer, or we assume they will offer, there will be a number of discussions going on today, some with respect to Senator BOREN and some with respect to Senators on the other side of the aisle. Senator BRADY has an amendment, and so forth.

But the time agreement thus far, I think, has been satisfactory to most Members. I am certainly willing to meet with the Senator from Ohio to see if we can answer the questions.

Mr. BAKER. Mr. President, may I interrupt the Senator? I am sorry to do this, but time is at a premium this afternoon. Let me temporarily withdraw the request and see if I cannot clear a matter that I believe is concerning the Senator from Ohio. I shall put the request a little later. Meantime, the managers of the conference report can go forward.

Mr. METZENBAUM. I thank the Senator.

(Later the following occurred:)

Mr. BAKER. Mr. President, I am in a position now to advise the distinguished Senator from Ohio that I have consulted with the Senator from Alaska and other Senators. As far as I can ascertain, there is no extraneous amendment planned to be offered to the banking bill. I can assure him that if any such amendment is offered, the leadership on this side would resist and make every effort to defeat it.

Mr. METZENBAUM. With that assurance to me by the majority leader, Mr. President, I have no objection to the unanimous-consent request.

Mr. BAKER. I am most grateful to the Senator.

Mr. President, I am advised by the minority leader, who was called away to an official function, that he would clear this as soon as it is agreeable to the Senator from Ohio. I shall now put the request again:

Mr. President, I ask unanimous consent that when the Senate turns to the consideration of Calendar Order No. 774, S. 2879, it be considered under the following time agreement:

One hour on the bill to be equally divided between the chairman of the Banking Committee and the ranking minority member or their designees; 30 minutes on first-degree amendments; 20 minutes on second-degree amendments; 10 minutes on any debatable motion or point of order if submitted to the Senate, with the agreement be in the usual form.

One hour each on two Boren amendments, dealing, with branching and with reserve requirements on money market funds, with the time equally divided.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. BAKER. I am grateful to all Senators.

BUFFALO BILL DAM, RECLAMATION REFORM, AND PAPAGO INDIAN WATER RIGHTS—CONFERENCE REPORT

Mr. BAKER. Mr. President, I submit a report of the committee of conference on S. 1409 and ask for its immediate consideration.

The PRESIDING OFFICER. The report will be stated.

The assistant legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (S.1409) to authorize the Secretary of the Interior to construct, operate, and maintain modifications of the existing Buffalo Bill Dam and Reservoir, Shoshone project, Pick-Sloan Missouri Basin program, Wyoming, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The PRESIDING OFFICER. Without objection, the Senate will proceed to the consideration of the conference report.

(The conference report is printed in the House proceedings of the RECORD of September 22, 1982.)

The PRESIDING OFFICER. The Senator from Idaho.

Mr. McCLURE. Mr. President, I rise in strong support of the conference report on S. 1409, the bill which includes the Buffalo Bill Dam and Reservoir legislation in title I, the Reclamation Reform Act of 1982 in title II, and the Papago Indian water settlement in title III. It is a distinct privilege and honor for this Senator as chairman of the conference committee to bring back this conference report to the Senate today. I am sure that all of the Senate conferees, the other distinguished members of the Senate Committee on Energy and Natural Resources and interested parties throughout America share the great pleasure we have in reporting the successful conclusion of the conference to the Senate.

Mr. President, the Senate on August 20, 1982, passed S. 1409 with the Senate text for each of the three titles contained in this legislation. My floor statement at the time of that action explained in detail the exact parliamentary situation which led the Senate to pass S. 1409 with that text on that date, and I will not repeat all of that background here today. Suffice it to say, however, that the intended thrust of the Senate action on August 20 was to place in conference for the resolution of the differences involved, the text of the House and Senate-passed reclamation reform bills.

I am very pleased to report to the Senate today that the conference report which is before us responsibly and effectively resolves those minor differences included in the two bills. I want to take this opportunity to thank my distinguished colleagues from the Senate on the conference committee for their cooperation and assistance in bringing the conference to a quick and successful conclusion. Certainly, Senator WALLOP, Senator JACKSON, Senator FORD, Senator WARNER, and Senator METZENBAUM, all of whom played an active role in the conference deliberations as well as the rest of the Senate conferees, deserve great credit for the dedicated efforts necessary to resolve the differences before the conference.

I also want to thank Chairman UDALL, Ranking Minority Member LUJAN and the conferees from the House of Representatives, Committee on Interior and Insular Affairs for their dedication to a responsible resolution of the differences in our bills. Special thanks are in order for Congressman KAZEN, the subcommittee chairman, Congressman CLAUSEN, Congressman PASHAYAN, Congressman COELHO, and Congressman MILLER for their spirited and positive participation in the conference process. All of

the conferees are to be congratulated for their contributions to fashioning the legislation before the Senate today. In many respects, this legislation represents a landmark reform of existing law originally enacted in 1902 to establish this Nation's bold and farsighted initiative in bringing reclamation agriculture to the 17 Western States, which otherwise would have been afflicted with arid and nonproductive agricultural potential.

Mr. President, my remarks on July 14, 1982, in this Chamber provided an extensive background to the debate surrounding reclamation reform legislation. I mentioned on July 14, that when I first joined the Idaho Reclamation Association in 1953 almost 30 years ago, that one of the pending items before the association in 1953 was the need for revision of the 1902 Reclamation Act. My personal experience over the past 30 years has long since convinced this Senator, as I am sure it has similarly convinced many other Senators, that reform was an absolute necessity for our reclamation program. I am pleased to report that the conference report before us today accomplishes that long and much needed reform in a fashion which provides a balanced, equitable, and evenhanded approach to modernization of reclamation law consistent with the many individual, regional, and national interests involved today in our Nation's reclamation program.

The conference report resolves differences in six areas of crucial interest to western water users while addressing the national need to modernize the program. Briefly, major actions were taken on the following key elements of the reclamation program:

First. The conference report establishes an absolute limit on the amount of subsidy that an individual or legal entity may receive from the reclamation program. The mechanism used is the number of acres owned or leased for which water can be received at a less-than-full-cost rate and the limits are clearly established in the conference report;

Second. Also, for the first time, the question of leasing will be addressed by the reclamation law. By the use of full cost pricing with interest and restrictions on leasing, we will assure that the benefits of the program will flow to the landowner.

Third. Of particular interest to those farmers' projects with poor soils or short growing seasons is the opportunity to take advantage of the class I equivalency concept. This will allow additional acres to be farmed in order to provide a viable farming unit.

Fourth. The conference report also determines the interest rate to be used where full cost pricing is to be applied. The report establishes a floor of 7½ percent for all expenditures prior to date of enactment.

Fifth. The conference report also establishes water conservation as an integral part of the reclamation program by requiring irrigation districts to develop a water conservation plan and directing the Secretary of the Interior to coordinate water conservation programs with other Federal agencies; and

Sixth. And finally, the reclamation farmer is at last assured of being able to prove that when his contractual obligation is paid off, his lands are free of the Federal presence and the burden of the Federal reclamation law.

A detailed explanation of major provisions follows:

OWNERSHIP AND PRICING LIMITATIONS

The conferees agreed upon an ownership and pricing limitation of 960 acres for individuals and legal entities benefiting 25 or fewer individuals and an ownership limitation of 640 acres and a price limitation of 320 acres for legal entities benefiting more than 25 individuals. However, the price relief for the first 320 acres receiving water would be available only to those larger legal entities which were receiving, or had received, project water on or before October 1, 1981. Such larger legal entities which had not received water from a Federal reclamation project on or before that date would pay full cost for irrigation water delivered to all lands.

If a district or individual takes advantage of these new ownership limitations, it is intended that lands which are currently excess will now be qualified if under the new limit. An individual which now owns 1,000 acres would have to dispose of 840 acres pursuant to a recordable contract under existing law. If he elects or if the districts amend its contract to conform to the new law, that individual will only have to dispose of 40 acres of his ownership, if it is all class I lands. If the equivalency formula is applied, the 960-acre limit will be adjusted upward appropriately. Finally, it is important to emphasize that the "ownership limitation" is actually only a limitation on the amount of land owned which is eligible to receive irrigation water. A person may elect to continue his ownership in excess of the "ownership limitation" and not receive irrigation water for those excess lands.

INTEREST RATE

The conferees adopted a full cost formula which blends the formula in the House bill and the Senate amendment. The House formula would be applied to expenditures made prior to the date of enactment with a provision that the interest rate be not less than 7½ percent in any event. For expenditures made subsequent to the date of enactment, the formula contained in the Senate amendment would be applied.

Legal entities having 25 or fewer individuals or shareholders would be treated in the same manner as individuals. However, large legal entities which had not been receiving water from a project on or before October 1, 1981, would be charged full cost at the rate provided in the Senate amendment for all lands irrigated. Full cost will be calculated on a district-by-district basis. It is important to emphasize that the full cost provisions only apply to lands in excess of the new pricing acreage limitations.

For those lands not in excess of the new pricing acreage limitations, the price of irrigation water will remain the same as established in existing contracts or in the case of future contracts, at a price established pursuant to terms and conditions under reclamation law as it existed before enactment of this act. This price will continue to reflect ability to pay. The only change will be in the application of the new operation and maintenance charge provisions. These provisions require operation and maintenance costs to be recovered annually, but do not require a change in the methodology by which the Federal Government, a project or district computes such cost.

CERTIFICATION

The conferees agreed upon a provision which requires certification of compliance, with the law including a statement of the number of acres leased, the term of the lease and that the rent reflects the reasonable value of the irrigation water. The conferees also agreed to a provision which requires that leases be written and for a term of not more than 25 years in the case of perennial crops and 10 years as to all others.

EQUIVALENCY

The conferees agreed that equivalency should be applied only as to those districts which agree to an amendment to their contracts as required to gain the benefit of the increased acreage limitations. The conferees noted that the Bureau of Reclamation has adopted a system of classification of lands within projects, but intends that the Bureau have flexibility to implement any new system of classification which it might develop. Furthermore, the conferees are aware of the fact that there exists statutory authorization for the application of an equivalency formula to a number of existing Federal reclamation projects. Enactment of this legislation is not intended to alter in any way either the application of equivalency to those projects, or the manner in which it has been applied.

PAYOUT

The provision approved by the conferees is essentially that contained in the House amendment. The conferees recognized that rehabilitation and betterment loans are considered as oper-

ation and maintenance costs. By adopting the House provision, the conferees do not intend to imply that either existing or future rehabilitation and betterment loans subject districts to the extension of the application of the acreage limitations after repayment of construction charges. The conferees also wish to make it clear that a district will not be relieved of liability for the payment of applicable operation and maintenance charges after its repayment obligation has been discharged. In adopting this provision, Congress is validating individual or district repayment provisions of existing contracts. Ratification or validation of such provisions of existing contracts by Congress on a contract by contract basis is therefore not required or contemplated.

WAIVER OF SOVEREIGN IMMUNITY

The conferees agreed to the House language. In taking this action, the conferees wish to make it clear that the actions of the conference committee should not be taken as prejudicial to any particular form of evidence or remedy under existing law, but rather the applicable rules of evidence and the applicable remedies should be employed by any court entertaining a suit brought to determine the rights of any party to a reclamation contract with the United States.

APPLICATION OF FULL COST TO EXCESS LANDS

The conferees agreed upon a provision which would permit delivery of water at subsidized rates for a period of 10 years from the date the contract was executed as to recordable contracts entered into prior to the date of enactment and for a period of 5 years from the date of the execution as to recordable contracts executed subsequent to the date of enactment. Any extension of time for the disposal of lands under recordable contract is not to be considered as also extending the period of time in which subsidized water may be delivered to the lands under recordable contract since that water shall be delivered at the subsidized rate, for a period not less than 18 months from the date of enactment, or the date when the Secretary again commences approval of sales under recordable contract in those cases in which he has withheld approval. A special provision was adopted for lands to be placed under recordable contracts in the central Arizona project, as noted below.

WATER CONSERVATION

The conferees adopted a provision which incorporates the language of the Senate amendment and modified the provisions of the House amendment. The provision imposes an obligation upon the districts to adopt a water conservation program and a timetable for its implementation. The conservation program shall not be required to be a part of the district's repayment or water service contract. The provision also includes the language of the House amendment providing for coordination of Federal water conservation programs with the involvement of non-Federal entities. Any conservation programs encouraged by the Secretary or adopted by a district must be pursuant to State substantive and procedural law.

Mr. President, I yield to the distinguished Senator from Washington.

The PRESIDING OFFICER. The Senator from Washington.

Mr. JACKSON. Mr. President, I rise in support of the conference report on S. 1409. As a member of the conference committee, I am particularly pleased with title II of the conference report, the Reclamation Reform Act of 1982. Enactment of this title will be the culmination of a 5-year effort by the Congress to modernize the Reclamation Act of 1902. Many Senators will recall that the Senate-passed reclamation reform legislation in 1979, only to have it die in the other body.

Federal reclamation law has long been in need of reform to reflect modern farming conditions. I believe that title II of the conference report meets that need. The conferees addressed a number of difficult issues and, in my opinion, resolved them in a sound and equitable fashion. Despite sharply contrasting points of view, a spirit of cooperation prevailed throughout the conference. I thank each of the conferees for their fine work and, in particular, I thank Chairman McCLURE and Chairman UDALL for their leadership throughout the long process of considering this important legislation.

Although I am very pleased with title II of the conference report, I believe it is important to remember that passage of this legislation does not complete the process of reforming the reclamation program. Our efforts in rewriting the reclamation statutes will accomplish nothing unless there is vigorous and thorough enforcement of the law.

Almost from its inception, Federal reclamation law has suffered from a pronounced lack of enforcement. The result has been a widespread pattern of noncompliance that has thwarted congressional intent and undermined respect for Federal law. Let there be no doubt that Congress does not intend that this situation continue. Federal reclamation law, as reformed by this legislation, must be firmly and fully enforced.

I also want to take this opportunity to provide a brief explanation of section 203(d) of the conference report, which states:,

Amendments to contracts which are not required by the provisions of this title shall not be made without the consent of the non-Federal party.

This provision applies when a district becomes subject to the new law by amending its contract, as described in section 203(a). The purpose of the provision is to protect a district from any effort by the Secretary to require amendments that are not necessary to bring the contract into conformity with the new law. Such amendments may be made only with the consent of the district.

In conclusion, I believe that the conference report on S. 1409 is sound legislation, and I urge my colleagues to join me in supporting it.

Mr. MOYNIHAN. Mr. President, the reclamation reform bill, S. 1409, is a marginal improvement over the bill passed by the Senate on July 16, 1982. Nonetheless, I find the bill wholly unacceptable for reasons of commission as well as omission.

This conference report like the original Senate bill fails to correct an obvious inequity in the pricing of irrigation benefits by two Federal agencies. Under S. 1409, beneficiaries of irrigation water from Bureau of Reclamation projects will be required to pay the full cost—that is, the principal and interest for the water received to irrigate lands above the 960-acre limit.

Corps of Engineers projects on the other hand, will not be subject to these same full-cost provisions, even though these projects provide identical irrigation benefits and have a specific percentage of project costs allocated to irrigation. There is no rationale for the Federal Government to charge a different price for the same service. I offered an amendment on July 16, 1982, to correct this inequity and the Senate rejected the amendment.

The bill as a whole remains seriously flawed. At my request, the Department of the Interior prepared a cost estimate of the conference agreement on S. 1409. According to the Department, a mere $17 million in additional revenue will be returned to the Treasury in each of the next 3 years, increasing to $34 million thereafter. I ask unanimous consent that the Department of the Interior letter be printed in the RECORD at this point.

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

BUREAU OF RECLAMATION,
Washington, D.C., September 24, 1982.

Hon. JAMES A. McCLURE,
Chairman, Senate Committee on Energy and Natural Resources, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your inquiry concerning the additional revenue to the Federal Treasury that would be expected upon implementation of Title II of S. 1409.

You will recall that the Congressional Budget Office had produced an estimate of $10-13 million in additional revenue under the original House version of the bill. This was based on the assumption that under the

House bill 25 percent of the districts would elect to be covered by the new law.

The Conference Report, however, will produce additional revenues over the original projections for the House bill, because there are increased incentives for districts to amend their contracts and come under the new pricing provisions. In addition, all districts will be subject to new pricing after 4½ years from enactment. Therefore, we have recalculated the revenue projections based on a very conservative set of assumptions.

Our projections produce an estimated minimum annual increase of $17 million to the Treasury for the initial years after enactment. After 4½ years from enactment, additional revenues will jump to a minimum of $34 million, if everyone elects to come under the 960-acre limitation. (For the initial period after enactment, we are assuming that 50 percent of the districts will amend and 30 percent of the farms exceed 960 acres.)

On the other hand, if 75 percent of the districts decide to amend after 4½ years, then the remaining quarter will pay 12 percent interest on landholdings over 160 acres and will thereby generate an overall revenue increase due to Title II of S. 1409 of $70 million.

Again, we should emphasize that these are minimum projections and a number of factors could generate increased revenues.

We hope this information is useful. If we can provide any further assistance, please do not hesitate to call.

Sincerely,

ROBERT N. BROADBENT,
Commissioner of Reclamation.

Mr. MOYNIHAN. Mr. President, strange as it may seem, for all of the talk about full cost pricing and modernizing the antiquated reclamation law, this bill will barely increase the Federal revenue from a program that was originally conceived as fully reimbursable, a program that was not intended to cost the Federal taxpayers 1 cent in the long run. In truth, the General Accounting Office found that this program returns only 10 cents to the Federal Treasury for every dollar spent.

On paper, the supporters of the Bureau of Reclamation claim the program pays for itself. In reality, the Congressional Budget Office and the Water Resources Council have found otherwise. I ask unanimous consent that a table comparing the mean nominal and effective non-Federal capital cost-sharing rates for Federal water resources projects be printed in the RECORD at this point.

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

A COMPARISON OF MEAN NOMINAL AND EFFECTIVE NON-FEDERAL CAPITAL COST-SHARING RATES [1]

[In percent]

Purpose	Corps		Bureau		SCS		TVA		25 agencies	
	Nominal	Effective	Nominal	Effective	Nominal	Effective	Nominal	Effective	Nominal	Effective
Urban flood damage reduction	14	14	0	0	19	15	0	0	24	17
Rural flood damage reduction	5	5	0	0	19	19	8	8	8	7
Drainage	34	30	.....	.....	52	52	.....	.....	43	42
Irrigation	98	15	100	10	48	48	.....	.....	98	11
Erosion control	2	2	.....	.....	88	88	.....	.....	37	37
Municipal and industrial supply	99	54	100	68	100	100	.....	.....	99	62
Water quality	1	0	100	99	.....	.....	.....	.....	28	31
Fish and wildlife	9	7	15	4	51	51	.....	.....	14	8
General recreation	16	14	34	11	58	58	0	0	20	17
Navigation	7	7	0	0	.....	.....	0	0	7	7
Hydroelectric	94	63	100	63	.....	.....	100	[2] 128	96	64
Agency mean	25	18	89	31	43	43	67	79	39	24

[1] Mean values are weighted within purposes by allocated cost.
[2] Non-Federal cost-sharing rates in excess of 100 percent imply revenue collected from sale of vendible products exceeds allocated costs to that purpose, and may be applied toward repayment in another purpose.
Source: U.S. Water Resources Council.

Mr. MOYNIHAN. This table verifies the finding of the General Accounting Office—that nominal cost-sharing rates vary significantly from effective cost-sharing rates when the full cost of the Federal investment, including interest, is taken into account. No where is this difference between appearance and reality greater than in irrigation projects.

One need only look at the historic patterns of Federal spending on water resources projects to realize the full extent to which the entire enterprise has been distorted in a similar fashion. At the request of the Water Resources Subcommittee, the Congressional Research Service prepared a summary of Federal spending on water resources over the last 25 years. The imbalance among regions is striking: 6 percent to the Northeast, 18.7 percent to the North Central, 39.7 percent to the South, and 35.7 percent to the West. I ask unanimous consent that the table of water resources expenditures over the last 25 years be printed in the RECORD at this point.

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

WATER RESOURCES FUNDS

[In thousands of dollars—1965–80]

	C of E		B of REC		TVA		SCS		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Northeast:										
Connecticut	258,550	0.7	0	0	0	0	20,054	0.9	278,604	0.5
Maine	51,330	.1	0	0	0	0	6,839	.3	58,169	.1
Massachusetts	318,373	.9	0	0	0	0	20,761	.9	339,134	.6
New Hampshire	68,594	.2	0	0	0	0	15,259	.7	83,853	.2
New Jersey	367,128	1.0	0	0	0	0	23,597	1.0	390,725	.7
New York	594,310	1.6	0	0	0	0	31,563	1.4	625,873	1.2
Pennsylvania	1,185,942	3.2	0	0	0	0	53,566	2.3	239,508	2.4
Rhode Island	60,853	.2	0	0	0	0	0	0	60,853	.1
Vermont	58,788	.2	0	0	0	0	3,881	.2	63,669	.1
North Central:										
Illinois	1,313,424	3.5	0	0	0	0	46,106	2.0	1,359,530	2.6
Indiana	563,250	1.5	0	0	0	0	47,970	2.1	611,220	1.2
Iowa	586,365	1.6	34,973	0	0	0	74,636	3.3	695,974	1.3
Kansas	780,110	2.1	148,158	1.3	0	0	88,043	3.8	1,016,311	1.9
Michigan	717,372	1.9	0	0	0	0	11,742	.5	729,114	1.4
Minnesota	262,980	.7	20,743	.2	0	0	15,154	.7	298,877	.6
Missouri	1,882,309	5.1	13,156	.1	0	0	27,499	1.2	1,922,964	3.7
Nebraska	224,252	.6	214,489	1.9	0	0	47,053	2.0	485,794	.9
North Dakota	397,165	1.1	243,948	2.1	0	0	24,083	1.0	665,196	1.3
Ohio	1,080,091	2.9	0	0	0	0	26,072	1.6	1,116,163	2.1
South Dakota	440,932	1.2	217,837	1.9	0	0	7,244	.3	666,013	1.3

WATER RESOURCES FUNDS—Continued

[In thousands of dollars—1965–80]

	C of E		B of REC		TVA		SCS		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Wisconsin	225,841	.6	0	0	0	0	24,800	1.1	250,641	.5
South:										
Alabama	941,293	2.5	0	0	0	0	42,500	1.9	983,793	1.9
Arkansas	2,154,117	5.8	10	0	0	0	83,436	3.6	2,237,563	4.3
Delaware	176,304	.5	0	0	0	0	11,007	.5	187,311	.4
District of Columbia	19,415	.1	101,230	.9	0	0	0	0	120,645	.2
Florida	874,136	2.4	0	0	0	0	18,465	.8	892,601	1.7
Georgia	718,251	1.9	0	0	0	0	77,157	3.4	795,408	1.5
Kentucky	1,379,610	3.7	0	0	0	0	51,610	2.2	1,431,220	2.7
Louisiana	2,574,357	6.9	0	0	0	0	57,553	2.5	2,631,910	5.0
Maryland	339,941	.9	0	0	0	0	20,156	.9	360,097	.7
Mississippi	1,509,478	4.1	0	0	0	0	202,183	8.8	1,711,661	3.3
North Carolina	382,751	1.0	0	0	0	0	36,914	1.6	419,665	.8
Oklahoma	1,398,717	3.8	138,532	1.2	0	0	229,220	10.0	1,766,469	3.4
South Carolina	369,910	1.0	0	0	0	0	24,508	1.1	394,418	.8
Tennessee	645,494	1.7	0	0	0	0	48,047	2.1	693,541	1.3
Texas	2,584,103	6.9	326,791	2.9	0	0	307,777	13.4	3,218,671	6.1
Virginia	429,518	1.2	0	0	0	0	44,791	2.0	474,309	.9
West Virginia	845,371	2.3	0	0	0	0	60,885	2.7	906,256	1.7
West:										
Alaska	327,439	.9	11,122	.1	0	0	0	0	338,561	.6
Arizona	103,926	.3	1,701,543	14.9	0	0	35,036	1.5	1,840,505	3.5
California	2,022,398	5.4	2,529,190	22.2	0	0	146,408	6.4	4,697,996	8.9
Colorado	237,425	.6	1,144,820	10.0	0	0	22,290	1.0	1,404,535	2.7
Hawaii	126,750	.3	4,539	0	0	0	12,479	.5	143,768	.3
Idaho	470,263	1.3	671,904	5.9	0	0	7,228	.3	1,149,395	2.2
Montana	598,693	1.6	349,060	3.1	0	0	14,060	.6	961,813	1.8
Nevada	7,777	.0	303,305	2.7	0	0	2,716	.1	313,798	.6
New Mexico	254,348	.7	400,656	3.5	0	0	36,866	1.6	691,870	1.3
Oregon	1,640,626	4.4	161,404	1.4	0	0	21,261	.9	1,823,291	3.5
Utah	10,253	0	1,051,553	9.2	0	0	27,009	1.2	1,088,815	2.1
Washington	2,598,967	7.0	1,333,908	11.7	0	0	21,463	.9	3,954,338	7.5
Wyoming	12,539	0	294,190	2.6	0	0	6,780	.3	313,509	.6
Total	37,192,129	100	11,417,061	100	1,603,951	100	2,295,727	100	52,508,868	100

Mr. MOYNIHAN. These figures do not even capture the interest costs or the effects of inflation over this time period. Nonetheless, they explain why $52 billion of Federal expenditures over the last 25 years has now become the epitaph to a program that is in stalemate. There has not been any significant water resources legislation since 1970. And one reason for the stalemate is that the program is perceived as parochial, regional, and wasteful.

Unfortunately, title I of S. 1409 only reinforces this perception. Title I authorizes the Buffalo Bill Dam in Cody, Wyo. This project will cost the Federal Government $106.7 million; the State of Wyoming has agreed to pay $47 million. The Energy and Natural Resources Committee report informs that the benefit-cost ratio for this project is 1.06 to 1. Even with 44 percent of the project's costs allocated to hydropower, the project is at best marginal. Is this a high priority project? Is this the best the Bureau of Reclamation can do?

As one news report after another describes the billions of dollars of needed repairs to our Nation's infrastructure, the Congress continues to close one eye to the massive needs throughout the country and instead direct our limited resources to such marginal projects as the Buffalo Bill Dam.

We must set priorities. We must cease this haphazard and anachronistic method of doling out precious Federal construction dollars. Is the Buffalo Bill project the place to begin to rebuild our Nation's infrastructure? I would hope not. Let me suggest a few other more pressing needs:

The 42,500-mile Interstate Highway System is deteriorating at a rate requiring reconstruction of 2,000 miles of road per year.

Over 8,000 miles of the Interstate System and 13 percent of its bridges are now beyond their designed service life and must be rebuilt.

The costs of rehabilitation and new construction necessary to maintain existing levels of service on nonurban highways will exceed $700 billion during the 1980's.

One of every five bridges in the United States requires either major rehabilitation or reconstruction.

The 756 urban areas with populations over 50,000 will require between $75 billion and $110 billion to maintain urban water systems over the next 20 years.

Over $25 billion in Government funds will be required during the next 5 years to meet existing water pollution control standards.

The circumstances surrounding the Buffalo Bill project disturb me for another reason. While I am heartened that Wyoming is willing to make a contribution toward the cost of constructing the project, I am most puzzled by the inconsistency of the cost-sharing arrangement for this project with those now being sought by the Corps of Engineers for identical multiple purpose reservoir projects.

I ask the same question on the Buffalo Bill Dam as I asked on the reclamation program. Why do we have different cost-sharing policies for Federal agencies performing the same services? The administration supports the Buffalo Bill project, yet it also has the corps pursuing a policy where 100 percent of the costs of construction allocated to hydropower and municipal water supply must be advanced by the local sponsors of the project during the construction period. On this basis Wyoming should pay 91 percent or $146 million rather than just 30 percent of the construction costs.

The Corps of Engineers came before the Environment and Public Works Committee and presented nine new projects recommended for funding in the coming fiscal year. Those projects with hydropower and water supply will be financed entirely by the non-Federal interests. I ask unanimous consent that a memo describing the corps' new start proposal prepared by the Water Resources Subcommittee staff be printed in the RECORD at this point.

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

CORPS OF ENGINEERS NEW CONSTRUCTION STARTS

On May 25, 1982, the Administration proposed that nine new construction projects of the Corps of Engineers be included in the 1983 budget. The proposal is the first of its kind in three years. In return for Administration support, the state or local sponsors of these authorized projects were asked to pay a higher percentage of project costs than has been the prevailing practice over the last several decades.

Nine projects recommended for construction will cost nearly $1 billion when completed. Under the Corps' proposal, $204 million or about 21 percent will be borne by the Federal Government. In fiscal year 1982,

$29 million will be allocated to these nine projects to initiate construction. The $29 million will come from the $1.2 billion in Corps construction funds already requested by the President in his original budget proposal.

The proposed new starts and their financing are as follows:

Project	Purpose	Capital cost	Financing (millions)		Federal funds 1983
			Federal	Local	
Bradley Lake, Alaska	Hydro	$478.0	$0	$478.0	[2] $6.0
Strube Lake, Oreg	Hydro	106.0	0	106.0	[2] 4
Bonneville Units, Oreg	Hydro	21.3	0	21.3	[2] 5
Davenport, Iowa	UFC [1]	50.6	30.7	19.9	1.3
Kahoma, Hawaii	UFC [1]	20.0	13.0	7.0	3.0
Merced, Calif	UFC [1]	116.0	75.3	40.7	4.0
Virginia Beach, Va	UFC [1]	5.4	3.5	1.9	2.2
Randleman Lake, N.C	MP [3]	159.0	68.7	90.3	8.2
Freeport Harbor, Tex	([4])	26.2	13.1	13.1	3.4
Total		982.5	204.3	778.2	29.0

[1] UFC—Urban flood control.
[2] Temporary advance.
[3] MP—Multipurpose.
[4] North Jetty replacement in lieu of rehabilitation of existing jetty.

The Corps of Engineers selected 15 projects from among 200 authorized projects awaiting construction funding. These projects were selected on the basis of their favorable economic evaluation and the advanced state of engineering and design work.

Following the initial screening, the Corps then advised states of the willingness of the Administration to support construction funding in the fiscal year 1983 budget in return for commitments on the part of the states to provide a substantially higher contribution towards the cost of project construction.

The Corps' proposals to the states for the various project purposes were as follows:

Proposed cost-sharing for Corps of Engineers' new project starts in 1983—"Up-front" non-Federal cost-share

Project purpose	*Percent*
Hydropower	100
Municipal and industrial supply	100
Flood control	35
Recreation	[1] 50
Commercial navigation	[2] 75

[1] Could be repayment instead of "up-front."
[2] Twenty-five percent Federal financing is reimbursable, the rest must be on up-front cash contribution.

Mr. MOYNIHAN. One final note on cost-sharing inequities. the State of New York will pay over 35 percent of the construction costs of the Ellicott Creek flood control project in Buffalo. In fact, the Ellicott project was to have been the 10th project in the corps' new start proposal but for a quibble between New York and OMB about whether the State would pay 35 or 36 percent of the costs of a $25 million project over 15 years in the planning. In contrast, beneficiaries of flood control projects built by the Bureau of Reclamation pay nothing. This kind of double dealing must stop.

Cost sharing is no longer a taboo in the Western States. I believe there is a willingness to confront the difficulties and inquities of the Federal water program and begin to rebuild support for water resources development. I ask unanimous consent that a New York Times article on this subject, dated September 12, 1982, be printed in the RECORD at this point.

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

[From the New York Times, Sept. 12, 1982]

PLAN TO SHARE WATER PROJECT COSTS IS GAINING IN WEST UNDER REAGAN

(By William E. Schmidt)

DENVER, Sept. 11.—Western officials who rejected a Carter Administration plan to share 10 percent of the bill on new water projects in the region may soon be asked by President Reagan to pay about a third of the cost of building the giant dams and reservoirs.

The new cost-sharing formula has been under review by Mr. Reagan since June, when it was sent to him by his Cabinet Council on Natural Resources and the Environment. Generally, it would require that states, local governments and private water users pay no less than 35 percent of the cost of agricultural and flood and control projects.

In principle, Western governors and water officials who bitterly attacked Mr. Carter now seem prepared to accept Mr. Reagan's broader notion of cost-sharing as the necessary and unavoidable price of getting new starts on the water projects that are essential to the arid region's growth and economy.

Construction of water projects in the region has been virtually frozen since 1976, when President Carter singled out 19 projects as a waste of Federal tax money and refused to finance them.

"Over the last 10 years there has been a growing realization in the West that national economic and political realities dictate a move toward some form of cost-sharing," said Gov. Bruce Babbitt of Arizona, a Democrat who credits the Reagan Administration with a positive approach to Western water development.

"Under Carter, there was a feeling that cost-sharing was being used as a club to beat down reclamation projects," the Governor added.

But he and other officials in the West say the are still wary of the details of Mr. Reagan's cost-sharing plan, and they warn that requiring front-end financing from states, a cost-sharing arrangement, could impose impossible burdens.

Under a front-end financing arrangement, the state or local government generally must set aside or guarantee its share of the project's cost at the start of the project.

Governor Babbitt said that Western states had not been officially briefed on the plan and that details were learned only when his office obtained a "leaked" copy of the proposal.

"Up until now, the Administration has drawn an iron curtain across this subject," he said.

At a meeting in Boise, Idaho, last month, a group of nine Western governors passed a resolution urging the President and Interior Secretary James G. Watt to give them more accurate information on the cost-sharing proposal.

Interior Department officials refuse to discuss the details. Garrey E. Carruthers, Assistant Interior Secretary for Land and Water, said that Mr. Reagan had made no decision on the proposal but that he expected the White House to announce a new water policy, in combination with some new starts on construction, before the November elections.

The President's policy would apply both to the Bureau of Reclamation, responsible for building water storage projects in the 17 states west of the 100th meridian, and the Army Corps of Engineers, which constructs navigation and flood control projects, mostly in the Eastern States.

Mr. Carruthers said the Reagan Administration, unlike the Carter Administration, was "pro-water development in the West." But he added, "For us to get back in the water business there must be cost-sharing."

BIPARTISAN SUPPORT FOR PLAN

It is a measure of Mr. Reagan's broad popularity in the region that both Democrats and Republicans are prepared to accept his notion of cost-sharing. Mr. Carter's opposition to water projects led to accusations by Westerners that he was "waging war on the West."

But the issue also has potential political pitfalls for Mr. Reagan. On the one hand, Western politicians are clearly banking on him to break the six-year bottleneck on water development. But given the nation's economic malaise and the President's emphasis on fiscal austerity, it will be difficult to propose Federal financing of new water projects while cutting back on social welfare programs.

In effect, Mr. Reagan's policy, if approved, would force states to put up tens of millions of dollars in front-end financing and might sharply increase the price of water purchased from the projects by farmers and irrigators.

For example, Colorado officials and private water users could be forced to provide nearly $100 million, much of it in front-end financing, to build the Narrows Dam, a giant water storage project planned in the South Platte River valley in the high, dry plains of northeast Colorado. Last January,

the Bureau of Reclamation estimated construction costs on the project at $325 million, a figure it is now trying to trim.

As a measure of Western willingness to accept some degree of cost-sharing, the Colorado Legislature did set aside $30 million last spring toward the cost of the Narrows Dam and Animas La Plata, a proposed storage project in southwestern Colorado. In Wyoming, where the state treasury is flush with revenues from oil and gas exploration, officials have established a $600 million fund to help pay for new water starts.

NEW TURN IN A LONG DISPUTE

The idea of cost-sharing marks the latest turn in the dispute over the expensive reclamation projects, which were originally intended, in the early part of the century, to help settle the arid West by providing irrigation water for farmers.

Although they also increasingly supply municipal and industrial water, reclamation projects helped irrigate about 10 million acres last year in 17 Western states. Those irrigated lands, representing 1 percent of the nation's agricultural planted acreage, provide 10 percent of the total produce.

The Bureau of Reclamation contends that by purchasing water, irrigators over time repay 85 percent of the cost of the projects. Critics say this is not true, and one report by the General Accounting Office last year said the pay-back was only about 10 percent because the farmers pay no interest.

As a result, some Congressmen and environmentalists regard the projects as wasteful pork-barrel politics and point out that although the Narrows Dam will help irrigate 270,000 acres, it will serve only 150 farmers.

But for Westerners, water remains the political and emotional equivalent of blood. As Gov. Richard D. Lamm of Colorado says, "Most of the West today, most of its cities and people, sits on arid ground made habitable by the damming and diversion of water."

Governor Lamm, as well as Colorado's Senators, Gary Hart, a Democrat, and William L. Armstrong, a Republican, have expressed strong support for financing for the Narrows Dam and the Animas project.

LOCAL OPPOSITION TO DAM

Even if a cost-sharing formula is approved, the Narrows must overcome local objections. Opponents of the dam, including some of the 212 families who would have to be relocated, have railed against the project as unsafe and unnecessary and have sued to try to block it.

"This dam is not only going to increase the price of water, it is going to take out of production some of the most productive bottom land in the state," said Don Christensen, a crew-cut farmer whose land would be flooded by the proposed reservoir.

Local supporters in Fort Morgan, a sleepy farm community of 8,700 astride Interstate 76, say the dam will not only fuel the local agricultural economy by providing a stable supply of water but will also enhance recreation, fishing and wildlife by creating a reservoir 17 miles long.

There has been talk of building a dam on the South Platte since the early 1900's, when Congress first established the Bureau of Reclamation to build dams and reservoirs in the West so that farmers could turn dry brushland into productive cropland.

Like many rivers in the region, the South Platte changes with the seasons. In the spring, when it carries melted snow east across the plains from the Rockies, it can be a dangerous river, a swollen torrent that will sweep away roads and homes. In the late summer and fall it is a desultory trickle, carrying too little water for farmers.

The project, called the Narrows because the dam would be placed at the narrowest point in the valley, was designed to capture and store the water for times when the farmers need it most. The project was authorized in 1944 but never built. Congress reauthorized in 1970, and a study assessing its environmental impact was completed in 1976, the same year Mr. Carter placed the Narrows on his "hit list."

Mr. MOYNIHAN. Mr. President, the conference report on S. 1409 symbolizes all that is wrong with the Federal involvement in water resources: Chaos, arbitrariness, inequity, and waste. It is for these reasons that I shall vote against S. 1409.

Mr. President, I repeat briefly as to the reclamation reform bill that, with respect to Federal funds, it neither reclaims them nor does it reform the program. The conference report is a marginal improvement, but no more than that. We once again see the old boodle, the immemorial larceny of these programs.

Mr. President, the law provides that irrigation programs pay for themselves, that they not cost taxpayers 1 cent in the long run. This does not do that. There is a certain truth in packaging that ought to be applied. To call this reform and to describe as reform what it makes marginally worse struck me as a decline in the language.

The General Accounting Office has found that this program returns only 10 cents to the Federal Treasury for every dollar spent. The whole effort at reform, according to the Department of the Interior, will bring in $17 million—a whopping $17 million a year—for 3 years, doubling thereafter.

The spirit wearies of protesting what is so difficult to defend. Yet Members of this body wonder why there is only one Buffalo Bill Dam a decade any more. That is because of the terms on which they impose it on the rest of the country. I wish it were different; it is not.

I conclude, Mr. President, simply by noting that when we think of the state of the water supply systems of our country, the municipal water systems, the imbalance of our congressional water program is so striking. Of the last 25 years, only 6 percent of Federal water resources expenditures went to the Northeast, 39.7 percent to the South, 35.7 percent to the West. There is no equity here. In the end, these programs are going to come to a halt and all of us will be the worse off because there is no sharing, neither cost sharing nor sharing among regions.

I am sorry to have had to use a tone that might seem more abrasive than necessary, but we have talked about this a very long time.

I thank the Chair.

Mr. PROXMIRE. Mr. President, I rise to speak against this conference report for many of the same reasons that my good friend from New York has already expressed. Yesterday, the Senate expanded the debt limit to $1.260 trillion, a figure that is just beyond imagination. It means that within the next year or so, we are expected to increase the debt by close to $200 billion. If there is any one factor that is retarding recovery, it is the terrific demand by the Federal Government on the credit markets, in which we are going to take half of all the new credit for the first time, except for World War II, in any period—certainly in any peacetime period. So we should hold down spending everywhere we possibly can. Here is a prime example of where we should do it.

The CBO estimates that the Bureau of Reclamation will spend $3.8 billion on this program over the next 5 years, but that only $275 million will be repaid under existing contracts. That is about 7 cents on the dollar. This bill will barely dent that subsidy, as the distinguished Senator from New York has just pointed out.

The authors of this compromise portray it as a great victory for reform and a revenue raiser, as well. Nothing could be further from the truth. Although the conference committee sensibly reduced the acreage limitation to below what the Senate provided, but for above what present law established—960 acres—they retained a generous equivalency provision and exempted some of the very largest districts in the country.

Last July, I voted against the Senate bill because I thought it strayed too far from the principles of full cost payment for Government-provided services. While the original bill would have exempted over 99 percent of farms from full-cost payment, the conference report—think of this, Mr. President—reduced this awesome figure only to about 97 percent. An improvement, but not much.

And how does the conference report threat interest rates charged to pay back project construction costs? These is room for improvement here too. The too-low Senate formula of 11⅝ percent is applied to expenditures made after enactment, while the much too low House formula, with a floor of 7½ percent, would be applied to prior expenditures. But true full cost is about 14 percent.

Before I delve further into the ins and outs of the conference report, I think it would do us all good to remember how we got here in the first place.

Congress decided that it needed to write a new reclamation law before either Secretary of the Interior Andrus or Watt could promulgate new regulations implementing the old one.

I, for one, would have been willing to wait and see what Secretary Watt

would have cooked up, rather than pass this bad bill.

I am certainly not a fan of Secretary Watt's. I voted against his confirmation. I think we would be much better off if we had another Secretary of the Interior. But even he would have come up with something stricter than what Congress has produced on the subject.

Mr. President, why did we fear the work products of the current Secretary and his immediate predecessor? For good reason. They were trying to implement a law which had two big safeguards against unlimited subsidies—a 160-acre limitation on ownership and a residency requirement. We gave up both safeguards in this bill, but what did we get in return? We do not even know.

Who is covered? What are the expected revenues? I have no idea, and no one can tell me. We tried very hard to get the answers to this. We cannot get them. No one can tell us. How will new equivalency provisions expand the allowable acreage? What will be the true size of the average allowable farm? I would certainly have preferred to see these figures before I got my final opportunity to vote on this multibillion-dollar bill. Unfortunately, this was not the case. Very little time and even less information was available for judging this report.

Back in July, when Senator LUGAR and I introduced our amendments, we pointed out that 97 percent of all irrigated farms are under 960 acres, and 87 percent are under 320 acres.

While the Department of the Interior found in their environmental impact statement on reclamation that a 320-acre irrigated farm is relatively prosperous compared to the national average, the average irrigation district they studied paid back only 16 percent of the cost of providing the service.

Sixteen percent was paid back.

As if this were not bad enough, recent Department of Interior Inspector General's audits revealed patterns of unbusinesslike practices and mismanagement which will cost the taxpayers billions of dollars.

An audit of the Central Valley project in California shows that the account will be $8.8 billion in the red at the end of the repayment period. Will the new reclamation law help? That is the issue on this bill and the answer is: Not much. The per-farm subsidies in reclamation projects are enormous. According to Prof. Thomas Power, chairman of the economic's department at the University of Montana, the central Arizona project would provide a subsidy of $1.883 million per farm receiving irrigation water.

Think of that. We think farmers in my State are doing well if they can gross $150,00 and net $5,000 or $10,000. But these subsidized farmers would gross $1.8 million per farm.

Would this subsidy be reduced by the new reclamation? Once again, the answer is: not much, if any. Here, too, most farms would comply with the acreage limits and escape full cost.

Does spending these enormous sums help our agricultural production or hurt it? That depends. Often the newly irrigated land is used to grow crops already in surplus.

And believe me, we are aware of that in Wisconsin, because we find that our farmers, all of a sudden, are confronted with enormous surpluses coming very largely from irrigated lands in California. Because the feed grown in California is so abundant and, with the help of Federal subsidy, so cheap, of course, we have surpluses that penalize our farmers and the very heart of the rural economy in our State.

While the House had an amendment denying water deliveries from new projects to lands growing surplus crops, the conferees chose to insert weaker Senate language, which called merely for a study of the problem.

Several other good House amendments also disappeared in conference, such as those providing for civil penalties and compliance with audits of the Department of Interior Inspector-General.

The audit compliance section of the House bill was especially important. It required only that the Interior Inspector-General review recent audits of the Bureau of Reclamation, compile his recommendations for action and submit these recommendations to Congress and the President within 90 days of enactment.

The Secretary had to either comply with the recommendations or give written reasons for his failure.

This is no small matter. During the last 5 years, the Interior Inspector-General completed at least seven audits. According to his 1980 annual report:

> Substantially more attention is required in the planning and management of all aspects of these projects to assure that the beneficiaries, rather than the general taxpayers, bear the burden for reimbursable water and power costs. This fundamental principle of Reclamation law has not been followed consistently. Consequently, some projects have resulted in substantial subsidies to project beneficiaries through low water and power rates.

Despite these findings, little has been done to improve the situation in this conference report that is before us. An audit of the Pick-Sloan Missouri Basin program has been included in the last five semiannual reports without any actions being taken.

What is wrong with this project? Plenty. According to the Inspector-General's report, this program has substantial costs which will not be repaid, get this, until the 22d century. According to the audit, no one knows, within reasonable limits of accuracy, what rates to charge power users and municipal and industrial water users to repay Pick-Sloan costs.

The conferees also dropped the House language requiring mandatory water conservation measures to be included in each new contract. Instead, the conferees picked the weaker Senate language which directs the Secretary of Interior merely to encourage water conservation. But water conservation is to important to receive this casual treatment.

There are only two ways to overcome water shortages—increase supply or decrease consumption.

A recent GAO report says it best:

> Increasing supplies entails building more projects, such as reservoirs and pipelines to create additional holding and delivery capacity, or finding technologies whereby water that was formerly unusable can be used. However, water projects are costly and take years to complete. Also, they often are undertaken as if they were ends in themselves, instead of parts of an overall program to meet the nation's needs. The other answer is stretching available supplies.

You and I know, Mr. President, that these costs are paid for by the Federal taxypayer. The benefits go to a very few States and a very few farmers within those States—very few rich farmers, I might add—and all of the taxpayers pay these billions of dollars.

The job that we are called upon to do in the GAO report can be done. In Israel, the efficiency of irrigation water delivery is almost twice what it is in the United States.

So why not make conservation a part of all new contracts?

Mr. President, another section of this bill adds the authorization for the Buffalo Bill Dam in Wyoming. This section, too, continues bad water policies that ought to be changed. That project has a cost-benefit ratio—now, listen to this—of 1.06 to 1—1.06 to 1. It is my experience, after looking at these benefit-cost ratios for 25 years that unless a project has a ratio of 2 to 1 or 3 to 1 or 4 to 1, almost certainly it will cost a whale of a lot more than it is worth. Talk about marginal, 1.06 to 1 and 7⅝ percent interest. That is hardly a compelling project.

But even worse, there is no reason why the Federal Government should pay $106.7 million out of a total cost of $160 million, or about two-thirds, when this is a water supply project. Identical projects built by the Corps of Engineers will now have to pay their own way without Federal subsidies.

Why the double standard? Is a project with a 1.06-to-1 cost-benefit ratio worth this kind of subsidy?

Mr. President, if cost-sharing is good enough for the Corps, why not for the Bureau?

Mr. President, perhaps the worst feature in this report is the exemptions for Corps of Engineers projects. This exemption, which made its way

through both the House and Senate, is an example of the worst features of this so-called reclamation reform. It exempts the very biggest projects, with some of the largest farms. This is effectively a repeal of existing law and makes it worse than existing law. It overturns recent court rulings which held that reclamation law applies corp project to excess lands. Majors corporations in California, such as Standard Oil, Getty, Superior Oil, Tenneco, and Churon, get irrigation benefits from tens of thousands of acres in these districts.

These are not poor, family farmers, struggling to make a living. These are corporate giants taking advantage of Federal largesse.

Mr. President, I commend my colleague, Senator METZENBAUM, the distinguished Senator from Ohio, for his efforts to improve both the Senate bill and the conference report. As so often in this body, he has done a noble job for the consumer and the general taxpayer. I think he deserves a world of credit for having done it. But even his important changes, good as they were, are not enough. Enormous subsidies remain and reform is an illusion. Needless to say, I am opposed to the conference report.

Mr. President, I yield the floor.

Mr. METZENBAUM addressed the Chair.

The PRESIDING OFFICER. The Senator from Ohio.

Mr. METZENBAUM. Mr. President, I appreciate the kind comments of my good friend and colleague from Wisconsin. I also respect his position in connection with this measure. He and I certainly are not in disagreement. This bill is better than it was, but it is not as good as it should be. Maybe the best bill would be no bill.

I fought this measure as long as I could. It was clear, however, that forces were at work that would assure passage of a bill. In my opinion that made it necessary that we do the best we could.

I am frank to say that the bill that left the Senate was, in my opinion—and I think in the opinion of all objective observers—far better than the bill that originally came to the floor of the Senate. The bill that came back from the conference committee, in my opinion, is also better in many respects than, and in some respects not as good as, the bill that left the Senate floor. But generally the conference bill is moving in the right direction.

For example, the limit on subsidized water, which was originally 2,080 acres, was reduced, after negotiation in the Senate, to 1,280 acres, and then in the conference committee was reduced to 960 acres.

Mr. President, 960 acres is very generous. The original limitation in the 1902 law is 160 acres. That was designed to help family farmers. Under the 1902 act they had the right to get interest-free water, up to 160 acres per person. Then, the Department of Interior began expanding the definition so that the son and the daughter and the wife and various members of the family, were each entitled to 160 acres. But the courts have determined that the 1902 law still applies.

In addition, some of the corporate farmers were able to amass tremendous amounts of acreage by reason of various quirks in the law and failure of the Interior Department to enforce the law adequately. This relaxation of the 160-acre limitation requirement by the Department has continued to a point that even if this matter is passed, 97 percent of the irrigators will continue to receive interest-free water because their farms are 960 acres or less. The remaining 3 percent of the owners control 30 percent of the acreage. This indicates, by a simple mathematical formula, that there still will be tremendous amounts of acreage that far exceed the 960-acre limit. And it is the remaining 3 percent that were at issue during much of this debate.

The acreage limitation is important because the question is who will get interest-free water and who will be required to pay for water in excess of the acreage limitation and how much will the interest rate be.

In all fairness, the 960-acre limit in this bill is per family unit and not per individual. That abusive interpretation has finally been put to rest. The 960-acre limit, however, is still too much, but it is better than it was when it left the Senate.

The conference report further requires that the Bureau make annual calculations of all operation and maintenance costs and that those increased costs be paid by the districts. This, I say to my colleagues, is a salutary benefit. This is a major move in the right direction. I give the House credit for having that language in their legislation.

The conference report also requires—and this is important—that all districts develop a water conservation plan. Under the Senate-passed bill, we had the sort of hortatory language that a water conservation was to be encouraged. The fact is that the requirement of a water conservation plan, making it mandatory, in my opinion, is a major move in the right direction by the conference committee.

The House-passed bill and the Senate bill however, were far apart with respect to the interest factor.

Let me explain what we are talking about on the interest factor. We are talking about the fact that you have an irrigation district which enters into a contract with the Bureau of Reclamation for water. Until now that contract has only required that capital costs for construction be paid back over a 40-year period. Portions of the project were paid for by the irrigators and other beneficiaries, but there were large parts that beneficiaries were never called upon to pay. But with respect to the part that the individuals are called upon to pay, in the past they were not paying the interest. You are talking about very significant amounts of money, because you are talking about tremendous costs for the irrigation projects.

The House-passed bill provided that the cost figure for all lands above the 960-acre limitation would be determined on the basis of the cost for money to the Government at the time the project was built. Since many of these irrigation projects are rather old, that means that many of the projects were built when interest was 1 percent, 2 percent, 3 percent. As a matter of fact, only within recent years have interest costs soared to double-digit levels.

The House was aware of that problem so the House put in a floor for interest payments, and the House-passed floor was 5-percent. That was an extremely low figure, far too low, and most unreasonable.

The Senate had a figure in the bill originally, that would have set the interest rate at around 9 percent. That figure was still too low. In the negotiations that occurred before we concluded passage of this bill, we improved the interest rate by agreeing that the interest charges would be the mean between the average of what the Government paid for money last year and the cost of money to the Treasury for 15-year paper. That meant we were talking about a rate in the area of 11.5 percent.

In the conference committee, this became one of the major issues, and we went at it pretty strongly, in all fairness. I am frank to say that it was a rather difficult conference, because the House wanted to keep the interest figure down; and some of my colleagues in the Senate, I am frank to admit, who had the votes in the conference committee, were also perfectly willing to keep the interest rates down.

After considerable discussion and other suggestions made with reference to adoption of this conference report, it was possible to arrive at a figure that I still consider to be far too low but 50 percent better than the House figure, and the figure is an interest floor of 7.5 percent, with higher interest rates for more recently constructed projects and higher rates still for future projects.

That is not great, but under the circumstances I think it is a lot better than the House of Representatives proposed, although it is not as good as the formula the Senate has agreed to.

The Senate-passed bill allowed larger corporations to receive subsi-

dized water for 640 acres the conference report reduces that figure further to 320 acres for these corporations. This limitation would be applicable to those large corporations receiving water prior to October 1, 1981. The conference report then provided that larger corporations not receiving water prior to October 1, 1981, will be required to pay full cost recovery on all their acreage.

Mr. President, I have a copy of an interesting letter. This letter was not addressed to me but I assume that the manager of the bill has no objection to my referring to the figures in the letter from Robert Broadbent concerning the dollar amounts involved.

Mr. McCLURE. Mr. President, I ask unanimous consent that the letter addressed to me signed by Mr. Broadbent, dated September 24, 1982, be printed in the RECORD.

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

BUREAU OF RECLAMATION,
Washington, D.C., September 24, 1982.

Hon. JAMES A. MCCLURE,
Chairman, Senate Committee on Energy and Natural Resources, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This responds to your inquiry concerning the additional revenue to the Federal Treasury that would be expected upon implementation of Title II of S. 1409.

You will recall that the Congressional Budget Office had produced an estimate of $10-$13 million in additional revenue under the original House version of the bill. This was based on the assumption that under the House bill 25 percent of the districts would elect to be covered by the new law.

The Conference Report, however, will produce additional revenues over the original projections for the House bill, because there are increased incentives for districts to amend their contracts and come under the new pricing provisions. In additon, all districts will be subject to new pricing after 4½ years from enactment. Therefore, we have recalculated the revenue projections based on a very conservative set of assumptions.

Our projections produce an estimated minimum annual increase of $17 million to the Treasury for the initial years after enactment. After 4½ years from enactment, additional revenues will jump to a minimum of $34 million, if everyone elects to come under the 960-acre limitation. (For the initial period after enactment, we are assuming that 50 percent of the districts will amend and 30 percent of the farms exceed 960 acres.)

On the other hand, if 75 percent of the districts decide to amend after 4½ years, then the remaining quarter will pay 12 percent interest on landholdings over 160 acres and will thereby generate an overall revenue increase due to Title II of S. 1409 of $70 million.

Again, we should emphasize that these are minimum projects and a number of factors could generate increased revenues.

We hope this information is useful. If we can provide any further assistance, please do not hesitate to call.

Sincerely,

ROBERT N. BROADBENT,
Commissioner of Reclamation.

Mr. METZENBAUM. I think this letter tells the story. It is addressed to the chairman of the committee and says:

You will recall that the Congressional Budget Office had produced an estimate of $10-$13 million in additional revenue under the original House version of the bill.

That was based on certain assumptions they made.

The conference report, however, will produce additional revenues over the original projections for the House bill, because there are increased incentives for districts to amend their contracts and come under the new pricing provisions.

I will skip some portions of it.

It then goes on to state:

Your projections produce an estimated minimum annual increase of $17 million to the Treasury for the initial years after enactment.

Is that not great because that compares with the $10-13 million that was in the original House bill?

They go on to say:

After 4½ years from enactment, additional revenues will jump to a minimum of $34 million, if everyone elects to come under the 960-acre limitation.

It goes on to state:

On the other hand, if 75 percent of the districts decide to amend after 4½ years—

And there are incentives for them to do that—

Then the remaining quarter will pay 12 percent interest on landholdings over 160 acres and will thereby generate an overall revenue increase due to title II of S. 1409 of $70 million.

I point out that that is a difference between $10 to $13 million up to a figure of $70 million.

The letter goes on to recite:

Again, we should emphasize that these are minimum projections and a number of factors could generate increased revenues.

Mr. President, having said that progress was made, I should point out that if this legislation were not to be enacted, there would be far greater benefits rebounding to the Federal Government because the courts have ordered the Interior Department to enforce the 160-acre limitation there does seem to be some problem, I might say, as to whether that 160-acre limitation would or would not include that acreage which is leased, but certainly the courts would force compliance with the ownership limitation.

Mr. McCLURE. Mr. President, will the Senator yield?

Mr. METZENBAUM. I yield to the Senator from Idaho.

Mr. McCLURE. I do not intend to prolong the discussion today and, as the Senator from Wisconsin was speaking, I refrained from interjecting anything because I heard it all before and we had all those discussions before. But I think at this point we should point out that if the current law is not changed and people are forced to comply with it in the future as well, there would be zero increase in the revenues because everyone would comply and there would be no increased revenues to the Government.

So whatever we have done here is on top of anything that would come under the enforcement of the present law.

Mr. METZENBAUM. I am not prepared to get into a disagreement with the chairman of the committee. I am not prepared to agree with that interpretation, but let me say he has made his statement and we accept it for the record for what it is worth.

Mr. President, having said all of what I have said and having indicated that I do think some very positive moves were made in the conference committee and some negative ones as well, I then have to come down to my bottom line and that is am I for the conference report or against it?

Mr. President, I am opposed to the conference report because I believe there are still too many loopholes and I think that the final product is unacceptable.

We have to look at the subject on the basis of what the original mission of the Bureau of Reclamation was. It was to help the family farmer.

But under this bill the Bureau will continue to provide billions of dollars for corporate agribusiness interests in the 17 Western States. It is for that reason that I cannot support it.

Throughout Ohio family farmers are struggling. Many are battling to stay afloat. Too many have already lost that battle. It is insensitive, in my opinion, and grossly unfair to subsidize wealthy Western farmers while family farmers around the country are barely hanging on.

I might say in that respect, Mr. President, that I have in my possession a newsletter called Washington Update. It is published by the National Grange and it is dated September 17, 1982.

It reads, in part, as follows:

Pace quickens on reclamation talks.—Scurrying to meet election recess deadlines House and Senate conferees on amendments to the Reclamation Act of 1902 reached a tentative agreement on several controversial points of difference between the two versions. Most contentious of the differences involved the acreage ownership limits and the amount of interest charges to be levied on water used to irrigate reclamation land in excess of that limit.

Senator Howard Metzenbaum of Ohio entered the negotiations bent on retrieving the portions of both bills that would restrict the subsidies to gigantic farms mainly in California and Arizona. According to Jin Miller, Assistant Legislative Director of the National Grange, the bills contained little of

benefit to family farmers, "But the Grange is pleased that the most generous portions to the 'corporate boardroom farmers' were deleted by the Conference Committee." Miller remarked that although no residency requirement or absolute cap on leasing of reclamation land was accepted, the Committee did adopt an expensive penalty for farmers irrigating in excess of 960 acres of Class I farmland.

The agreement states that farmers who own more than 960 acres (Class I) will be given 54 months to either sell the excess land or start paying over 12% interest for all of the water delivered for irrigation. Corporations, a term the Committee has yet to define, may own no more than 640 acres if they wish to avoid the high-cost penalty. The acreage limitation figures will be adjusted higher for farmers who irrigate land catagorized less productive than Class I.

Metzenbaum's influence on the Committee's deliberations was key to achieving the concessions. Miller observed, "There was not much to rave about in the two bills, but Metzenbaum did an admirable job in limiting the damage." The Senate version would have allowed ownership of 1,280 acres with unlimited leasing at the 12% interest rate. The House version allowed subsidized water for only 960 acres, but there was no ownership limit, and execess lands would be charged interest at a low 5% rate. Neither bill met the requirements of Grange policy adopted by the Executive Committee in January of this year. Because of the many loopholes and shortcomings of the agreement, the Grange will oppose adoption of the final package.

The National Grange says the conference report does not meet their requirements for reclamation report, and it does not meet my requirements as well. As I said before the conference report has improved the bill, but several glaring loopholes remain. These loopholes make the conference report unacceptable. Five in particular stand out:

First, the bill allows equivalency for acreage in excess of 960 acres. In effect this provision opens the possibility—indeed, even invites it—that the 960 acres will become 1,100 or 1,500 acres as farmers are allowed to increase their limit to compensate for factors such as lower soil quality.

Mr. President, the 960-acre limit is very generous. According to the Bureau of Reclamation, 97 percent of all farms receiving irrigation water under this program own or lease 960 acres or less. Thus, virtually all of those now receiving interest-free Federal irrigation water will continue to receive it forever.

If the purpose of this bill is to force large corporate farmers to pay full cost for their water—as the sponsors contend—then there is no justification for the equivalency provision. Let us face it—not too many farmers are going to pay full cost as long as this equivalency provision is in here.

A second major problem is the bill's blanket exemption for all Corps of Engineers projects in the West. Quite simply, Mr. President, this exemption is ridiculous.

If you look at a map of San Joaquin Valley in California you find the reclamation projects are in the valley and the corps projects are in the mountains that line the valley. Both provide interest-free irrigation water to the large farms in the area. The only difference between the corps projects and the reclamation projects is that the former are designed to store water and the latter are designed to transport water. There is no reason to continue to provide unlimited interest free water from dams operated by the Corps of Engineers.

Third, the conference adopted a modified version of the House interest provision. Under the bill, the interest rate will be the rate the Government paid at the time funds were expended for construction of the facility. But in no event will anyone pay less than 7.5 percent. Sponsors tell us this is a floor. But that is a bit misleading. High interest rates are a recent phenomenon and most of the Bureau's projects were built before we had double-digit interest rates. As a practical matter, then, most irrigators will pay 7.5 percent and only those receiving water from projects constructed in the last 5 years will really pay more than 7.5 percent.

Fourth, the conference report retains a House provision that will allow many farmers to continue to receive interest-free, subsidized water for growing surplus crops. That is an outrage. Commodity prices are already depressed because of an over abundance of cotton, wheat, corn, and other crops. Why on Earth should farmers in other areas of the country, who are reeling from high interest rates and low commodity prices, be forced to subsidize Western farmers who are flooding the market with surplus crops? Yet, under this report that is exactly what the Congress will be sanctioning for all projects that were authorized more than 10 years ago. And I might add that grandfather provision is designed to include the giant westlands district in central California.

Finally, this report provides special treatment for the central Arizona project. The Senate bill provided that for any new reclamation project all excess lands under recordable contract must be disposed of within 5 years. That is a tolerable provision and the conferees included it in this report. For the new central Arizona project, however, excess lands will be allowed to receive interest-free water for 10 years. The sponsors say they want to clamp down on the use of long-term recordable contracts. If so, there is no reason for this special 5 year extension for central Arizona.

In sum, Mr. President, this is a better bill than we had here a few months ago. But it is still a bad bill. It is not in the public interest. It is not limited to family farmers. It deprives the Federal Government of revenue that by all rights it should have. And it is unfair to the taxpayers of the United States.

Having said that, Mr. President, I intend to vote "no" in connection with this conference report. But I do want to say publicly that although I have had some very strong disagreements with the chairman of the committee as well as in some instances with the manager of the bill on the House side, I think that both of them have been extremely helpful and cooperative, and worked toward bringing about a solution that would not demand an all-out effort to attempt to defeat the conference report. I think it is movement in the right direction. Therefore I will vote "no," but certainly do not intend to keep the conference report from being brought to a vote at the earliest possible moment.

Mr. GOLDWATER. Mr. President, will the Senator yield?

The PRESIDING OFFICER. The Senator from Arizona.

Mr. GOLDWATER. Mr. President, this is an annual affair that we go through. The strange thing to me is that the people who object most vociferously are those people whose only problem with water is that they have too much of it.

Now, we live in the arid part of the United States—in my particular case with an average of 7 inches of rain a year—which is the great part of the United States that is still undeveloped to which the United States has to look, whether they like to or not, for an increased production of around 20 percent per acre or the addition of 20 percent more acreage in order to feed our people and to continue to be able to feed the people around this world.

I do not intend to be long, Mr. President, but as mentioned first, the 160 acres, yes, when the Reclamation Act was first passed, the 160 acres were thought to be an attractive thing to bring people out West.

It was soon learned, however, that you could not make money from 160 acres. Yes, if you want to work it as a family farm, truck farming, if you want to get up at 3 and 4 o'clock in the morning and go out and hand farm it and grow tomatoes and potatoes and carrots and things like that, you can make money from 160 acres. But the average farmer is not inclined toward that, particularly when the growing of cotton, for example became very, very profitable in my part of the West, the growing of alfalfa became very profitable, the growing of melons, lettuce, and so forth, these crops could not be grown profitably on the 160 acres.

So eventually we wound up with the family farm, the corporate farm, or whatever you want to call it, averaging

about 2,700 acres in my part of the United States.

The argument is constantly made that we are getting something cheap, we are getting something free. I would like to point out to those detractors of reclamation that the very first reclamation project completed—that is, the second one, the biggest one of the early ones, the Salt River project, as we now call it, backed up behind Theodore Roosevelt Dam—was built at a cost of $11 million.

Since that time through bond money, not Federal money, we who live in the valley of the Salt River have constructed five other dams and paid for them. The entire reclamation project has been paid for, and I might call the attention of my good friend from Ohio to the fact that last year this project, which probably cost the Federal Government a little more than $11 million, cost the taxpayers and people who bought the bonds a total of maybe $200 million, paid over $500 million in income taxes, probably the best investment ever made, to my mind, by the Federal Government anyplace.

The criticism is heard that the Central Arizona project, which is a gigantic project, the biggest ever undertaken in this country, might not be paid for for several centuries. We are under contract to fulfill payment in 45 years, and because the water will be used for domestic and industrial use rather than farm use, we can probably increase the payoff period a great deal faster than that.

Mr. President, I am pleased that title II of the bill before us will update the antiquated Reclamation Act of 1902. It is long overdue.

We simply must conform the reclamation law to modern farming needs and practices. The conference agreement is not as complete as I would wish—in fact, I would support a total repeal of all acreage limits—but it is far better than the 160-acre ceiling and residence restrictions of the present court order.

In particular, I regret that the conferees decided not to accept a total exemption for the Central Arizona project, but the report does provide a helpful 10-year grace period for CAP water. The exemption period will begin after water begins flowing.

After the 10-year exemption, the farms will be subject to Arizona State law which gives municipal and industrial users a 100-percent priority over agricultural users in the event of shortages. If farms qualify for CAP water under our State law, the report provides that they will be exempt from reclamation limits up to 960 acres. Larger farms can receive project water, but they must pay 7½ percent interest on the irrigation share of project construction costs.

The Salt River project of Arizona received a permanent exemption under the payoff provision of the conference bill which protects any project that has already paid off its original obligation. I am pleased that the conferees decided that even if the project has to make future rehabilitation loans to operate and maintain facilities, the new loan will not bring the project under the limitations of the new law.

Mr. President, our agricultural system feeds and clothes our people better than any other peoples on the face of the Earth and I am delighted we are today removing many unrealistic limits on farm size and efficiency.

Title III of the bill, Mr. President, is the Southern Arizona Water Rights Settlement of 1982, and it embodies a negotiated settlement that has been many years in the making. Basically, this measure legislatively settles the Papago Indian water rights claims in portions of the Papago Reservation in southern Arizona.

If passed, this legislation provides for the Papago Tribe to drop a 7-year pending lawsuit against the non-Indian water users.

The settlement guarantees the acquisition and delivery of a firm annual water supply to the San Xavier Papago Reservation and to the Schuk Toak district of the Sells Papago Reservation from specified sources; these sources include the central Arizona project, limited ground water pumping, and reclaimed water obtained from the city of Tucson. In return for this water, the Papago Tribe will waive all claims for additional water in the upper Santa Cruz and Avra/Altar water basins and all claims for injuries to water rights in these basins. The Papago Tribe must limit its groundwater pumping and the tribe must agree to dismissal of pending claims.

It should be pointed out that this is a settlement, indigenous to southern Arizona and has nothing to do with other pending Indian water rights claims in other States or elsewhere in Arizona.

Mr. President, I think it is amazing that we have gotten the farmers, the mining industry, the city of Tucson, the State of Arizona, the Papago Tribe, and the Interior Department to agree on the provisions of the settlement. I hope other Indian tribes and non-Indians will follow our example and opt for negotiated settlements rather than long, drawn-out and costly court battles.

Mr. President, I want to congratulate the chairman of this committee who has done so much for those of us who live in the West, and I will not say who depend upon reclamation water entirely for our livelihood, but the whole country should be thanking him, for this country could not, I repeat not, produce the farm goods that they now produce if it had not been for the farsightedness of those people back in 1906 who passed the original Reclamation Act.

I intend to vote for this. I think every Member of Congress should do the same.

I yield the floor.

Mr. McCLURE. I thank the Senator.

Mr. HATFIELD. Mr. President, I doubt if any wisdom has been more dramatically demonstrated than in this act, any wisdom since the time the two mothers appeared before King Solomon and asked for the same baby. But I do feel the Senator from Arizona, Senator GOLDWATER, has eloquently stated the debt we all owe to the Senator from Idaho, Senator MCCLURE, as the chairman of our committee, for indeed he is a modern Solomon who can sit and work out thickets, not one but many thickets, that confronted us on this great isssue.

Mr. President, the Reclamation Reform Act of 1982 contained within title II of S. 1409 is a monumental piece of legislation for Western water interests. Not only does the legislation remedy a number of allegations of abuse within the Federal reclamation program but it removes an onerous cloud from many small farm operators who were faced with the possibility of complying with the antiquated 1902 law.

The 960-acre limitation on the amount of owned land which can be irrigated with subsidized reclamation water accommodates a large number of existing farm operations and at the same time provides sufficient opportunity for growth and expansion within the reclamation program. Still the 960-acre limitation is substantially less than the 1,280-acre and 2,080-acre limitation of earlier Senate adopted proposals. I am glad to see this legislation move to smaller more efficient farm operations.

As well the "full cost" interest charges which will be assessed against leased lands above the 960-acre ownership limitation is an equitable resolution to the absolute prohibition on leasing which was proposed in earlier bills to eliminate abuse within the reclamation program. In other words, farm sizes can expand beyond the basic 960-acre limitation but not at the expense of the Federal Government. These two provisions, Mr. President, the 960-acre ownership limitation, and the interest charge on leased lands in excess of that limit, are the cornerstone of the revised reclamation program to which the House and Senate have just agreed.

Mr. President, I want to congratulate Senators MCCLURE, WALLOP, and JACKSON for their leadership on this highly controversial and complicated piece of legislation. Through their expertise and diligence the debate on this year's reclamation reform legisla-

tion matured significantly since 1979 and has resulted in a long-awaited conference agreement.

(By request of Mr. McCLURE the following statement was ordered to be printed in the RECORD:)

● Mr. HAYAKAWA. Mr. President, the road to reclamation law reform has been a long and difficult one. Not only has Congress struggled to form a consensus, but the water users themselves have at times been at odds with one another. Scores of individuals have contributed tremendously to the difficult process of finding a responsible and workable set of amendments to this antiquated law.

There is, however, an individual who deserves recognition here today: Gordon E. Nelson, coordinator of the Farm Water Alliance. In working with Members of Congress, Gordon's warm personality, communication skills, and integrity transformed a very complicated and controversial issue into an understandable, workable problem. The hours I have spent with him discussing Western water issues and solutions were invaluable and enjoyable. Gordon's ability to speak from a historical perspective and at the same time, display his wide-ranging knowledge of the current situation is truly impressive.

In communicating with the beneficiaries, the users of reclamation project waters in the West. Mr. Nelson also worked his magic. By forming a consensus from a divided and at times competing group of organizations, Gordon made the impossible yet essential come to pass: One voice for Western water users. Speaking clearly, and coordinating their many interests, the Farm Water Alliance has performed a tremendous service for the farmers of the West, American consumers, and Congress.

We have before us a measure that modernizes the 1902 law, yet retains the historical mission of Federal water development. Its passage today is a great achievement, one of which every Member of this body should be proud.

We would not be voting on this conference report today if we had been without the wise counsel and tireless efforts of Gordon Nelson. I take my tam off to Mr. Nelson and the entire Farm Water Alliance, you have performed a great service.●

Mr. ZORINSKY. I would like to address a question on the pending conference report to the distinguished floor managers. This question concerns section 223 which revises the acreage limitation with respect to small reclamation project contracts. The statutory language agreed to by the conferees makes no distinction between small reclamation project contracts entered into before or after enactment of the law we are now considering. The statement of managers, however, discusses this matter and expresses the hope that Congress will review and scrutinize this in the near future. My question to the managers is, "Is it the intention of the Senators from Idaho and Washington to place a high priority on this issue and to direct the attention of the Energy and Natural Resources Committee to it in hearings as soon as possible in the next Congress?"

Mr. McCLURE. The Senator has my assurance that subject to the legislative schedule of the committee, this issue is of extreme importance to myself and other members of the committee, and will be promptly addressed in the 98th Congress.

Mr. GORTON. Mr. President, when the Senate considered S. 1867 in July, I had serious reservations about several aspects of the bill as reported by the Senate Energy Committee. I was confident, however, that the members of the committee were aware of and sensitive to the many concerns expressed by their colleagues at that time.

I am pleased to see that the product of the conference is one that addresses the concerns I had about the Senate bill. The conferees are to be congratulated for their work. The conference report goes a long way to restoring the reclamation law to one which is relevant and thus more likely to be enforced. It may well be that we will discover in the next few years that other changes are needed or that the precise numbers agreed upon here need to be revised. Nonetheless, we have cleared a big hurdle with the passage of this bill, and one which is crucial to the survival of agriculture in the arid West.

Once again, my thanks to the distinguished members of the Energy Committee, and particularly to my friend and colleague from Washington, Senator JACKSON. He has served the people of Washington well with his diligent effort on this issue.

● Mr. BAUCUS. Mr. President, I support the passage of the Reclamation Act conference report. I supported S. 1867 during the Senate's consideration of the bill and I now support the passage of the conference report numbered S. 1409.

I have been in Congress over the past 5 years when we have worked toward reforming the 1902 Reclamation Act. An increase in the acreage limitation of 160 acres, set in the 1902 act, is long overdue and I am pleased that Congress could finally reach an agree-ment on this much needed reform.

I believe that the version of the Reclamation Reform Act agreed on by the conference committee addresses many of the concerns raised during the House and Senate consideration of their separate bills. Individuals and companies with 25 or fewer shareholders are limited to 960-acres of owned or leased land on which they can receive Federal project water. Companies with more than 25 shareholders are able to obtain water on up to 640-acres of owned land—with only the first 320 acres eligible for reduced rates.

The interest rate formula contained in the conference report would raise the House minimum interest rate to 7½ percent, and apply that rate to old projects. For new projects or additions, the Senate's formula—roughly 11⅝ percent—would apply.

I am also pleased to see that the conference report contains an equivalency formula which allows the Secretary of the Interior to raise the acreage limit for lands with less productive potential. However, districts would have to amend their present contracts to meet the provisions of the new law before the equivalency formula would apply.

The conference report also includes provision to exempt a district from the acreage limitation, once their repayment obligations have been met. And, finally, the residency requirement contained in the 1902 act, as interpreted by the Department of the Interior, was repealed.

Mr. President, I realize that not everyone got what they wanted under this revision of the 1902 Reclamation Act. There were many difficult decisions to make, especially in dealing with the life-blood of agriculture in the Western States—water. I believe in doing all I can to help preserve the family farm in America. I believe the reforms we make in the Reclamation Act were necessary for preservation of the family farm in the arid Western States. We in the West do not have the advantage of some of the other areas of the country of relying on Mother Nature to provide adquate moisture for crop production. Yet, the land in these Western States is some of the most productive in the country if we can get the water to it.

The members of the conference committee should be commended for their ability to reach an agreement on such a difficult issue. Reform of the 1902 Reclamation Act was necessary this year and I believe that the conference report before us represents a reasonable reform of the antiquated act. I urge the adoption of the conference report.●

(By request of Mr. BAKER, the following statement was ordered to be printed in the RECORD:)

● Mr. SIMPSON. Mr. President, I do want to take just a few moments to state my strong support for this conference report and also to express my positive delight that the effort to increase the capacity of Buffalo Bill Dam is now coming to such a successful conclusion.

I am pleased about the passage of this legislation for a number of rea-

sons, Mr. President—most significantly, perhaps, because the Buffalo Bill Dam is located near my own hometown of Cody, Wyo., and for that reason I am well aware of the benefits that will flow to that region as a result of this project.

I am also aware of—and so very much appreciate—the efforts of my colleagues in the Wyoming delegation on this legislation. I recall that my predecessor—former Senator Cliff Hansen—made the Buffalo Bill Dam one of his projects during his many years of extraordinary and dedicated service in this body. More recently, my fine friends Senator MALCOLM WALLOP and Representative DICK CHENEY have been instrumental in moving this bill through both the House and the Senate. The quality of the final product is the direct result of the excellent work that has been done by each one of these able legislators.

There is a most critically important aspect of the Buffalo Bill Dam portion of this legislation that each Member of this body should be well aware of—and one that should command the support of all. Since its completion in the first decade of this century as one of the first of the Nation's reclamation projects, Buffalo Bill Dam has stood as a symbol of the benefits that result from this Nation's commitment to reclamation in the West. With the passage of this legislation—embodying as it does a new concept of Federal/State cooperation in the financing of reclamation projects—the enlarged Buffalo Bill Dam and its associated works will once again stand as a symbol—this time as a symbol of a new cooperation in the development of reclamation projects and the commitment of the people of Wyoming that has made this new cooperation possible. As part of a massive new State program directed toward the development of Wyoming's water resources, the State of Wyoming has committed $47 million from State legislature appropriations for the State share of financing of the Buffalo Bill project. I believe that the sort of attitude and action that underlies that commitment should be commended and encouraged throughout America. The best way that we can do that, Mr. President, is to pass this legislation and then to get on with making this landmark Federal/State joint project a reality.

Mr. President, I would be clearly remiss if I did not comment upon the other titles of S. 1409 as it has been amended. Certainly when I first joined with my colleague from Wyoming in cosponsoring S. 1409, I did not conceive that it would become the "horse" for a "rider" known as the reclamation reform bill. Yet I am also a cosponsor of Senator MCCLURE's bill and therefore am pleased to see that very important legislation also reach a successful conclusion in this conference report. I will not go into detail on the reclamation bill—my colleagues who have been closely involved with that reviewed the provisions contained in the conference report. Let me just state that I am confident that the changes that we are now making in the 1902 Reclamation Act—changes such as the increased acreage limitations, the updating of the cost recovery mechanism, the explicit provision for leasing, the elimination of the residency requirement, and the expanded equivalency concept—will assure the continued vitality of the reclamation program and I give my full support to this portion of the report before us without any hesitation.

Let me also say, Mr. President, that I am pleased that the parties involved with title III of the bill—relating to the settlement of the Papago Indian case in Arizona—have been able to reach an agreement that is satisfactory to all. I know that the Arizona delegation and others have worked very diligently on this, and the final result is clear testimony to their effectiveness.

In conclusion, Mr. President, it has been a pleasure to participate, observe, and to have been a part of fashioning this kind of legislation and joining in this congressional teamwork. Passage of this legislation will mean much to the large portion of this country that is dependent on a continued Federal role in reclamation. In a larger sense, this is a constructive, positive, and responsible piece of work—of which we can all be quite proud as legislators. I am very pleased. I urge my colleagues to vote favorably on this conference report.●

(By request of Mr. BAKER, the following statement was ordered to be printed in the RECORD:)

● Mr. WALLOP. Mr. President, today the U.S. Senate is considering the conference report for three major bills: A bill to enlarge the Buffalo Bill Dam in Cody, Wyo.; the Reclamation Reform Act of 1982; and the Papago Arizona Settlement. Passage of this conference report by the Senate and the House of Representatives will clear the way for Presidential approval. Although these three bills are all different, both individually and collectively they represent a historic step, indeed a quantum leap, in the development of Western water. I am particularly proud that S. 1409, a bill for the modification of Buffalo Bill Dam, which is located in my home State of Wyoming, has now moved into the final stage of becoming law.

In 1969 Congress passed legislation which directed the Department of the Interior to determine if Buffalo Bill Dam could be raised and what potential benefits it could provide. The findings of this study indicated that expansion of the present structure, which was completed in 1910 as a private project by Buffalo Bill Cody, was both possible and feasible. In the 96th Congress I introduced legislation to accomplish that, and today marks the culmination of a bipartisan, State-Federal cooperative effort which will result in a project that even Mr. Cody's vivid imagination could not have envisioned. The present dam will be raised by 25 feet, thus increasing active conservation storage by over 270,000 acre-feet and providing an annual firm yield of 74,000 acre-feet. In addition, this bill will authorize the construction of a new spillway and visitor's center and the rehabilitation of the existing Shoshone Powerplant.

This bill's creative and cooperative funding between the Federal Government and the State of Wyoming meets this administration's goal of working with the State in financing water projects, and will serve as a prototype for funding water projects in other States. This bill is a victory for everyone: The irrigators who will be able to utilize the water from the excess spring runoff which until now has been lost; environmentalists, hunters, conservationists, and fisherman, who will have additional water for outdoor recreation and conservation of both fish and wildlife; and the cities and industry who will have additional water resources to use for their purposes.

In addition the reclamation reform of 1982 modernizes the original 1902 act, which was badly outdated by modern farming technology and practices. It raises the acreage limitations under the old act and provides that an individual can receive water from a Federal reclamation project at a level which is now realistic for today's farming operation. This bill also includes an equivalency factor which will allow farmers in States that have shorter growing seasons, such as Wyoming, to irrigate an increased number of acres. It also contains numerous payback provisions which will insure that the users of reclamation water will continue to reimburse the Federal Government for the cost of the water which they use. Thus, the money expended on reclamation reform projects continues to be one of the best investments the U.S. Government has made. The reclamation projects, the Arizona projects, and Wyoming's Buffalo Bill Dam, all of which are in this bill, will control the savage flooding which has plagued our Nation in earlier years and they will result in increases in our present supplies of electricity and agricultural products. These in turn will provide jobs and food in all parts of our country, and help insure that Americans will continue to enjoy the highest standard of living in the world.

Mr. President, in the critical light of intense scrutiny, these projects will serve as shining examples of coopera-

tion at all levels of government—Federal, State, and local—and they will dispel the myth that the users and beneficiaries of western water projects do not defray the costs of the water which they use. Again, I am extremely pleased to have been a part of this critical legislation.●

(By request of Mr. ROBERT C. BYRD, the following statement was ordered to be printed in the RECORD:)

● Mr. DECONCINI. Mr. President, the bill before us today, as reported by the House and Senate conferees, has much significance for the people of Arizona. S. 1409, the Buffalo Bill Dam and Reservoir Act, is comprised of three major titles which are, in reality, three separate and largely unrelated bills.

RECLAMATION REFORM ACT OF 1982

Title II of the act is the Reclamation Reform Act of 1982 which, in my estimation, fairly and effectively updates the 1920 Reclamation Act. This bill, like most major measures passed by Congress, contains many compromises—both large and small—hammered out in both Houses—and represents, finally, the consensus view. One such compromise is reflected in section 218, which relates to the central Arizona project in Arizona.

The Senate bill included a provision to exempt the central Arizona project from the limitations and restrictions of the act. This provision, which was included by the chairman at my request, sought to distinguish between ordinary reclamation projects and those which require a bucket-for-bucket reduction in the pumping of ground water.

Mr. President, reclamation law was designed to apply to projects that provide full or supplemental irrigation supplies on a firm or dependable basis. However, although the original use of the central Arizona project water was envisioned to be purely agricultural, the population centers have grown and the master contract now gives M&I users a 100 percent priority over agriculture users in event of a shortage. As a result, the cities get a firm water supply. The Indian reservations get a firm water supply. But the farmers do not get a firm water supply. This contract, in reality, represents a temporary water supply for Arizona farmers.

For this reason and because the CAP master contract requires a bucket-for-bucket substitution of ground water now being pumped in the project area—CAP neither expends nor stabilizes agriculture's supply. The purpose of the CAP is not to create new agriculture but to reduce the pumping of ground water for agriculture already in existence. Without additional water, but with the limitations and restrictions of the Reclamation Act, many Arizona farmers could not afford to contract with the CAP—could not afford to stop pumping ground water—and that would not be in the best interest of Arizona.

However, because the House bill did not contain a similar exemption for the Central Arizona project, it was a matter of consideration for the conference. The conferees have concluded that such an exemption is justified but have placed a time limitation on it. The conference report states:

The conferees agreed upon a provision which would apply the ownership and pricing provisions applicable to recordable contracts executed for lands in the Central Arizona Project. The provisions limit the delivery of water to such lands at the subsidized rate for a period of ten years from the date the Secretary finds that the lands are capable of being served with irrigation water.

I believe this 10-year period will be helpful, especially during these early years of the project when the individual districts are faced with some unforeseen and escalating costs. It is my sincere hope that this provision will make it economically feasible for the districts to contract for the CAP water. The continued mining of ground water could have disastrous long-term impacts on the natural environment of Central Arizona.

SOUTHERN ARIZONA WATER RIGHTS ACT OF 1982

Title III of the act is the Southern Arizona Water Rights Settlement Act. This act is similar to S. 2114 which I introduced and which was cosponsored by my distinguished colleague, Senator BARRY GOLDWATER. The bill passed the Senate unanimously as H.R. 5118 on May 7, 1982. It was accepted by the House, but was subsequently vetoed by the President of the United States.

Mr. President, since that time there has been an intense effort by Congressman MORRIS UDALL, the sponsor of the House bill, by Senator GOLDWATER and myself, and by our staff assistants to work with administration officials to forge legislation acceptable to all parties.

This effort has led to extensive negotiations in Tucson, Ariz., which included official representatives of the Department of Interior, representatives from our Washington offices, representatives of the Papago Indian Tribe, the city of Tucson, Pima County, the State of Arizona, and the various mining and agricultural interests which are referred to in the act. Those negotiations have continued here in Washington, with participation and consultation with the principal parties, and have resulted in the legislative proposal now embodied in S. 1409.

However, Mr. President, as I indicated in a statement on the floor of the Senate September 9, 1982, I was very much concerned with certain provisions of the Water Rights Act which were included in the S. 1409 package. Of specific concern was section 313(f) which states:

Payments for damages arising under 304(c) and 305(d) shall not exceed in any given year the amounts available for expenditure in any given year from the Cooperative Fund established under this section.

An extensive explanation of this and other sections can be found in the conference report which accompanies this act. However, it was my concern at that time that this section could have been interpreted as limiting the liability of the Federal Government—the obligations of the Federal Government to the people of Pima County and to those participating in the settlement—to whatever sum which would be available in the fund in any given year. This could have been the case even if the Federal Government appropriated nothing to the fund. This, of course, would have had the effect of absolving the Federal Government from any liability for delivering CAP water to the San Xavier Reservation and to the Tucson area.

I can assure you that this is not the intent of the legislation and never has been. In fact, the State of Arizona, Pima County, the city of Tucson, and Papago Indian Tribe, and the private interests in Pima County have negotiated in good faith and with the understanding that central Arizona project water will be delivered to the Tucson area by 1990, which is now the official estimate of the Department of the Interior. Those parties have collectively agreed to contribute $5,250,000 immediately to the settlement and certainly expect the Federal Government to live up to its agreements.

Mr. President, the House and Senate conferees have addressed this action of the bill and I believe their interpretation is clear, and reflects my understanding of the intent of the bill. The conference report clearly states that the Federal Government is obligated to pay damages equal to the "actual replacement costs" of CAP water if the aqueduct is not completed. These payments for damages are to come from the interest accruing from the sums contributed or appropriated to the fund. If in the event sufficient sums are not available in the cooperative fund, the tribe may seek additional payments of damages in the Court of Claims. Thus, it is clear to the conferees that the Federal Government has a continuing liabililty for damages—for nondelivery of CAP water—beyond its contribution to the cooperative fund.

Mr. President, I believe this is a crucial point to all parties to the settlement and I have been informed that all parties have agreed on this clarification.

I have also been informed that this legislation is acceptable to the Papago Indian Tribe, the city of Tucson, the State of Arizona, and the various private interests.

I would like to commend the chairman of the House Interior Committee, MO UDALL, for his leadership and great determination to bring these negotiations to a successful conclusion and for his leadership and skill in guiding all of these important legislative measures through the House of Representatives.

I would also like to commend my distinguished senior colleague, Senator BARRY GOLDWATER, for his significant contributions to both the Reclamation Reform Act and the Southern Arizona Water Rights Act.

And most of all, I would like to direct my sincere appreciation to the many individuals throughout the State who have contributed so much to the development of these legislative proposals.●

Mr. McCLURE. Mr. President, I could not allow the discussion to conclude without personally thanking the members of the staff on both sides of the aisle who worked so long and so hard. This is a matter of years of dedicated service on the part of people on both sides of the aisle, Senator JACKSON and his staff, and certainly Gary Ellsworth and Russ Brown on the majority staff, in particular, and there are many others who have worked as hard and as long on it. But I do want that to be particularly noted at this time.

Mr. President, I know of no further comment and I know of no request for a rollcall vote.

The PRESIDING OFFICER. Is there further debate? If not, the question is on agreeing to the conference report.

The conference report on S. 1409 was agreed to.

Mr. McCLURE. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. METZENBAUM. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. GARN. 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. BAKER. 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. BAKER. Mr. President, I take this opportunity to congratulate the distinguished Senator from Idaho, the distinguished Senator from Washington, and others who were instrumental in moving this conference report to final passage. It was done in an expeditious manner and I think it is a major accomplishment for all parties concerned. I thank the Senator from Wisconsin for his cooperation in the matter of scheduling and final passage.

DEPOSITORY INSTITUTIONS AMENDMENTS OF 1982

Mr. BAKER. Mr. President, I ask the Chair now to lay before the Senate S. 2879, the Depository Institutions Amendments of 1982.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

A bill (S. 2879) to provide flexibility to the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, and the Federal supervisory agencies to deal with financially distressed depository institutions, to enhance the competitiveness of depository institutions, to expand the range of services provided by such institutions, to protect depositors and creditors of such institutions, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. BAKER. Mr. President, there is a time agreement on this measure. It is my hope that we can move promptly and expeditiously and perhaps finish the bill well in advance of the time provided for under the agreement.

Mr. President, I would also like to say it is not the intention of the leadership to call up any other measure this afternoon unless that measure can be dealt with by unanimous consent.

Mr. President, I also would like to announce that on Monday, because of a religious observance, there will be no RECORD votes.

ORDER FOR RECESS UNTIL 11 A.M. ON MONDAY, SEPTEMBER 27, 1982

Mr. BAKER. Mr. President, I ask unanimous consent that when the Senate completes its business today it stand in recess until the hour of 11 a.m. on Monday next.

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

ORDER THAT ROLLCALL VOTES ORDERED ON MONDAY TO OCCUR BEGINNING AT 2 P.M. ON TUESDAY

Mr. BAKER. Mr. President, I ask uanimous consent that any rollcall votes ordered on Monday may be stacked and occur in the order in which they were ordered on Tuesday, beginning at 2 p.m.

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

Mr. METZENBAUM. Mr. President, let me publicly express to the majority leader the appreciation of those of us who, by reason of religious convictions, would not be in a position to be here on Monday by protecting our position and not bringing any matter to a vote on that day.

Mr. BAKER. I thank the Senator from Ohio.

Mr. President, let me point out that this does not mean we will not be in session on Monday. We will be in session on Monday but, as is the tradition of the Senate and as it has done for many years, there will be no RECORD votes. I thank the Senator from Ohio for his remarks.

Mr. President, I yield the floor so that the managers of the bill may proceed.

The PRESIDING OFFICER. Who yields time?

Mr. GARN. Mr. President, I suggest the absence of a quorum, the time to be taken off the bill equally divided.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GARN. 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. GARN. Mr. President, I will be brief, because I know and I am very well aware that many of our colleagues are anxious to catch airplanes and it is a Friday afternoon. But, this is an extremely important bill. The Banking Committee has been working to resolve many of these issues for the last year and a half. It has been a difficult task because the issues are very complex and very controversial.

When the process started, most of the various trade organizations involved were in vastly different positions, poles apart. I am happy to say, after all of this time, that although each of them certainly do not agree with all aspects of this bill, and would like to see it different than it is, as I would, nevertheless there is support for it, with reservations.

I am pleased that these groups have been willing and able to work together, to give up some of their own self-interest, in order to achieve something for the common good. So we do present this bill before you today in a quite different form than it was originally enacted in S. 1720.

At the outset, I would like to thank both the majority and the minority staff for literally untold hours of work. I know it is common for the manager of a bill to get up and say that and thank everybody. But in this case it was an unusually long procedure over a long period of time to get to this point of bringing the bill to the floor. So I would like to thank them for all of their time and effort, in spite of the difficulties.

I would particularly like to thank Senator RIEGLE who dropped in in the middle of all of this as the ranking minority member this summer. He had a lot of catching up to do because he was not in that position when this process started. But he jumped in on all fours, and particularly during the last few weeks, has been very helpful and cooperative with me to bring this bill to the floor. Without his help, and the help of other members of the com-

mittee on both sides of the aisle, we simply would not be here with this bill this afternoon.

Mr. President, today the Senate considers S. 2879, legislation which will promote a stable and strong financial system by facilitating assistance to troubled financial institutions and by providing additional earnings and investment opportunities for such institutions.

Over the past 18 months, the Senate Banking Committee has held numerous oversight and legislative hearings on the conditions within the financial system and the economy in general. Following the hearings, a comprehensive legislative package was introduced in October 1981 to serve as a means by which the committee could focus attention on financial institutions issues. What we have before us is subsequent legislation—S. 2879, the Depository Institutions Amendments of 1982—reported by the Banking Committee. In essence, what this legislation represents is a shifting of gears to facilitate the stability and growth of our financial system.

The bill will create a more stable future for the thrift institutions in this country by broadening their lending and investment opportunities. It also will provide savers with an insured account which will compete with money market funds.

It will expand the authority of the Federal Deposit Insurance Corporation and the Federal Savings and Loan Insurance Corporation to assist troubled depository institutions and, when appropriate, to arrange interstate and cross-industry acquisitions of such institutions. It also broadens the National Credit Union Administration's authority regarding the merger of a financially distressed credit union. The bill also authorizes a savings bank to convert from State to Federal charter and continue to be FDIC insured.

It establishes a capital assistance program whereby institutions may exchange capital notes with the insuring agencies to shore up the institution's net worth. By increasing the net worth or surplus accounts of savings and loans associations, mutual savings banks and other qualified institutions, the capital assistance provision of the bill will provide thrift institutions with additional flexibility to develop operating procedures for their long-term survival in a competitive marketplace.

In order to provide additional asset flexibility and earnings opportunities to thrift institutions in the long-term, the bill authorizes Federal savings and loan associations and Federal savings banks to engage in a broader range of lending and related investment activities. Such activities include limited commercial lending, leasing, and consumer lending. By limiting such powers, the legislation maintains the traditional distinctions between commercial banks and thrift institutions.

The need to restructure the thrift industry long has been recognized in the financial community and in Congress. It appears clear that defective structuring is a primary cause of the current economic vulnerability of thrifts. The high and volatile interest rates of recent years have illustrated starkly the inherent dangers of borrowing short and lending long at fixed rates. At the same time, competition for deposits has become increasingly fierce and expensive, due in large part to the rapid and enormous expansion of money market mutual funds. To remain competitive and pay for deposits, thrifts need new earnings opportunities. Finally, the additional powers provided thrift institutions are a necessary complement to the temporary assistance programs described.

Another provision of the bill amends various statutory provisions primarily affecting commercial banks to revise outdated lending and borrowing limits. It also permits Federal chartering of bankers' banks, liberalizes banking statutes, and exempts small depository institutions from reserve requirements.

The bill also amends the Federal Credit Union Act to simplify the organization process for credit unions, broaden their mortgage lending powers, and clarify and make technical modifications to numerous provisions of the act.

Historically, our financial system has been strong and competitive, sustaining the Nation's long-term economic stability and growth. In order to accommodate the changes that have occurred over the past decade, and to insure that our financial system will sustain the growth of the future, it is necessary for Congress to adopt this legislation.

I should note that many of the issues that are being dealt with have been discussed in the Banking Committee during the past several years and reflect individual pieces of legislation previously introduced by present and former members of the Banking Committee.

The House has acted on a regulators' bill, on capital assistance, and on other individual provisions included in S. 2879.

Finally, I urge my colleagues to act favorably and expeditiously on this legislation so that we may proceed to maintain our Nation's strong and competitive financial system.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. RIEGLE. Mr. President, let me at the outset thank my colleague from Utah for his gracious comments. We have worked closely together. I have found him exceedingly gracious to me in our discussions personally and in the work between the professional staffs.

I want to say how much I have enjoyed working with him. I also want to acknowledge the tremendous effort he has given and the personal leadership he has given over a period of many long months in crafting this legislation and bringing it forward to the Senate floor today.

The legislation we are considering today, the Depository Institutions Amendments of 1982, S. 2879, is designed primarily to help us resolve problems in our financial system by enabling bank regulatory agencies to deal with financially distressed depository institutions, to protect their depositors, and to enhance the competitiveness of these institutions.

S. 2879 is the product of extensive hearings—more than 20 days—held during the past 18 months.

On August 19, the committee ordered this legislation reported, without opposition.

A principal purpose is to provide the Federal regulatory agencies with the necessary tools for dealing with weak and failing financial institutions. The critical situation facing the savings and loan industry is well known. The Federal Home Loan Bank Board reports that savings and loan industry net income losses were $3.9 billion between January 1 and July 31 of this year. More than 1,000 savings and loan associations—one-fourth of all the savings and loan associations in the country—have insufficient net worth to survive the next 2 years at their current loss rate.

The earnings picture for the industry continues to worsen. According to the Bank Board, the overall net after-tax return on assets—probably the most comprehensive measure of the industry's earnings—dropped from −0.49 percent in the first half of 1981 to −1 percent in the first half of 1982.

In the past 2 months or so, short-term interest rates have taken a significant drop, leading some observers to believe that the problems of the thrift industry will soon be solved. It is important to understand that while a continuation of current lower interest rates will improve the profitability of the industry, severe problems, related primarily to the industry's portfolio of low-yielding mortgages, will continue to plague a large percentage of the associations.

The Bank Board has projected that even if interest rates on short-term Treasury instruments in 1982 average 9.5 percent (the average was 12.3 percent for the first 8 months), year-end 1982 would see some 1,146 S&L's, with $250 billion in assets, at or below the minimum statutory level of 3-percent net worth. Should 9.5-percent rates continue, this category would increase to 1,334 associations representing $325

billion in assets by the end of 1983. Institutions exhausting their capital over the 2-year period under the 9.5-percent scenario would number about 227, with total assets of $53 billion.

According to H. Brent Beesley, Director of the Federal Savings & Loan Insurance Corporation, despite the current decline in short-term interest rates, the insurance agency will probably continue to have to handle an average of three failures a week through 1983. That compares with an average of fewer than three S&L failures a year from 1934 through 1981.

From January through August of this year there were 154 supervisory mergers approved involving 182 institutions. Twenty-eight of those, involving 40 associations, required FSLIC assistance. During all of 1981 there were only 79 supervisory mergers. Of these, only 23 involved FSLIC assistance.

The sad fact is, that as of July 31, 1982, 78 percent of all FSLIC-insured savings and loan associations were awash in red ink.

The depressed state of the economy is also adversely affecting commercial and mutual savings banks. During the period January 1, 1981, through July 30, 1982, 16 commercial banks and 9 mutual savings banks were closed by the FDIC. In all of 1981, only 10 federally insured banks failed. So far this year, 24 commercial banks have failed.

With respect to credit unions, there have been 86 insured credit unions liquidated and 248 mergers from January 1, 1982, to June 30, 1982.

The purpose of this legislation, S. 2879, is to expand the authority of the FDIC, FSLIC, and NCUA to assist these troubled depository institutions through broadened merger options and financial aid.

The provisions in title I and II of the bill providing the FDIC and FSLIC with expanded powers are quite similar. The bill expands the powers of these bank regulators to assist troubled institutions to include: Assumption of liabilities, deposits, contributions, and purchase of securities.

The FDIC and FSLIC are also given expanded authorization to merge eligible institutions but only under carefully prescribed conditions which give preference to in-State mergers of similar-type institutions.

In order to maximize the resources of the FDIC fund, the bill allows commerical banks and mutual savings banks with assets of $500 million or more which are closed, or in the case of mutual savings banks in danger of closing, to be acquired on an interstate and/or cross-industry basis.

These mergers and acquisitions are subject to the following terms in the legislation: Both the FDIC and the FSLIC may solicit offers from any prospective purchaser it determines is qualified and capable of providing the needed assistance. After soliciting bids from prospective qualified purchasers, if the bid that results in the lowest cost to the bank regulator is from an in-State, same-type institution as the failing institution, the in-State, same-type institution would be the acquirer. If such an institution is not the lowest bidder, all persons who submitted bids within 15 percent or $15 million of the lowest cost first bid may submit new bids. After rebidding, the bank regulator is directed to authorize transactions considering the following priorities: In-State, same-type institutions; in-State, different-type institutions; out-of-State, same-type institutions; and out-of-State, different-type institutions.

Additionally, when considering offers from out-of-State institutions, the FDIC and FSLIC shall give priority to institutions in adjacent States. In considering authorizations, the regulators are directed to give consideration to the need to minimize the cost of financial assistance and to the maintenance of specialized depository institutions.

These sections of the bill were very carefully drafted by the committee in order to reflect the concerns expressed by a number of Senators regarding the problems associated with interstate branching and cross-industry mergers. They sunset, as do a number of other provisions in the bill.

Other provisions which sunset include those that permit the Federal Reserve Board to dispense with notice and hearing for bank holding company acquisitions of thrift institutions in emergency situations; those that permit the FDIC to require and/or authorize the conversion to a Federal stock savings bank or Federal stock association under certain emergency conditions; and those that grant the FHLBB the authority to appoint the Corporation as sole conservator and receiver for State associations, under emergency situations, irrespective of State law. The emergency authority of the NCUA and its emergency conservatorship authority is also sunsetted.

I consider passage of this legislation to be extremely important not only for the preservation of our current financial depository institutions, but also for the maintenance of specialized depository institutions.

I personally happen to believe that not only should every American have the right to own a home under reasonable terms and conditions, but that in addition, there should be financial depository institutions to accommodate and finance this need, as well as the needs of the housing industry. The savings and loan industry has had the major public role in filling this need in the past and they should be encouraged and enabled to do so in the future.

Thrift institutions—savings and loan associations and mutual savings banks—are in a great deal of difficulty today to a large extent because they fulfilled their public responsibilities too well by providing a stable source of low-cost, long-term financing to the home mortgage market.

The public benefits of thrift financing have been an enormous success, supporting the highest incidence of home ownership in the world. Yet it is precisely these long-term, low-yielding mortgage assets that have resulted in the thrifts running negative earnings during a sustained period of high interest rates—when they have had to pay more for short-term deposits than they earn on their long-term loans.

S. 2879 provides thrifts and other federally-insured financial institutions with the time needed to work out their problems and at the same time gives the Federal insurance agencies additional flexibility by authorizing a capital assistance program.

The capital assistance program authorized in S. 2879 allows the Federal Savings and Loan Insurance Corporation and the Federal Deposit Insurance Corporation to purchase capital instruments from qualifying institutions, for the purpose of increasing the capital and, therefore, the net worth of these institutions.

In order to qualify for assistance, institutions must: Have net worth of 3 percent or less; have incurred losses during the two previous quarters; comply with the terms and conditions established by the insuring agencies as a condition of receiving such assistance (except that the execution of a merger resolution or an agreement to reorganize shall not be required of institutions that will have a positive net worth for 9 months or more after receipt of assistance); be able to remain solvent for at least 6 more months; and have at least 20 percent of their assets invested in residential mortgages or mortgage-backed securities. S. 2879 sets forth an initial formula authorizing the purchase of capital instruments by the insuring agencies as follows: With respect to institutions with 2- to 3-percent net worth, the insuring agencies may purchase instruments in an amount equal to 30 percent of their actual losses; with respect to institutions with 1- to 2-percent net worth, the insuring agencies may purchase instruments in an amount equal to 40 percent of their actual losses; and with respect to institutions with 0 to 1-percent net worth, the insuring agencies may purchase instruments in an amount equal to 50 percent of their actual losses. The insuring agencies may vary the formula, but in no event are the regulators permitted to purchase capital instruments in an amount that exceeds 100 percent of any institution's actual losses.

This capital assistance program is vital if we wish to preserve thrifts as a

viable part of the private segment of this economy.

At the same time, the program is essential to preserve the financing needs of millions of Americans who are dependent upon savings and loan associations for the financing of their homes.

The effect of the program is intended to reduce the number of supervisory mergers and is intended to be less costly than the paying out of the insurance liability.

In order to provide additional asset flexibility and earnings powers to thrift institutions in the long-term, the Banking Committee also felt that Federal savings and loan associations and Federal savings banks should be authorized to engage in a broader range of lending activities.

A number of States are already moving in this direction and the committee felt that federally-chartered institutions should be afforded a limited opportunity to do so as well.

The committee felt that during future periods of high and volatile interest rates, thrift institutions must be able to complement their portfolios with loans that are not totally dependent upon the long-term mortgage market. A majority felt that if savings and loan associations were allowed to diversify, they would be better able to survive and fulfill their primary function of providing affordable housing finance. The potential failure of depository institutions exposes the FSLIC, FDIC, and ultimately the Treasury to extensive budget outlays. Enacting S. 2879 would be a major step toward correcting the maturity mismatch in thrift portfolios and therefore reducing the economic loss inherent therein.

Accordingly, this legislation expands the commercial lending power of thrifts to 15 percent of assets after January 1, 1984. No more than half of this amount may be used for loan originations with the remainder to be used for loan participations or purchases.

In addition to the problems and immediate crisis facing the thrift industry, the committee also heard, during the past 18 months, substantial testimony regarding the regulatory disparity between financial depository institutions and their largely unregulated nondepository competition.

Although Congress mandated the phaseout of regulation Q deposit interest rate controls just over 2 years ago, the need for further congressional action to provide a new, market-sensitive deposit instrument has been amply shown by the growth of investments in money market mutual fund shares.

The statistical evidence of the competitive imbalance between regulated and unregulated financial institutions is measurable by the fact that the asset size of the money market funds grew from $60.9 billion in March 1980, to $226.1 billion on September 15, an increase of over 370 percent. During 1981, money market funds acquired 72 percent of the total growth in small denomination time and savings deposits and fund shares. The reason for the growth is clear: Money markets have been free to offer a deposit account with a low minimum balance, paying an interest rate near Treasury bill rates, and allowing the depositor to withdraw funds easily and even enjoy limited check-writing opportunities. Depository institutions are banned by Federal regulations from offering a comparable deposit account.

In an effort to provide for more consistent deregulation of the assets and liabilities of depository institutions, S. 2879, and the report accompanying it, direct that a new deposit instrument fully competitive with the money market funds be adopted by the Depository Institutions Deregulation Committee and made effective within 60 days of enactment of the bill. In the report, the committee stated that "an initial minimum of no more than $10,000, or perhaps $5,000, would produce an account which would begin to permit institutions to compete effectively" with money market funds. The committee also noted that it "is very concerned that imposing an interest rate ceiling on the new deposit instrument could interfere with the competitiveness of the instrument."

While we endeavored to develop legislation in the committee which would achieve the goal of a competitive and stable financial system, we want to insure that it does so. Therefore, a committee amendment will be offered which will, among other things:

First, direct the DIDC to create a new deposit account that is "directly equivalent to and competitive with" accounts offered by money market mutual funds. The initial minimum balance for such an account shall not be more than $5,000 and I believe it will be necessary to reduce the minimum still further. Most of the large money market funds have minimum deposit requirements of only $1,000 to $2,500.

Second, prohibit the DIDC from imposing any new interest rate ceiling or differential on the new competitive deposit instrument. It would defeat the whole purpose of the new instrument if depository institutions could not pay interest rates at market levels.

Third, repeal title I of Public Law 94-200 which mandates interest rate differentials on certain accounts.

Fourth, remove any interest rate differential that DIDC maintains on any existing account no later than January 1, 1984. Upon removal of any differential, if a ceiling is maintained, the interest rate which banks are permitted to pay shall be raised to equal the rate permitted to thrifts.

Fifth, direct the DIDC to adhere to, or accelerate, any current differential phase out schedules to remove any differential before January 1, 1984.

Sixth, allow bank service corporations to carry on those activities permitted to be performed by banks and bank holding companies, but only in the State in which the bank or holding company is headquartered and only those services in those locations authorized by the appropriate State or Federal authorities for the bank or bank holding company.

Seventh, make technical corrections in the provisions regarding the regulation of credit unions.

S. 2879 also provides banks with additional sources of financing for exports by liberalizing the bankers' acceptances limitations in current law.

The bill increases the maximum allowable ratio of bankers' acceptance to capital and surplus from the current 50 percent (100 percent with Federal Reserve Board approval) to 150 percent (200 percent with Federal Reserve Board approval).

S. 2879 contains a number of other modifications of restrictive provisions in current law including the following:

Section 23A of the Federal Reserve Act which governs bank transactions with affiliates is amended in order to give bank holding companies greater freedom to transfer funds among their subsidiary banks.

The Financial Institutions Regulatory Act is amended to eliminate duplicative reporting requirements, clarify the civil money penalty authority of Federal banking agencies, and eliminate statutory size limitations on loans of various types by banks to their executive officers.

Usury relief for business and agricultural credit contained in Public Law 96-221, which is presently scheduled to expire on April 1, 1983, is extended for an additional year.

And the Truth-in-Lending Act is amended by redefining the term "creditor" in order to remove "arrangers of credit" from the coverage of the act and thereby relieves real estate brokers from the responsiblity of the law's disclosures.

S. 2879 furthermore limits the discretion of the Federal Home Loan Bank Board with respect to the new activities in which service corporations of thrift institutions may engage. By specifically approving certain expanded powers and activities for thrift institutions and by not authorizing the Federal Home Loan Bank Board to permit service corporations to engage in any new activities not previously authorized, S. 2879 establishes congressional intent that henceforth the FHLBB should not approve, in the absence of clear and specific congression-

al authorization, any new regulation expanding the activities of service corporations other than to permit service corporations to engage in activities permitted for Federal thrift institutions.

The committee was aware that the Bank Board is considering proposed regulations that would expand signficantly the permitted range of activities for service corporations but in light of the specific additional powers authorized for savings and loan institutions in this bill, the committee intends that the Bank Board shall withdraw and take no further action on the proposed regulations. Of course, Congress reserves the right to review activities previously authorized by the Bank Board.

Finally, during our deliberations, a majority of the Banking Committee found compelling reasons for Congress to address the problems which have arisen from State actions restricting the enforcement of due-on-sale clauses in home mortgages and also to address the insurance activities of bank holding companies.

As a result, S. 2879 provides a Federal preemption of State laws and judicial decisions which restrict the enforcement of due-on-sale clauses in real property loans, except for loans originated or assumed during a "window period".

S. 2879 also amends section 4(c)(8) of the Bank Holding Company Act of 1956 to generally prohibit a bank holding company from underwriting or selling property or casualty insurance products. This exemption establishes a grandfather date (October 7, 1981) for the continuation of previously authorized insurance activities, such as selling credit-related property and casualty coverages, and permits bank holding companies to engage in, among other things, credit life, disability, and involuntary unemployment insurance activities and general insurance agency activities in towns of less than 5,000 people.

Mr. President, S. 2879, the Depository Institutions Amendments of 1982, is the product of very considerable deliberations and is a compromise of many conflicting viewpoints. Given the many problems facing our financial depository institutions due to the state of the economy, high interest rates, and competition from largely unregulated nondepository institutions, this legislation must be viewed as an essential first step toward restoring a sound and healthy system of depository institutions.

In sum, I support this legislation for a number of reasons, including the following:

Bank regulatory agencies must be provided additional authority to deal with financially distressed institutions.

Depository institutions must be given a new deposit instrument which is directly competitive with money market mutual funds.

The provision to reform section 23A will allow multibank holding companies to better serve the credit needs of their local communities.

The proposal to expand bankers' acceptances will help promote U.S. exports.

Depository institutions need regulatory relief from duplicative regulation.

Mr. President, I urge the Senate to act expeditiously and favorably on S. 2879, the Depository Institutions Amendments of 1982.

Mr. GARN. Mr. President, I thank the distinguished Senator from Michigan for his remarks, and particularly the last remark he made about the unfinished issues. I would like to report that, without exception, on the day of the markup of this bill it was the general consensus of the entire Banking Committee, both Republican and Democrat alike, that this was as much as we could do this year but that in January we would expand to many other issues that do need to be considered.

So we shall have very extensive oversight hearings next year and proceed not only to some of the issues that were originally in this particular bill, known as S. 1720, but to other issues beyond. I thank the distinguished ranking minority member for his willingness to pursue that course of action next year.

Mr. President, before we offer a committee amendment, I suggest the absence of a quorum while I confer momentarily with the Senator from Michigan.

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. SARBANES. 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. SARBANES. Mr. President, I support S. 2879, and I want to take a moment to commend the chairman of the committee and the ranking minority member, the distinguished Senator from Michigan (Mr. RIEGLE), for their fine work in drafting and bringing this legislation to the floor of the Senate.

The PRESIDING OFFICER. Who yields time?

Mr. RIEGLE. I yield to the Senator from Maryland as much time as he may desire.

Mr. SARBANES. I thank the Senator.

Mr. President, a great deal of time and effort has been devoted to examining the issues involved in this legislation—and indeed, to examining issues not involved in this legislation, some of which the committee will address in the next session of the Congress.

The need to act, and act expeditiously, with respect to the situation confronting the thrift institutions in this country does not need elaboration on the floor of the Senate. We know the difficulties which confront the savings and loan industries, difficulties which are not of their own making but result from the larger economic context in which the thrift institutions now find themselves.

Indeed, Mr. President, it is my view that the savings and loan institutions have made an extraordinary contribution to the economic and social well-being of this country through the impetus which they have given to home-ownership, a value and objective to which I attach very great significance.

We find ourselves in an economic environment in which many traditional assumptions, their validity demonstrated over a long period of time have nonetheless not been borne out in recent years. Thrift institutions have found themselves with long-term mortgages at much lower rates than those prevailing in the marketplace today; as a result, many thrift institutions have been confronted with a very difficult financial situation. This legislation is designed to respond to that problem in a number of different ways, and its provisions offer significant remedies. I am hopeful that prompt Senate enactment of this legislation, and a resolution of the differences between the Senate-passed bill and the House-passed bill, will lead to action before Congress adjourns for purpose of the forthcoming elections.

The chairman, the ranking member, and, indeed, all of the members of the committee have labored long and hard in order to arrive at a consensus piece of legislation. That is what we have before us here in the Senate today. I strongly urge my colleagues to support this legislation.

I thank the Senator from Michigan for yielding me time.

UP AMENDMENT NO. 1291

(Purpose: To revise the capital assistance program, to provide for the elimination of the Regulation Q differential, and for other purposes)

Mr. GARN. Mr. President, on behalf of the ranking minority member and myself, I am now prepared to submit committee amendments en bloc and ask that they be immediately considered en bloc.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The clerk will state the amendments en bloc.

The assistant legislative clerk read as follows:

The Senator from Utah (Mr. GARN), for himself and Mr. RIEGLE, proposes an unprinted amendment numbered 1291.

Mr. GARN. I ask unanimous consent that further reading be dispensed with.

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

The committee amendments are as follows:

On page 8, line 4, after the period, insert the following: "The Corporation may not use its authority under this subsection to purchase the voting or common stock of an insured bank. Nothing in the preceding sentence shall be construed to limit the ability of the Corporation to enter into and enforce covenants and agreements that it determines to be necessary to protect its financial interests.".

On page 11, strike out line 13, and insert in lieu thereof the following:

"(G) A bank may be converted under subparagraph (F) only where the board of trustees of the bank—

"(i) has specified in writing that the bank is in danger of closing or is closed, or that severe financial conditions exist that threaten the stability of the bank and a conversion is likely to improve the financial condition of the bank; and

"(ii) has requested in writing that the Corporation use the authority of subparagraph (f).

Before making a determination under subpara-".

On page 12, line 23, before the first period, insert the following: "or section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)).".

On page 34, line 12, after the first period, insert the following: "The Corporation may not use its authority under this subsection to purchase the voting or common stock of an insured institution. Nothing in the preceding sentence shall be construed to limit the ability of the Corporation to enter into and enforce covenants and agreements that it determines to be necessary to protect its financial interests.".

On page 50, line 16, strike out "five" and insert in lieu thereof "three".

On page 52, line 15, after the period, insert the following: "Dividends on any capital instrument so purchased shall be at a rate equivalent to the rate of interest paid on any promissory note used to purchase the instrument.".

On page 52, line 18, after the period, insert the following: "With respect to instruments held by it, the claim of the Corporation shall have a priority over any claim arising out of an equity interest in the institution in the event of a liquidation or reorganization and over any right of equity holders to participate in future earnings.".

On page 56, line 15, strike out the close quotation marks and the last period.

On page 56, between lines 15 and 16, insert the following:

"(J) The Corporation may not use its authority under this paragraph to purchase the voting or common stock of a qualified institution. Nothing in this subparagraph shall be construed to limit the ability of the Corporation to enter into and enforce covenants and agreements that it determines to be necessary to protect its financial interests.".

On page 58, line 14, after the period, insert the following: "Dividends on any capital instrument so purchased shall be at a rate equivalent to the rate of interest paid on any promissory note used to purchase said instrument.".

On page 58, line 21, after the period, insert the following: "With respect to instruments held by it, the claim of the Corporation shall have a priority over any claim arising out of an equity interest in the institution in the event of a liquidation or reorganization and over any right of equity holders to participate in future earnings.".

On page 62, line 17, strike out the close quotation marks and the last period.

On page 62, between lines 17 and 18, insert the following:

"(10) The Corporation may not use its authority under this subsection to purchase the voting or common stock of a qualified institution. Nothing in this paragraph shall be construed to limit the ability of the Corporation to enter into and enforce covenants and agreements that it determines to be necessary to protect its financial interests.".

SUNSET

SEC. 204. The provisions of this title shall cease to be effective upon the expiration of three years after the date of enactment of this Act.

On page 63, line 24, strike out "established a business" and insert in lieu thereof "a business, corporate, commercial, or agricultural loan".

Beginning with page 73, line 5, strike out all through page 74, line 8, and insert in lieu thereof the following:

ELIMINATION OF DIFFERENTIAL

SEC. 326. (a) Section 102 of Public Law 94-200 is repealed.

(b) Interest rate differentials for all categories of deposits or accounts between (A) any bank (other than a savings bank) the deposits of which are insured by the Federal Deposit Insurance Corporation, and (B) any savings and loan, building and loan, or homestead association (including cooperative banks) the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation or any mutual savings bank as defined in section 3(f) of the Federal Deposit Insurance Act (12 U.S.C. 1813(j)), shall be phased out on or before January 1, 1984. Any differentials which is being phased out pursuant to a schedule established by regulations prescribed by the Depository Institutions Deregulation Committee prior to the date of enactment of this Act shall be phased out as soon as practicable, but in no event later than such schedule provides. Notwithstanding any other provision of law, no differential for any category of deposits or accounts shall be established or maintained on or after January 1, 1984.

(c) No interest rate differential may be established or maintained in the case of the deposit account authorized pursuant to section 204(c) of the Depository Institutions Deregulation Act of 1980.

(d) In the case of the elimination or reduction of any interest rate differential under subsection (b) with respect to any category of deposits or accounts between (1) any bank (other than a savings bank) the deposits of which are insured by the Federal Deposit Insurance Corporation and (2) any savings and loan, building and loan, or homestead association (including cooperative banks) the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation or any mutual savings bank as defined in section 3(f) of the Federal Deposit Insurance Act (12 U.S.C. 1813(f)), the maximum rate of interest which shall be established for such category of deposits for banks (other than savings banks) the deposits of which are insured by the Federal Deposit Insurance Corporation shall be equal to the highest rate of interest which savings and loan associations the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation were permitted to pay on such category of deposits immediately prior to the elimination or reduction of such interest rate differential.

On page 74, lines 16 and 17, strike out "provide depository institutions with the ability to compete effectively" and insert in lieu thereof "be directly equivalent to and competitive".

On page 74, line 19, after the period insert the following: "No limitation on the maximum rate or rates of interest payable on deposit accounts shall apply to the account authorized by this subsection.".

On page 88, line 2, after the period insert the following: "Notwithstanding the provisions of subsection (d), the rules and regulations prescribed under this section may permit a lender to exercise its option pursuant to a due on-sale clause with respect to a real property loan and any related agreement pursuant to which a borrower obtains the right to receive future income.".

On page 88, lines 5 and 6, strike out "the earlier of January 1, 1983, or the date of enactment of this Act" and insert in lieu thereof "April 1, 1983".

On page 113, line 11, strike out "12 U.S.C." and insert in lieu thereof "15 U.S.C.".

On page 113, line 22, after "bank" insert a comma.

On page 144, strike out lines 12 through 22, and insert in lieu thereof the following:

USE OF SPACE AND FACILITIES

SEC. 515. Section 124 of the Federal Credit Union Act (12 U.S.C. 1770) is amended by adding at the end thereof the following: "For the purposes of this section, the term 'services' includes, but is not limited to, the providing of lighting, heating, cooling, electricity, office furniture, office machines and equipment, telephone service (including installation lines and equipment and other expenses associated with telephone service), and security systems (including installation and other expenses associated with security systems). Where there is an agreement for the payment of costs associated with the provision of rent or services, nothing in title 31, United States Code, or any other provision of law, shall be construed to prohibit or restrict payment by reimbursement to the miscellaneous receipts or other appropriate account of the Treasury.".

Amend the table of contents accordingly.

On page 155, strike out lines 3 through 11 and insert in lieu thereof the following:

SEC. 526. Section 120(a) of the Federal Credit Union Act (12 U.S.C. 1766(a)) is amended by adding at the end thereof the following: "Any central credit union chartered by the Board shall be subject to such rules, regulations, and orders as the Board deems appropriate and, except as otherwise specifically provided in such rules, regulations, or orders, shall be vested with or subject to the same rights, privileges, duties, restrictions, penalties, liabilities, conditions, and limitations that would apply to all Federal credit unions under this Act.".

On page 166, line 24, after "SEC. 728." insert "(a)".

On page 167, between lines 7 and 8, insert the following:

(b) Section 205(f)(2) of the Federal Credit Union Act (12 U.S.C. 1785(f)(2)) is amended by inserting before the period at the end thereof the following: ", and with respect to

deposits of public funds by an officer, employee, or agent of the United States, any State, county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, any territory or possession of the United States, or any political subdivision thereof".

At the end of the bill, add the following:

USURY AMENDMENTS

SEC. 712. (a) Section 512(a) of the Depository Institutions Deregulation and Monetary Control Act of 1980 is amended by striking out "April 1, 1983" in clause (1) and inserting in lieu thereof "April 1, 1984".

(b) Section 511(b) of such Act is amended—

(1) by striking out "and" at the end of clause (3);

(2) by striking out the period at the end of clause (4) and inserting in lieu thereof a semicolon; and

(3) by adding at the end thereof the following:

"(5) the term 'agricultural loan' means a loan extended primarily for agricultural purposes to a person who cultivates, plants, propagates, or nurtures an agricultural product;

"(6) the term 'agricultural purposes' includes the production, harvest, exhibition, marketing, transportation, processing, or manufacturing of an agricultural product and the acquisition of farmland, real property with a farm residence, and personal property and services used primarily in farming;

"(7) the term 'agricultural product' includes agricultural, horticultural, viticultural, and dairy products, livestock, wildlife, poultry, bees, forest products, fish and shellfish and any products thereof, including processed and manufactured products and any and all products raised or produced on farms and any processed or manufactured products thereof;

"(8) the term 'business loan' means a loan extended primarily for business or commercial purposes, including investment, and any credit extended to a person other than a natural person; and

"(9) the term 'loans' includes any secured or unsecured loan, credit sale, forbearance, advance, renewal, or other extension of credit.".

BANK SERVICE CORPORATIONS

SEC. 713. The Bank Service Corporation Act (12 U.S.C. 1861 et seq.) is amended to read as follows:

"SHORT TITLE AND DEFINITIONS

"SEC. 1. (a) This Act may be cited as the 'Bank Service Corporation Act'.

"(b) For the purpose of this Act—

"(1) the term 'appropriate Federal banking agency' shall have the meaning provided in section 3 (g) of the Federal Deposit Insurance Act (12 U.S.C. 1813 (q));

"(2) the term 'bank service corporation' means a corporation organized to perform services authorized by this Act, all of the capital stock of which is owned by one or more insured banks;

"(3) the term 'Board' means the Board of Governors of the Federal Reserve System;

"(4) the term 'depository institution' means an insured bank, or another financial institution subject to examination by the Federal Home Loan Bank Board or the National Credit Union Administration Board;

"(5) the term 'insured bank' shall have the meaning provided in section 3 (h) of the Federal Deposit Insurance Act (12 U.S.C. 1813 (h));

"(6) the term 'invest' includes any advance of funds to a bank service corporation, whether by the purchase of stock, the making of a loan, or otherwise, except a payment for rent earned, goods sold and delivered, or services rendered prior to the making of such payment; and

"(7) the term 'principal investor' means the insured bank that has the largest dollar amount invested in the capital stock of a bank service corporation. In any case where two or more insured banks have equal dollar amounts invested in a bank service corporation, the corporation shall, prior to commencing operations, select one of the insured banks as its principal investor and shall notify the bank's appropriate Federal banking agency of that choice within 5 business days of its selection.

"AMOUNT OF INVESTMENT IN BANK SERVICE CORPORATION

"SEC. 2. Notwithstanding any limitation or prohibition otherwise imposed by any provision of law exclusively relating to banks, an insured bank may invest not more than 10 per centum of paid-in and unimpaired capital and unimpaired surplus in a bank service corporation. No insured bank shall invest more than 5 per centum of its total assets in bank service corporations.

"PERMISSIBLE BANK SERVICE CORPORATION ACTIVITIES FOR DEPOSITORY INSTITUTIONS

"SEC. 3. Without regard to the provisions of sections 4 and 5 of this Act, an insured bank may invest in a bank service corporation that performs, and a bank service corporation may perform, the following services only for depository institutions: check and deposit sorting and posting, computation and posting of interest and other credits and charges, preparation and mailing of checks, statements, notices, and similar items, or any other clerical, bookkeeping, accounting, statistical, or similar functions performed for a depository institution.

"PERMISSIBLE BANK SERVICE CORPORATION ACTIVITIES FOR OTHER PERSONS

"SEC. 4. (a) A bank service corporation may provide to any person any service authorized by this section, except that a bank service corporation shall not take deposits.

"(b) Except with the prior approval of the Board under section 5 (b) of this Act in accordance with subsection (f) of this section—

"(1) a bank service corporation shall not perform the services authorized by this section in any State other than that State in which its shareholders are located; and

"(2) all insured bank shareholders of a bank service corporation shall be located in the same State.

"(c) A bank service corporation in which a State bank is a shareholder shall perform only those services that such State bank shareholder is authorized to perform under the law of the State in which such State bank operates and shall perform such services only at locations in the State in which such State bank shareholder could be authorized to perform such services.

"(d) A bank service corporation in which a national bank is a shareholder shall perform only those services that such national bank shareholder is authorized to perform under this Act and shall perform such services only at locations in the State at which such national bank shareholder could be authorized to perform such services.

"(e) A bank service corporation that has both national bank and State bank shareholders shall perform only those services that may lawfully be performed by both its national bank shareholder or shareholders under this Act and its State bank shareholder or shareholders under the law of the State in which such State bank or banks operate and shall perform such services only at locations in the State at which both its State bank and national bank shareholders could be authorized to perform such services.

"(f) Notwithstanding the other provisions of this section or any other provision of law, other than the provisions of Federal and State branching law regulating the geographic location of banks to the extent that those laws are applicable to an activity authorized by this subsection, a bank service corporation may perform at any geographic location any service, other than deposit taking, that the Board has determined, by regulation, to be permissible for a bank holding company under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)).

"PRIOR APPROVAL FOR INVESTMENTS IN BANK SERVICE CORPORATIONS

"SEC. 5. (a) No insured bank shall invest in the capital stock of a bank service corporation that performs any service under authority of subsection (c), (d), or (e) of section 4 of this Act without the prior approval of the bank's appropriate Federal banking agency.

"(b) No insured bank shall invest in the capital stock of a bank service corporation that performs any service under authority of section 4 (f) of this Act and no bank service corporation shall perform any activity under section 4 (f) of this Act without the prior approval of the Board.

"(c) In determining whether to approve or deny any application for prior approval under this section, the Board or the appropriate federal banking agency, as the case may be, is authorized to consider the financial and managerial resources and future prospects of the bank or banks and bank service corporation involved, including the financial capability of the bank to make a proprosed investment under this Act, and possible adverse effects such as undue concentration of resources, unfair or decreased competition, conflicts of interest, or unsafe or unsound banking practices.

"(d) In the event the Board or the appropriate Federal banking agency, as the case may be, fails to act on any application under this section within 97 days of submission of a complete application to the agency, the application shall be deemed approved.

"SERVICES TO NONSTOCKHOLDERS

"SEC. 6. No bank service corporation shall unreasonably discriminate in the provision of any services authorized under this Act to any depository institution that does not own stock in the service corporation on the basis of the fact that the nonstockholding institution is in competition with an institution that owns stock in the bank service corporation, except that—

"(1) it shall not be considered unreasonable discrimination for a bank service corporation to provide services to a nonstockholding institution only at a price that fully reflects all of the costs of offering those services, including the cost of capital and a reasonable return thereof; and

"(2) a bank service corporation may refuse to provide services to a nonstockholding institution if comparable services are available from another source at competitive overall costs, or if the providing of services would be beyond the practical capacity of the service corporation.

"REGULATION AND EXAMINATION OF BANK SERVICE CORPORATIONS

"SEC. 7. (a) A bank service corporation shall be subject to examination and regulation by the appropriate Federal banking agency of its principal investor to the same extent as its principal investor. The appropriate Federal banking agency of the principal shareholder of such a bank service corporation may authorize any other Federal banking agency that supervises any other shareholder of the bank service corporation to make such an examination.

"(b) A bank service corporation shall be subject to the provisions of the Financial Institutions Supervisory Act of 1966 (12 U.S.C. 1818(b) et seq.) as if the bank service corporation were an insured bank. For this purpose, the appropriate Federal banking agency shall be the appropriate Federal banking agency of the principal investor of the bank service corporation.

"(c) Notwithstanding subsection (a) of this section, whenever a bank that is regularly examined by an appropriate Federal banking agency, or any subsidiary or affiliate of such a bank that is subject to examination by that agency, causes to be performed for itself, by contract or otherwise, any services authorized under this Act, whether on or off its premises—

"(1) such performance shall be subject to regulation and examination by such agency to the same extent as if such services were being performed by the bank itself on its own premises, and

"(2) the bank shall notify such agency of the existence of the service relationship within 30 days after the making of such service contract or the performance of the service, whichever occurs first.

"(d) The Board and the appropriate Federal banking agencies are authorized to issue such regulations and orders as may be necessary to enable them to administer and to carry out the purposes of this Act and to prevent evasions thereof.".

NEIGHBORHOOD REINVESTMENT CORPORATION

SEC. 714. (a) Section 634 of the Neighborhood Reinvestment Corporation Act (Public Law 95-557) is amended—

(1) by redesignating subsections (f), (g), and (h) as subsections (g), (h), and (i), respectively, and by inserting after subsection (e) the following:

"(f) A director who is necessarily absent from a meeting of the board, or of a committee of the board, may participate in such meeting through a duly designated representative who is serving, pursuant to appointment by the President of the United States, by and with the advice and consent of the Senate, in the same department, agency, corporation, or instrumentality as the absent director, or in the case of the Comptroller of the Currency, through a duly designated Deputy Comptroller."; and

(2) by inserting in section 604(g), as redesignated, after "members" a comma and the words "or their representatives as provided in subsection (f),".

(b) Section 606(c)(3) of such Act is amended by inserting "funds," after "provide".

On page 42, at line 5, immediately after the period, add the following:

Notwithstanding the foregoing, if such an insured institution does not have its home office in the state of the bank holding company bank subsidiary, and if such institution does not qualify as a domestic building and loan association under section 7701(a)(19) of the Internal Revenue Code, or does not meet the asset composition test imposed by subparagraph (c) of that section on institutions seeking so to qualify, then such insured institutions shall be subject to the conditions upon which a bank may retain, operate and establish branches in the state in which the insured institution is located. The Corporation, for good cause shown, may allow insured institutions up to two years to comply with the requirements of the preceding sentence."

Mr. GARN. Mr. President, the genesis of the committee amendment was the following letter from Senator RIEGLE and myself to Llewellyn Jenkins, the president of the American Bankers Association, stating what we intended to include in such an amendment.

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

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

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, D.C., September 10, 1982.

Mr. LLEWELLYN JENKINS,
President, American Bankers Association, Washington, D.C.

DEAR PRESIDENT JENKINS: This letter concerns S. 2879, the Depository Institutions Amendments of 1982 (S. Rept. 97-536), and objections and suggested modifications raised by the American Bankers Association regarding the legislation.

During the past year and a half, the Committee has held hearings and considered legislative proposals dealing with the changing conditions within the financial system. In this process, we appreciated the ABA's willingness to provide the views of its members, especially the detailed analyses and views that it presented during Committee hearings and subsequent discussions between Committee members and the ABA regarding S. 1720.

While we recognize that S. 2879, the legislation that was reported by the Committee on September 3, does not contain all of the provisions from S. 1720 which the ABA recommended be included, we emphasize that the Committee does not intend that S. 2879 mark the end of Committee consideration of structural changes within the financial system. In fact, during the markup session on S. 2879, we stated our intention to proceed with consideration of the Glass-Steagall Act at the beginning of the next Congress.

In addition to enhancing the ability of financial regulators to deal with troubled depository institutions, which was the principal impetus for financial institutions legislation last year, S. 2879 enhances the competitiveness and the stability of depository institutions by broadening and revising their lending and investment powers and by providing all depository institutions with a new, competitive deposit instrument.

During the past two years, it has become increasingly evident that depository institutions must be provided with greater flexibility in order to compete against non-depository financial intermediaries. Although Congress mandated the phase-out of Regulation Q deposit interest rate controls just over two years ago, the need for further Congressional action to provide a new, market-sensitive deposit instrument has been amply shown by the fluctuating interest rates and the growth of investments in money market mutual fund shares.

In an effort to provide for more consistent deregulation of the assets and liabilities of depository institutions, S. 2879 and the report accompanying it direct that a new deposit instrument fully competitive with the money market funds be adopted by the Depository Institutions Deregulation Committee and made effective within 60 days of enactment of the bill. In the report, the Committee stated that "an initial minimum of no more than $10,000, or perhaps $5,000, would produce an account which would begin to permit institutions to compete effectively" with money market funds. The Committee also noted that it "is very concerned that imposing an interest rate ceiling on the new deposit instrument could interfere with the competitiveness of the instrument."

While we endeavored to develop legislation in the Committee which would achieve the goal of a competitive and stable financial system, we want to ensure that it does so. Therefore, in light of the recommendations of the ABA, we as Senate floor managers of the bill will include the following in a Committee amendment to be presented when the full Senate considers S. 2879:

TITLE III

Repeal Title I of Public Law 94-200 which mandates interest rate differentials on certain accounts;

Remove any interest rate differential that DIDC maintains on any existing account no later than 1/1/84. Upon the removal of any differential, if a ceiling is maintained, the interest rate which banks are permitted to pay shall be raised to equal the rate permitted to thrifts;

Direct DIDC to adhere to, or accelerate, any current differential phase-out schedules to remove any differential before 1/1/84;

Prohibit DIDC from imposing any new interest rate ceiling or differential on the new competitive instrument;

Direct DIDC to create a new deposit account that is "directly equivalent to and competitive with" investment accounts offered by money market mutual funds. We intend the minimum balance for such account shall not be more than $5,000;

Limit thrift's commercial checking authority to those persons having a business, corporate, commercial or agricultural loan relationship or to business entities for the sole purpose of effectuating payments by nonbusiness customers; and

TITLE VII

Extend for an additional year the usury relief for business and agricultural credit contained in Public Law 96-221, which is presently scheduled to expire on April 1, 1983.

Modifications of service corporation powers to authorize additional banking activities are currently under active discussion with the Federal Reserve Board and we are optimistic that progress can be made.

In addition, in its report the Committee made clear that overdrafts of a thrift institution's business customers, as well as the commercial loans of its service corporation, are to be included in the calculation of its commercial loan/asset limitation.

These changes will substantially improve S. 2879. DIDC itself has expressed its frustration with being given the task of deregulating liabilities without the authority to expand asset powers. Absent any change in the asset structure of thrifts and a clear Congressional mandate, it is unlikely that DIDC will produce a competitive instrument in the near future. In an amended bill, the

Senate will provide DIDC with a mandate to produce a competitive instrument for all depository institutions. Passage of an amended S. 2879 will result in a significant first step in achieving a more competitive and stable financial system.

Your continued assistance in this process is appreciated.

Sincerely,

JAKE GARN,
Chairman.
DONALD W. RIEGLE, Jr.,
Ranking Minority Member.

Mr. GARN. The committee amendment that Senator RIEGLE and I are now submitting includes all of the changes that were outlined in that letter.

The bank service corporation provision of the committee amendment expands the types of activities that a bank service corporation can perform so as to include all those activities and services that can be performed by a State-chartered bank in any given State, as well as most of the activities and services that can be engaged in by a bank holding company subsidiary as authorized under Reg Y of the Fed, and expands the scope of who can receive services from a bank service corporation to include the general public as well as any other types of financial institutions.

The bank service corporation provision authorizes any one of more banks to form such a bank service corporation provided that the following conditions are met:

One, State-chartered banks could only join with other State-chartered banks in the formation of a bank service corporation which was to engage in any activity that is authorized for State-chartered banks under State law or regulation. Conversely, national banks could do likewise. In each case, approval would come from the primary Federal regulator of the bank or banks forming the bank service corporation.

Two, any bank or banks irrespective of charter origination could join to form a bank service corporation to engage in 4(c)(8), Reg Y type activities to the extent outlined above. Approval in this instance would come from the Federal Reserve and there would not be any statutorily required "notice and hearing" procedure.

Three, a bank would be limited as to investing in any one bank service corporation to 10 percent of capital and unimpaired surplus and would be subject to an overall aggregate limitation of 5 percent of assets in all of the bank service corporations in which it participates.

Four, bank service corporations would be geographically restricted to the home State of the organizing bank or banks.

In addition, the provision in the committee amendment extending the Federal usury ceiling for business and agricultural credit until April 1, 1984, includes a definition of "business credit" which is specifically designed to fill a void in the current law and thereby clarify the broad application of this business and agricultural preemption provision. It is intended that by including all credit that is "primarily for business or commercial purposes, including investment, and any credit extended to a person other than a natural person," that the preemption provision embraces State and local governmental borrowings, credit extended for personal investment purposes and any other credit that is extended to a person other than a natural person.

The committee amendment also contains two changes to the due-on-sale provision set forth in section 341 of the bill.

The first change authorizes the Federal Home Loan Bank Board to exempt reverse mortgages from the restrictions of section 341(d) of the bill.

In general, a reverse mortgage, including reverse annuity mortgages, is a generic term for a financial instrument or package of financial instruments that enables a homeowner to mortgage equity in real estate for the purpose of receiving a stream of future income, while retaining rights of ownership, use and possession. Older Americans, in particular, will benefit by the creation of mortgage instruments which are designed to allow elderly homeowners to convert home equity into an income source.

At present, experimentation with the design of reverse mortgages is being conducted around the country, and there is not now one singular form for these mortgage instruments. To date, the instruments used have provided for either lump-sum or periodic disbursements of funds to older homeowners, with interest paid as it accrues, or at maturity of the loan. In most cases, the loans have had fixed terms to maturity. However, considerable attention has been directed recently toward designing loans which mature on the death, or the cessation of occupancy, of the borrower. Thus, the operation of several of the reverse mortgage concepts under consideration requires that the loan be repaid when permanent occupancy by the borrower ceases. This amendment will permit and encourage the Board to continue experimentation in mortgage design for our older homeowners by insuring that the limitations for due-on-sale enforcement do not obstruct the creation of successful reverse mortgage instruments.

The second change prohibits the Federal Home Loan Mortgage Corporation from implementing its due-on-sale policy, announced on July 2, 1982, until April 1, 1983.

The amendment also contains a provision which stipulates that a savings and loan association which is acquired by an out of State bank holding company must qualify as a domestic building and loan under the Internal Revenue Code, or have its branch network subjected to restrictions applicable to banks. Under this provision, an institution would have up to 2 years to dispose of an illegal branch.

Additionally, the committee amendment includes description of certain characteristics of the capital instruments to be purchased by the Federal insurance agencies under title II, sunsets the emergency provisions and the capital assistance provisions of the bill in 3 years, and contains two technical amendments involving FDIC's authority to convert a savings bank to a Federal charter as well as FSLIC's authority to provide assistance to the FDIC when a savings and loan merges with a savings bank.

Other technical amendments include granting the National Credit Union Administration the authority to write separate rules for corporate control credit unions, and providing credit unions with the authority to offer share draft accounts to public units. Additionally, credit unions would be able to reimburse the U.S. Treasury for services provided by any Federal agency. The Neighborhood Reinvestment Corporation is also granted more flexibility with respect to attendance at director's meetings and funding.

Mr. GARN. Mr. President, I move the adoption of the committee amendments.

The PRESIDING OFFICER. Has all time been yielded back?

Mr. GARN. I yield back my time, Mr. President.

Mr. RIEGLE. I yield back my time.

The PRESIDING OFFICER. The question is on agreeing to the committee amendments en bloc.

The committee amendments en bloc (UP No. 1291) were agreed to.

Mr. RIEGLE. I move to reconsider the vote by which the committee amendments were agreed to en bloc.

Mr. GARN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

AMENDMENT NO. 3617

(Purpose: To establish equity in the sale of insurance lending institutions)

Mr. BRADY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from New Jersey (Mr. BRADY) proposes an amendment numbered 3617.

Mr. BRADY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

Strike out title VI and insert in lieu thereof the following:

Section 601: Section 126 is added to the Truth in Lending Act (15 U.S.C. 1601 et seq.) to read as follows:

RIGHT OF CANCELLATION OF CERTAIN INSURANCE

SEC. 126. (a) Except as otherwise provided in this section, in the case of a consumer credit transaction in connection with which insurance against loss of or damage to property or against liability arising out of the ownership or use of property is obtained from or through the creditor, the obligor shall have the right to cancel the purchase of such insurance until midnight of the thirtieth calendar day following the consumation of the transaction or the delivery of the information and forms required under this section, whichever is later. The obligor shall effect such cancellation by notifying the creditor, in accordance with regulations of the Board, of his intention to do so. In accordance with the regulations of the Board the creditor shall (1) clearly and conspicuously disclose to any obligor in a transaction subject to this section the rights of the obligor under the section, and (2) provide appropriate forms for the exercise by the obligor of his right to cancel any insurance subject to this section. Such forms shall contain a clear and specific statement setting forth:

(a) the cost of the insurance;

(b) that the obligor may choose the person through which the insurance is to be obtained;

(c) the obligor's right to use the cancellation period to obtain price quotations for insurance from other sources;

(d) the actions necessary for obligor to cancel the insurance; and

(e) the obligor's right to receive a credit of the unearned portion of the insurance premium after cancellation.

(b) Within 20 days after receipt of a notice of cancellation if no liability for a loss under the insurance has been incurred, the creditor shall (1) credit the unearned portion of the premium, computed in accordance with applicable law, as of the date of cancellation and, where the premium has been financed, credit the unearned portion of the finance charge, if any, attributable to the insurance, computed as of the date of cancellation in accordance with the terms of the contract documents; or (2) at the option of the creditor, refund the unearned portion of the premium to the obligor.

(c) When the insurance written in connection with an extension of credit is against loss of, or damage to, or against liability arising out of ownership or use of, property used as security for the extension of credit, the creditor may require evidence that the obligor has obtained other adequate insurance before exercising the right of cancellation set forth in this subsection. For reasonable cause, a creditor may refuse to accept an insurer offered by the obligor.

(d) Any obligor who has the right to cancel insurance under this section in connection with an obligation which has been assigned may cancel the insurance only by delivering to the assignee of the obligation the notice of cancellation required by this section. Delivery shall be considered made when mailed, or if sent by other means, when received by the assignee.

(e) Any obligor who exercises the right to cancel the purchase of insurance pursuant to this section shall not be subject to the imposition of any fee, cancellation charge, or other penalty payment.

SEC. 602. This title shall take effect six months from the date of enactment of this Act.

Mr. BRADY. Mr. President, this banking bill that we are now considering, S. 2879, was introduced in October 1981. I think we all know the purpose of this bill is to give aid to the thrift institutions in this country. I submit that when I arrived here in April, we were trying to do that; we are still trying to do it today. If we do not get action, if we do not get some help for the thrift institutions in this country, we shall not have to discuss it much longer. They will all fall, as they would without any help.

I submit that it is time for the Senate to get a banking bill on the floor that the parties at interest can agree to, vote on it, and do what we said we were going to do last October—help the thrift institutions.

Up until 2 days ago we had no agreement to go forward on this bill. The parties at interest were still discussing the various points that were important to them. I suggest today in my amendment a middle course, directed at title 6 of this bill. This middle course suggests that we allow bank holding companies to do what they have been doing since 1971, deal in certain kinds of insurance, which has been outlined before, and to give to consumers a protection which they do not now have. By that I refer to the fact that if this amendment were agreed to, we would give the consumer, the obligor, 30 days to see if he could get a better deal.

It seems to me that in a certain sense the independent insurance agents, who have rightful concern over this suggestion, are in a better position than they were; they can take the relationships that they have had with their customers, as the banks put insurance forward, and see whether they can beat this insurance. The consumer is the winner.

Also, it takes no powers from the banks. The bill differs only from current law to the extent that the consumer gets the 30-day option to see if he can better his case.

The Treasury Department backs this amendment and feels it would be a welcome alternative to the current title VI.

I have very little further to say on this matter. I know there are some feelings on the other side with which I have no great disagreement. It is time for us to dispense with parochial interests, to try and settle the various points of view, and to come forward with a banking bill which does what we set out to do last October, help the thrift institutions.

Mr. GARN addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah.

Mr. GARN. Mr. President, I yield myself time off the bill on the amendment itself so that it will not detract from the opponents of this amendment.

Mr. President, I rise in opposition to the amendment of the Senator from New Jersey, and I do so reluctantly. Attempting to put this bill together has been a difficult task. A lot of compromise has been necessary between various groups.

At any one time any of the groups could have objected to a unanimous-consent agreement so that we could get the bill up.

I attempted for several weeks to get a compromise on this particular issue of title 6. The very amendment that the Senator from New Jersey talks about I attempted to negotiate as a compromise which both the bankers of the country and the independent insurance agents would accept. I was not able to do that.

And so finally, just yesterday, in order to save the rest of the bill, I said, "All right, both sides have reached the point where there is an impasse, neither one willing to give up on their position. There is only one solution. You have to accept the judgment of the Senate on this issue. So let it come up." Both organizations, the Independent Insurance Agents and the American Bankers Association, agreed to that process, to bring it to the floor and accept the judgment of the Senate on this particular issue.

However, at this point my opposition comes from more of a procedural standpoint than a substantive standpoint.

A year and a half of working on this bill has produced a very fragile coalition of those who would agree on it. In fact, we reached a point a lot of people thought was never possible, as controversial as some of the issues were, such as due on sale, new powers for the thrifts, and many other issues. At this point, the ice is so thin, I believe, that unless we can keep the bill as reported by the committee intact we would probably lose it and not be able to enact it this year.

When the debate is over, I will move to table this amendment but without prejudice to its merits one way or another. It is an issue, however, that comes out in the Senate and will continue to be fought. It has been fought every year that I have been here in 8 years on the Banking Committee.

Furthermore, I will oppose any and all amendments today for the same reason. I do not say that as a threat, as an intimidation, in an attempt to get my colleagues not to bring up amendments that they desire, but only to sincerely state as strongly as I possibly can that this narrow coalition, I believe, must be preserved.

I hate to be in that kind of position. I have never liked it when Senators have come out and said, "Well, we have to keep this bill clean for whatever purpose."

Nevertheless, whether I like that procedure or not—and being in a position of opposing amendments, even some that I happen to agree with, I think it is necessary today because of the lateness of time. If we were going to be in session for a couple of months, I would not be doing what I am doing today. But I wanted all of my colleagues to know at this point that I will oppose on a procedural basis the Brady amendment and all other amendments that are offered to this bill today.

Mr. RIEGLE addressed the Chair.

The PRESIDING OFFICER. The Senator from Michigan.

Mr. RIEGLE. Mr. President, I believe that Chairman GARN is accurate in the account that he has just given the Senate; that we have before us a very complex bill, one that we have been struggling with over a period of long months. We have a very tenuous balance in terms of those who have now come to a position of supporting the bill, but there are a number of people whose feelings about it are such that additional if major elements are added to this bill it is my own judgment that the bill itself is placed in a kind of jeopardy that would be unwise and unsound.

I think the chairman's assessment is accurate. He has talked with colleagues and interest groups on his side, I have done the same on my side. There is great controversy involved here, and it seems to me that there comes a point at which you can manage a certain number of issues in terms of resolving them, and beyond that you may not be able to do so. I wish we were not here so late in the session with literally a week to go.

So we are in a situation where we not only have to have a majority vote but, in the end, we have to have the acquiescence of a hundred Senators if we are going to bring this bill through to conclusion and meet with the House before the session ends and be able to send it to the President for signature.

There are merits on both sides of the argument with respect to the provisions that the Senator from New Jersey raises in his amendment. I think we have in this bill now all that we can manage, and if we try on the margin to add one more thing here or one more thing there, there certainly is the potential for us to find ourselves with a bill that is going nowhere. I think that would be a tragic consequence and all parties would lose.

There are important provisions in this bill for the S&L industry, for commercial banks, and for others. It is essential that the gains that we have been able to make in the legislation be achieved.

I wish perhaps it were possible to take on more at this time, but I do not think it is as I read the sentiment within the Senate and the shortness of time that is left.

The chairman has stated it accurately in terms of the parliamentary situation that we face, and I want to add my supporting views to his.

I yield to the Senator from Maine.

Mr. MITCHELL. Mr. President, I rise in opposition to the amendment now before the Senate.

The amendment is inadequate to deal with the problems addressed by the provision now contained in title VI.

The problem that title VI is designed to correct deals with the ability of bank holding companies to tie decisions on credit to decisions on insurance. My concern is that consumers will purchase insurance from banks simply to protect their source of credit, not because insurance is available at lower prices or with better service.

The combining of credit and insurance decisions restricts the consumer's ability to choose the best insurance free from the influence of credit. Furthermore, banks will have an unfair competitive advantage over other sellers who do not have the power to extend or withhold credit.

This is not just idle speculation. Studies over the last several years have repeatedly documented the fact that credit tie-ins are commonplace:

A 1979 study by the National Consumer Law Center, conducted for the Department of Housing and Urban Development, found a high degree of incidence and much abuse of credit tie-ins.

In 1978, the Federal Trade Commission testified that it regularly receives complaints of coercive credit insurance activities.

In 1974, the Federal Trade Commission found that credit tie-ins occurred frequently.

In 1970, an administrative law judge found that a bank's ability to combine credit and insurance put small insurance agencies at an unfair competitive disadvantage.

In 1968, the Federal Reserve Board testified regarding its concern that credit tie-ins may be an undue influence on borrowers' decisions.

Title VI deals with this problem by generally prohibiting an insurance activities by bank holding companies. Most existing bank holding company insurance activities would be protected by the title's grandfather clause.

A number of other exceptions are also included: Credit life and certain credit property insurance activities would still be permitted, as would bank holding company insurance operations in small towns and any place where insurance is otherwise unavailable. Bank holding companies with less than $50 million in total assets would also be allowed to engage in insurance activities.

I emphasize that title VI is entirely consistent with the trend toward greater competition among financial institutions. By preventing banks control of credit to dominate insurance markets, this title benefits the consumer by protecting his or her ability to choose insurance services free from concerns over credit.

The Senator from New Jersey proposes to replace the provisions of title VI with a provision that would give loan customers 30 days to cancel any insurance transaction related to a loan.

As I stated at the outset, this measure does not adequately deal with the problem of credit tie-ins. This amendment essentially legitimizes credit tie-ins by permitting them to occur openly at the point of the loan. By offering the customer the option to cancel after 30 days, this amendment may actually encourage insurance sales by banks.

Furthermore, the amendment would create a costly administrative burden on the insurance industry if it leads to a significant number of policy cancellations and reissues.

Finally, the bill may actually be a step backward. Many States already allow borrowers to cancel policies beyond 30 days after the transaction. Thus, in those States, the bill could restrict, not expand, consumers' freedom of choice in selecting insurance services.

For all those reasons, I urge the rejection of this amendment.

Mr. President, I ask unanimous consent to have printed in the RECORD a series of letters from organizations around the country in the insurance and mortgage fields, to indicate support for title VI as it now stands and opposition to this amendment.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

THE NATIONAL ASSOCIATION
OF LIFE UNDERWRITERS,
Washington, D.C., September 9, 1982.

Hon. GEORGE J. MITCHELL,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR MITCHELL: The Senate Banking Committee has favorably reported the "Depository Institutions Amendments of 1982" (S. 2879) to the Senate floor. I would like to call your attention to Title VI, a provision which would prohibit a bank holding company from providing insurance as a principal, agent or broker with six exemptions. As President of the National Association of Life Underwriters (NALU), I urge you to support Title VI without amendments and to support the entire bill with Title VI intact.

NALU is a federation of over 1,000 state and local associations representing more

than 126,000 life and health insurance agents, general agents and managers doing business in virtually every city and town in the United States.

Title VI is necessary to preserve on open, highly competitive marketplace for life, health, property and casualty insurance from being replaced by a highly concentrated one. To permit bank holding companies to expand their insurance activities would frustrate the intent of present law which recognizes the unfair competitive advantage inherent in the power of banks to lend money. Furthermore, the record of the extensions of banking institutions into a variety of other business endeavors reveals unfair competition between banks and affected businesses to the detriment of consumers.

There are no adequate antitrust remedies which address the dangers of voluntary tie-ins whereby a potential loan applicant might voluntarily place his insurance business with a bank-affiliated insurer in the hope of improving his chances to obtain credit from a bank on favorable terms, or at all.

Banking institutions have made many inroads into insurance agency activities which are not "closely related" to banking in most instances. The Federal Reserve Board routinely approves applications by bank holding companies to engage in insurance activities without requiring compliance, we contend, with statutory criteria. This underscores the need for passage of this legislation.

To summarize, monopoly power of banks over demand deposits and local short-term credit has long provided the rationale to keep banks out of general commerce including insurance activities. This is the case because credit is the lifeblood of business—especially in a tight credit market. Expansion of banking into insurance presents the triple threat of undue concentration of economic power, decreased and unfair competition, and unlawful tying of bank credit to insurance sales.

It is likely that S. 2879 will come to the Senate floor within the next two weeks. Again, we urge you to support Title VI without amendments and to support the entire package with Title VI intact.

Please contact David A. Winston at (202) 331-6054 if we can provide you with any further information.

Sincerely,

JACK PECKINPAUGH,
CLU, President.

PROFESSIONAL INSURANCE AGENTS,
Washington, D.C., September 16, 1982.

Hon. GEORGE J. MITCHELL,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MITCHELL: The National Association of Professional Insurance Agents (PIA) is a trade association representing more than 38,000 independent property and casualty insurance agents in all 50 States, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

PIA has long been concerned about the continuing efforts of bank holding companies (BHCs) to get further involved in the business of insurance. We, therefore, actively support Title VI of S. 2879, the Depository Institutions Amendments of 1982. Title VI would limit the property and casualty and life insurance activities of BHCs and their subsidiaries.

As a matter of long standing public policy, Congress has enacted laws to keep the business of banking separate from other types of commerce. This separation is designed to protect depositors by preventing banks from using deposits to speculate in non-banking commercial ventures or to bail out bank owned subsidiaries should they encounter financial difficulties. This policy also helps to prevent anti-competitive economic concentrations from developing that would naturally coalesce around banking institutions if they were in a position to generally engage in commerce or to tie the sale of non-banking services offered by their subsidiaries to the extension of credit.

The policy of separating banking from other forms of commerce is currently the law of the land for federally chartered banks but the Bank Holding Company Act (BHC Act) provides a loophole for banks that are affiliated with a BHC.

BHCs can petition the Federal Reserve Board (Fed) on a case-by-case basis per the provisions of Section 4(c)(8) of the BHC Act, to obtain permission to engage in non-banking business activities. To comply with the requirements of the Section 4(c)(8) test, BHC need only convince the Fed that the activity they wish to undertake is so closely related to banking as to be a proper incident thereto and that said activity is in the public interest. If the BHC's petition is approved, the Fed will authorize the BHC to engage in the non-banking activity.

Over the years, the Fed has authorized certain BHCs to engage in the business of insurance. This has placed these BHCs in a position to exert intense unfair competition against independent property and casualty insurance agents because of a BHC's ability to tie the sale of insurance to the availability of credit. This tying link need not even be stressed to be effective. The party seeking a loan need only be informed during the negotiations for credit that the bank's holding company could supply credit insurance and handle the borrower's other insurance transactions. Anyone approached in this manner would come to the logical conclusion that purchasing insurance from the BHC may enhance their prospects for obtaining a loan or help protect an existing line of credit. Protecting credit sources is a high economic priority for most individuals and businesses, particularly in today's tight money markets. The natural inclination would be to purchase insurance from the BHC affiliated with their bank even if they could obtain better insurance coverage and service at a lower price in the highly competitive traditional insurance market. Such an environment can encourage questionable solicitation practices. Several state insurance departments can detail the consumer problems caused when lending institutions sell credit life insurance.

A large BHC with computerized lists of its customers containing personal and business information provides a ready data base for insurance solicitation purposes. This, coupled with the ability to tie insurance sales to extensions of credit, gives BHCs a competitive position that independent insurance agents cannot match. The consumer, as a practical matter, loses the right to exercise freedom of choice in their insurance purchasing decisions because they have been placed in a situation where credit requirements dictate the purchase of insurance rather than shopping around to obtain the best insurance coverage and service at the lowest price in a competitive marketplace.

PIA has every reason to believe that BHCs and their banking allies will make every effort to strike Title VI from S. 2879 when the bill is considered by the full Senate in the very near future. PIA urges you to promote competition in the insurance marketplace and protect freedom of choice for the insurance consumer by supporting Title VI and opposing all weakening amendments to that Title.

Sincerely,

DOW REICHLEY, FMS,
President.
NICK A. VERREOS, FMS,
Chairman, Federal Affairs Committee.

AMERICAN LAND TITLE ASSOCIATION,
Washington, D.C., September 10, 1982.

Hon. GEORGE J. MITCHELL,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR MITCHELL: The American Land Title Association (ALTA), the nationwide trade association of the land title industry, urges your support of Title VI of S. 2879, the Depository Institutions Amendments of 1982. This legislation, which was unanimously approved by the Senate Banking Committee, will be scheduled for Senate floor consideration in the very near future.

Title VI would impose reasonable limitations on the insurance-related activities of entities affiliated with bank holding companies. The ability of grantors of credit, such as banks, to influence or steer a borrower's puchase of insurance to an agency, broker, or underwriter affiliated with that lender has been amply demonstrated in numerous studies and congressional hearings. This implicit tying of the consumer's purchase of insurance to the granting of a loan has the practical effect of depriving the consumer of the ability to select a provider of insurance in a free and open competitive market. Also, such arrangements place unfair restraints on the ability of individual providers of insurance to compete on an equal basis with the bank's insurance affiliate for the borrower's insurance needs.

Provisions comparable to Title VI have twice passed the House of Representatives by overwhelming margins and were approved by voice vote in the Senate in 1978. Your support for Title VI as reported by the Senate Banking Committee and for passage of S. 2879 is needed to help preserve a free and competitive marketplace for the consumer's purchase of insurance.

Sincerely,

FRED B. FROMHOLD,
President.

INDEPENDENT INSURANCE AGENTS OF AMERICA, INC.,
Washington, D.C., September 1, 1982.

Hon. GEORGE J. MITCHELL,
Russell Senate Office Building,
U.S. Senate, Washington, D.C.

DEAR SENATOR MITCHELL: I am writing on behalf of our entire association to urge your support for Title VI of the Depository Institutions Amendments of 1982, and for final passage of the bill with Title VI intact.

Title VI would limit bank holding companies' authority to underwrite and sell property-casualty insurance. The case for curtailing bank holding company insurance activities may be simply stated: it remains a fact of life, supported by numerous academic and legislative studies, court findings, and financial and consumer regulatory agency reports that the combination of credit and insurance (1) unfairly constricts the consumer's ability to choose the best insurance terms and service free from the influence of credit, and (2) unfairly competes against

other sellers in the market who have no powers to extend or withhold credit.

Whether direct or implied, the results of the credit tie-in are the same: consumers purchase insurance from banks simply to protect their source of credit, not because the insurance is available at lower prices or with better service. And the rest of the market is fenced away by the insurmountable and unfair competitive barrier of banks' control of credit. Hence, the anomaly that bank insurance will actually choke off competition—it never has a chance to function.

Title VI has a long history of Congressional support, having passed the full House twice by decisive margins and the Senate once, by voice vote, in 1978. Language almost identical to Title VI of this year's Depository Institutions Amendments was favorably reported by the Senate Banking Committee in 1980.

The Independent Insurance Agents of America, Inc. is the nation's largest insurance producer group, and one of the largest small business associations. We are about 126,000 independent businessmen—the owners, principals, or licensed agents of 34,000 agencies across the nation selling and servicing property liability coverage in a fiercely competitive market. Several thousand of our members in Maine have made enactment of a BHC insurance curtailment their number one legislative priority, and are counting heavily on your support.

Needed bank reform is not incompatible with reasonable, traditional safeguards on financial institutions' ability to use their unique powers of credit and other specialized advantages in unfairly competitive ways. We urge your support for Title VI unamended, and for final passage of the Depository Institutions Amendments of 1982 with Title VI included.

Sincerely,

ROGER N. LEVY,
Director of Federal Government Relations.

MORTGAGE INSURANCE COMPANIES OF AMERICA,
Washington, D.C., September 13, 1982.

Hon. GEORGE J. MITCHELL,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR MITCHELL: On behalf of the Mortgage Insurance Companies of America, a trade association of private mortgage insurers, I strongly urge your support of Title VI of S. 2879, The Depository Institutions Amendments of 1982. Title VI would limit the activities of bank holding companies to engage in insurance activities as agent, broker, or underwriter, and was approved unanimously by the Committee.

Private mortgage insurance companies (MICs) and their lender-customers must operate in an arms length manner. MICs must evaluate objectively the appraisal, underwriting, servicing abilities of lenders as well as their claims and methodology for handling delinquent loans. Nevertheless, in 1975 the Federal Reserve Board ruled that private mortgage insurance is a "permissible activity" of bank holding companies although declining "at that time" to approve any of the three applications then pending. Therefore, in the absence of Title VI the Fed could at any time permit bank holding companies to engage in such insurance for their own banks or other financial subsidiaries, as well as for other financial institutions. The conflict-of-interest implications represent compelling reasons for enactment of Title VI of S. 2879.

Recently, the Federal Home Loan Mortgage Corporation, a major government sponsored secondary market for home mortgages, advised the Federal Home Loan Bank Board that authorizing savings and loan association service corporations to engage in the private mortgage insurance business could destroy the existing private mortgage insurance industry because such independent companies could not compete with lender-owned insurance entities. The analogy of bank holding companies embarking on similar insurance activities is self-evident.

An effort may be made to remove Title VI during Floor debate on S. 2879. We urge your support of Title VI to preserve a free and competitive marketplace for mortgage insurance as well as other lines of insurance.

Sincerely,

JOHN C. WILLIAMSON.

NATIONAL ASSOCIATION OF CASUALTY AND SURETY AGENTS,
Washington, D.C., September 3, 1982.

Re The Depository Institutions Amendments of 1982, title VI.

Hon. GEORGE J. MITCHELL,
U.S. Senate,
Russell Senate Office Building,
Washington, D.C.

DEAR SENATOR MITCHELL: The National Association of Casualty & Surety Agents (NACSA), an association representing the leading domestic commercial property/casualty insurance agencies and brokerage firms, endorses without amendment Title VI of the Depository Institutions Amendments of 1982 and urges you to vote in favor of the bill with Title VI intact when considered by the Senate later this month.

Title VI would restrict further expansion of insurance activities by bank holding companies. This section has a long legislative history and it supports our position that a tie-in between credit and insurance, implicit or explicit, as the case may be, exists and restricts a consumer's choice of price and product. It also establishes an unfair competitive advantage for lending institutions. Other sellers cannot compete in this kind of restrictive market, and its anticompetitive effect is not in the best interest of our economy or the buying public.

Title VI or language similar to it has been adopted by a vast majority of the House of Representatives in the two previous Congresses and by a voice vote in the Senate in 1978. We believe the need for this legislation has been demonstrated well and the time for its enactment is long overdue. We would appreciate your supporting Title VI without amendment and your voting in favor of the Depository Institutions Amendments of 1982.

Sincerely,

JOAN ALBERT DREUX,
Government Affairs Director.

The PRESIDING OFFICER. Who yields time?

Mr. GARN. Mr. President, I suggest the absence of a quorum, with the time to be charged equally.

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

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. GARN. 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. GARN. Mr. President, I ask unanimous consent that we temporarily set aside the Brady amendment in order to consider an amendment of the Senator from Oklahoma (Mr. BOREN).

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

UP AMENDMENT NO. 1292

(Purpose: To provide for a study of optional excess deposit insurance)

Mr. BOREN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Oklahoma (Mr. BOREN) proposes an unprinted amendment numbered 1292.

Mr. BOREN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

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

STUDY OF OPTIONAL INSURANCE OF LARGE DEPOSITS

SEC. . The Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration Board shall jointly conduct a study of the feasibility of providing depositors of funds in institutions the deposits of which are insured by any such agency the option to purchase additional deposit insurance covering deposits in excess of the general limit provided by law. Such study shall include a consideration of the private insurance or reinsurance of any risk in excess of the general statutory limit. A report containing the results of such study shall be transmitted to the Congress not later than 6 months after the date of enactment of this Act.

Mr. BOREN. Mr. President, this is a very simple amendment, and I think it is noncontroversial, one which has been discussed with both the majority and minority managers of the bill.

It simply calls for a study by the FDIC and FSLIC of the possibility of providing additional insurance above the current $100,000 limit per account in savings and loans, and banks. Such insurance would be at the option of the depositor and would be based upon a premium which the depositor would pay to cover the full costs.

This idea to me appears to have substantial merit. It would enable persons to leave larger amounts of funds particularly in smaller institutions with greater confidence, knowing they were fully covered by insurance of the FDIC of FSLIC.

The amendment also requests that the study include examination of the possibility of allowing participation by the private sector in reinsurance of this particular program.

At this point in time I do not think we know enough to legislate the change into law without further study and without examination of those who are experts in the field and who are best able to give us the benefit of their thinking and advice.

Mr. President, this amendment simply calls for that study. It asks for a report back within 6 months of the enactment of this piece of legislation with a full range of suggestions and options by the FDIC and FSLIC.

Mr. RIEGLE. Mr. President, I rise to support the amendment and will support its inclusion within the bill. I think it makes good sense to take this step and I salute the Senator for proposing it.

Mr. GARN. Mr. President, on behalf of the majority, I am willing to accept the amendment. It does just call for a study, and I certainly have no objection to the items that the Senator wishes to be considered.

Mr. BOREN. I appreciate the comments of the Senator from Utah and the Senator from Michigan, I appreciate their consideration of this matter and their willingness to include this proposal for a study in this piece of legislation.

At this time, I would be happy to yield back all remaining time that I have on this amendment.

Mr. GARN. Mr. President, I yield back the remainder of our time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Oklahoma (Mr. BOREN).

The amendment (UP No. 1292) was agreed to.

Mr. BOREN. I move to reconsider the vote by which the amendment was agreed to.

Mr. RIEGLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. BOREN. Mr. President, I wonder if the manager of the bill, while this discussion is continuing, might yield me 2 minutes off the bill to make a remark and have it placed at the appropriate place in the RECORD.

Mr. RIEGLE. Mr. President, I yield 2 minutes to the Senator for that purpose.

Mr. BOREN. I thank the Senator from Michigan.

Mr. President, under the unanimous-consent agreement entered into earlier I had requested time for an amendment to be offered on money market mutual funds. After listening to the discussion of the bill by the managers, understanding fully the sensitivity of the issues that are involved and the need for immediate action to help the thrift industry and also understanding bringing up new subject matter could imperil the speedy passage of this piece of legislation, in light of those considerations, Mr. President, I have decided not to offer the amendment relating to money market mutual funds at this time.

But I would say, Mr. President, that as we are making changes in the structure of financial institutions, as we are trying to assure a level playing field, as we are trying to assure each kind of institution has an equal ability to compete, I think it is very important that the committee and that the DIDC and all of those involved in making policy in this area examine the current situation in which the money market mutual funds do not have to meet some of the other regulatory restraints that are imposed on other financial institutions.

We have had a very rapid growth of dollar volume now, in excess, I am told, of $180 billion invested in these funds nationwide. I am concerned about their security. I am concerned that we protect those who are investing in them in the longrange, that we make sure that we provide the full and complete security for those investors. I am concerned that we have a level playing field. And I am also concerned about the flow of funds from the vast majority of the States of this county into two or three financial centers in this country, the kind of economic colonization of areas of the country like mine where we are seeing our funds, because of unfair competitive advantage, flow out of our traditional institutions in our own State, increasing the interest rates to borrowers in States like ours and into these centers.

I would just say, Mr. President, that, while I have decided not to offer this amendment today in deference to the desires of those who have worked so hard to come forward with a compromise piece of legislation, I do have a continuing interest in this matter. I will be continuing to push for fair treatment of all of the financial institutions and financial instruments that are involved to make sure that they have a fair competitive situation. I hope that the committee and those of the administration involved in policy making in this area will turn their attention to this problem and deal with it.

I thank the Senator from Michigan for yielding to me.

Mr. President, if it is the desire of the managers of the bill, I suggest the absence of a quorum and ask unanimous consent that the time be equally charged to both sides.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. TOWER. 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. TOWER. Mr. President, passage of S. 2879—as amended by the Banking Committee's floor amendment—will strengthen our Nation's depository institutions and enhance their ability to serve the legitimate needs of their customers and communities.

The earnings problems that our thrift institutions are experiencing—by and large—are not of their own making. Rather, those problems are a consequence of the high interest rates manufactured here in Washington by ballooning Federal budgets and excessive money creation.

S. 2879 will provide for the use of what are known as "income capital certificates" to offset some—but not all—of the losses of thrift institutions suffering from high interest rates and give those institutions more time to put their own houses in order.

For institutions that are too troubled to survive alone, S. 2879 will provide an orderly process for finding an appropriate merger partner. Of great importance to me, this process will stress the need to maintain a separate thrift industry devoted to providing mortgage financing as well as the need to maintain the local and regional geographic orientation of depository institutions.

No one believes more deeply than I do in the value of competition in the marketplace. The competitive nature of our economy enables it to serve consumer needs better than any other economy in the world. The recent development of money market mutual funds is a classic example of the benefits that consumers can derive from a competitive economy.

But commercial banks and thrift institutions have for too long been forced to compete with one hand tied behind their back. Anachronistic restrictions have prevented depository institutions from developing their own products to compete with the money market funds. As a result, local depository institutions have been unable to retain locally generated savings to meet local needs for credit.

S. 2879 will enable depository institutions to begin offering products directly competitive with money market funds within 60 days of enactment.

In Texas, our State legislature has acted to liberalize the asset powers of our State-chartered savings and loan associations. The wisdom of this action by the Texas Legislature was clearly demonstrated during the recent period of high interest rates.

After the Texas Legislature acted, State-chartered S&L's in Texas continued to invest the vast majority of their assets in home mortgages, but they also began to add some short-term assets.

When interest rates rose, the yields on those short-term assets also rose, and State-chartered S&L's were able to cope with the interest-rate cycle much better than S&L's elsewhere in the country.

S. 2879 draws on this experience in Texas and gives federally chartered S&L's the ability to add more short-term assets to their portfolios. While the bill will not give Federal S&L's powers equal to those possessed by State-chartered S&L's in Texas, S. 2879 will give Federal institutions important new freedom to help themselves.

Many of the existing restrictions on commercial banks also have proved counter-productive. S. 2879 takes important steps toward relaxing some of the most burdensome of these restrictions including excessive limits on loans to a single borrower, excessive limits on a bank holding company's ability to move funds among subsidiaries, and excessive reporting requirements.

Mr. President, S. 2879 does not solve all of the problems and competitive inequities in our financial-services industry. It does, however, make a significant beginning toward solving some of those problems and competitive inequities.

In urging my fellow Senators to support S. 2879, I commit myself—as chairman of the Financial Institutions Subcommittee—to continuing work as soon as the 98th Congress convenes, on solving the remaining problems and competitive inequities in our Nation's financial-services industry.

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

The PRESIDING OFFICER (Mr. COHEN). Without objection, the time of the quorum call will be charge equally to both sides. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GARN. 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. GARN. Mr. President, I further ask unanimous consent that the Brady amendment be temporarily set aside to consider an amendment by the Senator from Rhode Island.

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

The Senator from Rhode Island.

AMENDMENT NO. 3615

(Purpose: To authorize securities activities)

Mr. CHAFEE. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Rhode Island (Mr. CHAFEE) proposes an amendment numbered 3615.

Mr. CHAFEE. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

At the end of the bill, add the following:

TITLE VIII—SECURITIES ACTIVITIES AMENDMENTS TO THE BANKING ACT OF 1933

SEC. 801. (a) Section 20 of the Banking Act of 1933 (12 U.S.C. 377) is amended by inserting after the first paragraph the following:

"Notwithstanding any other provision of this section, a member bank may be affiliated in any manner described in subsection (b) of section 2 with a bank securities affiliate as defined in section 2(j) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(j)), subject to section 16 and the limitations contained in section 4(c)(14) of the Bank Holding Company Act of 1956.".

(b) Section 16 of the Banking Act of 1933 (12 U.S.C. 24 (Seventh)) is amended by adding at the end thereof the following: "Notwithstanding any other provision of this paragraph, any eligible association may acquire captial stock of any bank securities affiliate as defined in section 2(j) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(j)). An 'eligible association' is any bank that has assets of less than $100,000,000 and that is not controlled by a bank holding company, as such terms are defined in section 2(a) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(a)). An association shall cease to be an eligible association one year after (A) its assets exceed $100,000,000 at the end of three consecutive fiscal quarters, or (B) a bank holding company acquires control of such association. The term 'eligible association' also includes a bank which is organized solely to do business with other banks and their officers, directors, or employees; is owned primarily by the banks with which it does business, none of which owns more than 5 per centum of any class of its voting securities; and does not do business with the general public.".

(c) Section 32 of the Banking Act of 1933 (12 U.S.C. 78) is amended by adding at the end of the first paragraph the following: "Notwithstanding any other provision of this section, an officer, director, or employée of any member bank may serve at the same time as an officer, director of employee of any of its bank securities affiliates. The term 'bank securities affiliate' shall have the meaning ascribed to it in section 2(j) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(j)).".

AMENDMENTS TO THE BANK HOLDING COMPANY ACT OF 1956

SEC. 802. (a) Section 2 of the Bank Holding Company Act of 1956 (12 U.S.C. 1841) is amended by adding at the end thereof the following:

"(j) The term 'bank securities affiliate' means any corporation that (1) is engaged in the United States in one or more of the activities authorized pursuant to section 4 (c)(14) of this Act, and (2) is a broker or dealer within the meaning of section 3 (a) (4) or (5) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(4) or (5)), or an investment adviser within the meaning of the Investment Advisers Act of 1940 (15 U.S.C. 80b-2(11)). A corporation engaged in any such activities shall be deemed to be a bank securities affiliate only so long as it is owned or controlled by a bank holding company or by an eligible association as defined in section 16 of the Banking Act of 1933 (12 U.S.C. 24 (Seventh)).".

(b) Section 4(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)) is amended by adding at the end thereof the following:

"(14) shares of any bank securities affiliate engaged in activities in accordance with the limitations contained in this paragraph. A bank securities affiliate may—

"(A) conduct any securities or securities-related activity that a bank is not prohibited from conducting;

"(B) deal in and underwrite obligations issued or guaranteed by or on behalf of a State or any political subdivision thereof any agency or instrumentality of either of the foregoing (except industrial development bonds as defined in section 103(b)(2) of the Internal Revenue Code of 1954);

"(C) organize, sponsor, operate, control or render investment advice to an investment company, as such term is defined in section 3 of the Investment Company Act of 1940;

"(D) underwrite, distribute, and sell securities of an investment company, as such term is defined in section 3 of the Investment Company Act 1940.".

(c) Section 5(c) of the Bank Holding Company Act (12 U.S.C. 1844(c)) is amended to read as follows:

"(c) The Board from time to time may require reports of a bank holding company under oath to keep the Board informed as to whether such holding company has complied with the provisions of this chapter and such regulations and orders issued thereunder. The Board may further require separate reports from subsidiaries of bank holding companies consisting of (1) for companies subject to the reporting requirements of section 17 of the Securities Exchange Act of 1934 (15 U.S.C. 78q), the same information required to be submitted to the Securities and Exchange Commission under such section (and the rules and regulations thereunder) at the same time such information is so submitted; and (2) for all other companies, the same information as would be required to be submitted under section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m) (and the rules and regulations thereunder) by companies subject to the reporting requirements of such Act which are engaged in the same or similar lines of business, not more frequently than quarterly. The Board may make examinations of each bank holding company and each subsidiary thereof, the cost of which shall be assessed against, and paid by, such holding company, except that an examination of a nonbank subsidiary of a bank holding company shall be limited to operations of such subsidiary affecting the affairs of any subsidiary bank of such bank holding company. Notwithstanding any other provision of this section, such examinations or reporting requirements shall not be so limited if the Board makes a finding that the financial condition of the subsidiary is likely to have a materially adverse effect on the safety and soundness of the bank subsidiary. The Board shall, as far as possible, use the reports of examinations made by the Comptroller of the Currency, the Federal Deposit Insurance Corporation or the appropriate State supervisory or regulatory authority for purposes of this section.".

AMENDMENT TO THE FEDERAL RESERVE ACT

SEC. 803. (a) The Federal Reserve Act is amended by inserting after section 23A the following:

"SEC. 23B. (a) A member bank and its subsidiaries may engage in any of the following transactions, only on terms and under circumstances, including credit standards, substantially the same as, or not less favorable to such bank or its subsidiary than, those prevailing at the time for comparable transactions with or involving other nonaffiliated companies or, in the absence of comparable transactions, those that in good faith would be offered to, or would apply to nonaffiliated companies:

"(1) any covered transaction, as defined in section 23A, with an affiliate;

"(2) a sale of securities or other assets, including assets subject to an agreement to repurchase, to an affiliate;

"(3) a payment of money or furnishing of services to an affiliate, under a contract, a lease, or otherwise;

"(4) any transaction in which an affiliate acts as an agent or broker or receives a fee for its services to the bank or to any other person; or

"(5) any transaction or series of transactions with a third party (A) if an affiliate has a financial interest in the third party, or (B) if an affiliate is a participant in such transaction or series of transactions.

For the purpose of this subsection, any transaction by a member bank with any person shall be deemed to be a transaction with an affiliate of such bank to the extent that the proceeds of the transaction are used for the benefit of, or transferred to, such affiliate.

"(b) A member bank and the affiliates of such bank shall not publish any advertisement suggesting that the bank shall in any way be responsible for the obligations of its affiliates.

"(c) A member bank and any subsidiary of such bank—

"(1) shall not purchase as fiduciary any securities or other assets from any affiliate unless lawfully authorized by the instrument creating the fiduciary relationship, by court order, or by local law; and

"(2) whether acting as principal or fiduciary, shall not knowingly purchase or otherwise acquire, during the existence of any underwriting or selling syndicate, any security a principal underwriter of which is a bank securities affiliate of such bank; except that this prohibition shall not apply where the securities to be purchased have been approved by a majority of the directors of the bank who are not officers or employees of the bank or any affiliate thereof (or, if there are no such directors, a majority of the directors of the company owning such bank who are not officers or employees of such company, of the bank, or of any affiliate thereof).

For the purpose of this paragraph, the term 'security' means a 'security' as defined in section 3(a)(10) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(10)); and the term 'principal underwriter' means any underwriter who, in connection with a primary distribution of securities, (A) is in privity of contract with the issuer or an affiliated person of the issuer; (B) acting alone or in concert with one or more persons, initiates or directs the formation of an underwriting syndicate; or (C) is allowed a rate of gross commission, spread, or other profit greater than the rate allowed another underwriter participating in the distribution.

"(d) For the purpose of this section—

"(1) the term 'affiliate' means a bank securities affiliate, as defined in section 2(j) of the Bank Holding Company Act of 1956; and

"(2) the terms 'bank', 'subsidiary', 'person', and 'security' (other than security as used in subsection (c)) have the same meanings given to them in section 23A.".

(b) Section 18(j) of the Federal Deposit Insurance Act (12 U.S.C. 1820(j)) is amended—

(1) by inserting "and section 23B" after "section 23A" each place it appears in paragraph (1); and

(2) by inserting ", 23B," after "23A" in paragraph (3)(A).

AMENDMENT TO THE FEDERAL DEPOSIT INSURANCE ACT

SEC. 804. Section 8(b)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1818(b)(3)) is amended by inserting the following clause after the second comma in such subsection: "to the extent that such subsidiary shall engage in any action which may affect the safety and soundness of any bank which is directly or indirectly owned or controlled by such bank holding company or otherwise violate any banking law, rule, regulation or order.".

AMENDMENTS TO THE INVESTMENT COMPANY ACT OF 1940

SEC. 805. (a) Section 17(f)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a-17(f)(1)) is amended by inserting after "unit investment trusts" the following: ", except that it shall be unlawful for a registered management company which is organized, sponsored, operated or controlled by, or which receives investment advice from, any bank securities affiliate, as defined in section 2(j) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(j)), to place and maintain its securities and similar investments in the custody of a bank which is affiliated with such bank securities affiliate".

(b) Section 26(a)(1) of the Investment Company Act of 1940 (15 U.S.C. 80a-26(a)(1)) is amended by inserting after "so published)" the following: ", except that it shall be unlawful for such trust indenture, agreement of custodianship, or other instrument to designate as trustee or custodian any bank which is affiliated with a bank securities affiliate, as defined in section 2(j) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(j)), which organizes, sponsors, operates or controls such registered unit investment trust".

(c) Section 27(c)(2) of the Investment Company Act of 1940 (15 U.S.C. 80a-27(c)(2)) is amended by inserting after "trust indentures of unit investment trusts" the following: ", expect that it shall be unlawful to deposit such proceeds with any bank which is affiliated with a bank securities affiliate, as defined in section 2(j) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(j)), which organizes, sponsors, operates, controls or renders investment advice to such registered investment company.".

AMENDMENT TO BANK HOLDING COMPANY ACT AMENDMENTS OF 1970

SEC. 806. Section 106(d)(1) of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1972(1)) is amended by striking out "A bank shall not" at the beginning of such subsection and inserting in lieu thereof the following: "No bank or any subsidiary of a bank holding company shall".

AMENDMENT TO THE HOME OWNERS' LOAN ACT OF 1933

SEC. 807. Section 5(c)(1) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)(1)) is amended by adding at the end thereof the following:

"(R) SECURITIES AFFILIATES.—Any eligible association may acquire capital stock of any savings association securities affiliate, as defined in section 408(a)(1)(K) of the National Housing Act (12 U.S.C. 1730(a)(1)(K)). An 'eligible association' is any stock association or stock savings bank that has assets of less than $100,000,000 and that is not controlled by a savings and loan holding company or any mutual association or mutual savings bank that has assets of less than $100,000,000, as such terms are defined in section 408(a)(1) of the National Housing Act (12 U.S.C. 1730a(a)(1)). An association or savings bank shall cease to be an eligible association one year after (1) its assets exceed $100,000,000 at the end of three consecutive fiscal quarters, or (ii) a savings and loan holding company acquires control of such association or savings bank. Any association which is not an eligible association may acquire and hold not more than 5 per centum of any class of voting securities of a savings association securities affiliate.".

AMENDMENTS TO THE NATIONAL HOUSING ACT

SEC. 808. (a) Section 408(a)(1) of the National Housing Act (12 U.S.C. 1730a(a) (1)) is amended—

(1) by striking out "and" at the end of subparagraph (I);

(2) by striking out the period at the end of subparagraph (J) and inserting in lieu thereof "; and "; and

(3) by adding at the end thereof the following:

"(K) 'Savings association securities affiliate' means any corporation that (i) is engaged in the United States in one or more of the activities described in section 408(c)(3) of this Act, and (ii) is a broker or dealer within the meaning of section 3 (a) (4) and (5) of the Securities Exchange Act of 1934 (15 U.S.C. 78c (a) (4) and (5)), or an investment adviser within the meaning of section 202(a)(11) of the Investment Advisers Act of 1940 (15 U.S.C. 80b-2 (a) (11)). A corporation engaged in any such activities shall be deemed to be a savings association securities affiliate only so long as it is directly controlled by one or more eligible associations as defined in section 5(c)(1)(R) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464 (c) (1) (R)), by other associations meeting the requirements of the last sentence of such section, or by an insured institution that would meet such definition if it were federally chartered.".

(b) Section 408(b) of the National Housing Act (12 U.S.C. 1730a(b)) is amended by adding at the end thereof the following:

"(7) The Corporation may require separate reports from subsidiaries of holding companies consisting of (A) for companies subject to the reporting requirements of section 17 of the Securities Exchange Act of 1934 (15 U.S.C. 78q), the same information required to be submitted to the Securities and Exchange Commission under such section (and the rules and regulations thereunder) at the same time such information is so submitted; and (B) for all other companies, the same information as would be required to be submitted under section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m) (and the rules and regulations thereunder) by companies subject to the reporting requirements of such Act which are engaged in the same or similar lines of business, not more frequently than quarterly. An examination of a subsidiary of a holding company, other than an insured institution, shall be limited to operations of such subsidiary affecting the affairs of any insured

institution of such holding company. Notwithstanding any other provision of this subsection, such examinations or reporting requirements shall not be so limited if the Corporation makes a finding that the financial condition of the subsidiary is likely to have a materially adverse effect on the safety and soundness of the insured institution. The Corporation shall, as far as possible, use the reports of examinations made by the appropriate State supervisory or regulatory authority for purposes of this paragraph.".

(c) Section 408(c)(2) of the National Housing Act (12 U.S.C. 1730a(c)(2)) is amended—

(1) by striking "or" at the end of clause (E);

(2) by redesignating clause (F) as clause (G); and

(3) by inserting after clause (E) the following: ", (F) acquiring and holding shares of any savings association securities affiliate engaged in activities in accordance with the limitations contained in paragraph (3) of this subsection, or".

(d) Section 408(c) of the National Housing Act (12 U.S.C. 1730a(c)) is amended by adding at the end thereof the following:

"(3) Without limitation of any other authority provided under this Act, a savings association securities affiliate may—

"(A) conduct any securities or securities-related activity that a savings association is not prohibited from conducting;

"(B) organize, sponsor, operate, control, or render investment advice to an investment company, as such term is defined in section 3 of the Investment Company Act of 1940; and

"(C) underwrite, distribute, or sell securities of any investment company.".

(e) Section 408(d)(1) of the National Housing Act (12 U.S.C. 1730a(d)(1)) is amended by inserting "or a savings association securities affiliate" immediately after "corporation".

(f) Section 408 of the National Housing Act (12 U.S.C. 1752a) is amended by adding at the end thereof the following:

"(o) Not later than 30 days after the date of enactment of this subsection, the Corporation shall prescribe regulations governing transactions between insured institutions and their savings association securities affiliates. Such regulations shall contain provisions identical, to the extent appropriate, to sections 23A and 23B of the Federal Reserve Act.".

AMENDMENTS TO THE FEDERAL CREDIT UNION ACT

SEC. 809. (a) Title I of the Federal Credit Union Act is amended by adding at the end thereof the following:

"SECURITIES AFFILIATES

"SEC. 128. (a) An eligible credit union may acquire capital stock of any credit union securities affiliate, as defined in subsection (b). An 'eligible credit union' is any credit union that has assets of less than $100,000,000. A credit union shall cease to be an eligible credit union one year after its assets exceed $100,000,000 at the end of three consecutive fiscal quarters. Any credit union which is not an eligible credit union may acquire and hold not more than 5 per centum of any class of voting securities of a credit union securities affiliate.

"(b) The term 'credit union securities affiliate' means any corporation that (1) is engaged in the United States in one or more of the activities described in subsection (c), and (2) is a broker or dealer within the meaning of section 3(a)(4) and (5) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(4) and (5)), or an investment adviser within the meaning of section 202(a)(11) the Investment Advisers Act of 1940 (15 U.S.C. 80b-2(a)(11)). A corporation engaged in any such activities shall be deemed to be a credit union securities affiliate only so long as it is owned or controlled by one or more eligible credit unions or by other credit unions meeting the requirements of the last sentence of subsection (a).

"(c)(1) A credit union securities affiliate may—

"(A) conduct any securities or securities-related activity that a credit union is not prohibited from conducting;

"(B) organize, sponsor, operate, control, and render investment advice to an investment company, as such term is defined in section 3 of the Investment Company Act of 1940; and

"(c) underwrite, distribute, and sell securities of an investment company, as such term is defined in section 3 of the Investment Company Act 1940.

"(d) Not later than 30 days after the date of enactment of this section, the Board shall prescribe regulations governing transactions between credit unions and their credit union securities affiliates. Such regulations shall contain provisions identical, to the extent appropriate, to sections 23A and 23B of the Federal Reserve Act.

"(e) The Board may require separate reports from credit union securities affiliates consisting of (1) for companies subject to the reporting requirements of section 17 of the Securities Exchange Act of 1934 (15 U.S.C. 78q), the same information required to be submitted to the Securities and Exchange Commission under such section (and the rules and regulations thereunder) at the same time such information is so submitted; and (2) for all other companies, the same information as would be required to be submitted under section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m) and the rules and regulations thereunder by companies subject to the reporting requirements of such Act which are engaged in the same or similar lines of business, not more frequently than quarterly. An examination of a subsidiary of a credit union shall be limited to operations of such subsidiary affecting the affairs of the credit union. Notwithstanding any other provision of this subsection, such examinations or reporting requirements shall not be so limited if the Board makes a finding that the financial condition of the subsidiary is likely to have a materially adverse effect on the safety and soundness of the credit union.".

(b) Section 107(7) of such Act (12 U.S.C. 1757(7)) is amended by striking out "and (J)" and inserting in lieu thereof "(J) in securities of a credit union securities affiliate as provided in section 128; (K)".

At the end of the table of contents, add the following:

TITLE VIII—SECURITIES ACTIVITIES

Sec. 801. Amendments to the Banking Act of 1933.
Sec. 802. Amendments to the Bank Holding Company Act of 1956.
Sec. 803. Amendments to the Federal Reserve Act.
Sec. 804. Amendments to the Federal Deposit Insurance Act.
Sec. 805. Amendments to the Investment Company Act of 1940.
Sec. 806. Amendments to the Bank Holding Company Act Amendments of 1970.
Sec. 807. Amendments to the Home Owners' Loan Act of 1933.
Sec. 808. Amendments to the National Housing Act.
Sec. 809. Amendments to the Federal Credit Union Act.

Mr. CHAFEE. Mr. President, the amendment which is under consideration now does two things:

First, permit depository institutions to sponsor and sell shares in mutual funds, including money market mutual funds; and second, authorize banks to underwrite municipal revenue bonds. More specifically, the amendment would authorize the establishment of bank securities affiliates, which would be permitted to: First, organize, sponsor, operate, control, underwrite, and distribute shares in investment companies, including mutual funds; and second, underwrite and deal in municipal revenue bonds.

In addition, a bank securities affiliate could engage in any securities-related activity in which a bank can engage.

The amendment would also expressly authorize the formation of savings association securities affiliates and credit union securities affiliates which would be authorized to operate, sponsor, advise, and distribute shares in investment companies. These affiliates would be generally analogous to bank securities affiliates but would be affiliated with savings and loan associations, mutual savings banks, and credit unions.

The amendment makes certain distinctions between first, different sized institutions and second, different categories of depository institutions, in terms of the permissible corporate relationships between depository institutions and securities affiliates. These distinctions are intended to recognize the needs of smaller institutions and to provide equally for separation of new securities activities from the existing activities of such institutions.

I will discuss these powers separately. First, let me discuss mutual fund powers for depository institutions.

This provision is based on a bill which I introduced a year and a half ago in response to the dramatic changes that then and now continue to sweep the financial world.

Mr. President, these changes and innovations have been well documented before the Banking Committee. But, one need not have followed the committee's hearings to know of the incursions into the banking world by nondepository institutions.

The Daily newspapers are replete with articles describing new combinations and bank-like services being offered by nonbanking institutions.

This is good—and I endorse the creativity and competition this reflects. In fact, when Congress was considering imposing reserve requirements on money market mutual funds to reduce

their competitive effect on banks, I opposed such efforts.

That nonbanking institutions have taken on the banks in competition for customer accounts can only be beneficial to the consumer. But, at the same time, to allow this competition, while continuing to preclude depository institutions themselves from effectively competing in providing financial services, is both unnecessary, from a safety and soundness viewpoint, and grossly unfair.

That is why, almost a year and a half ago, I introduced legislation to allow banks and thrifts to offer mutual funds.

Mr. President, while this is a significant proposal, it is by no means radical. The mutual fund provision has been before the Congress for many years. In fact, it was passed by the Senate before. The powers it would grant differ only in degree from those banks have now. Banks presently act as investment advisers to investment companies—including money market mutual funds. They manage employee benefit plans, and individual retirement accounts. They can invest individual agency accounts and invest trust, guardianship, and estate accounts individually and collectively. But, what they cannot do is to take the individual agency accounts and invest them collectively. This means that my bank can take my small investment and acting as agent invest it for me in low denomination instruments. But, it cannot, for example, take my money and that of other customers and pool the funds to purchase say, a $100,000 instrument, which pays significantly higher yields than that which my money could obtain by itself. This means that the small investor is denied not only these higher yields, but also the diversification and, therefore, safety that pooled investments would provide.

My proposal would benefit the small investor by making available from depository institutions, investment service that was previously available only to the wealthy. Money market and other mutual funds will become more widely and conveniently available.

Now some would argue that mutual fund powers are unnecessary because the pending bill calls for the Depository Institutions Deregulation Committee to authorize a deposit instrument that is directly competitive with money market mutual funds.

It is true that so-called competitive instrument is an important measure which will help depository institutions retain their customer base. But, it addresses only the money market fund part of the problem. Indeed, the pressure to authorize money market funds is being reduced naturally as interest rates decline. Money market funds are only one kind of mutual fund. There are many others and for many institutions these other kinds of mutual funds are more important than money market funds to their ability to compete with financial service institutions offering diverse customer services.

Now let me turn to the revenue bond underwriting portion of my amendment.

As I mentioned earlier, the amendment would allow banks to underwrite municipal revenue bonds. Like mutual fund powers, I view this as an important but hardly a radical extension of existing bank authority as banks are currently authorized to underwrite general obligation bonds, and, indeed, some kinds of revenue bonds as well.

When the limitation on underwriting was first enacted half a century ago, general obligation bonds were the predominant kind of bond issues. Now, however, revenue bonds account for over 70 percent of municipal bond issues. But, the arbitrary and anachronistic restraint on bank activity in this area remains.

In my view, authority for bank underwriting in this area is a logical extension of current bank securities activities. Like mutual fund powers, it can only result in increased competition, which in this case may result in lower costs. Clearly, such an effect can only benefit the public.

It has been argued that mutal fund and revenue bond underwriting powers for depository institutions would breach the separation of banking and commerce. First, this separation was never absolute. As I noted, some securities powers were permitted to banks even at the time the line of distinction was first drawn, and many others have been permitted over the years. And, I would add that these powers are certainly no greater a breach than the export trading company powers approved by the Banking Committee and by the full Senate and House. In any case, I believe the prohibitions in mutual fund and revenue bond activities have no continuing utility now in view of the changes taking place in the financial world.

There are some who would say consideration of my amendment should be delayed so that more information can be obtained.

Well, I do not know what we have been doing the last 2 years in the Banking Committee if not getting information on this proposal, both on its own merits, and in the context of comprehensive banking deregulation; 4 days of hearings were held on this issue alone before the Securities Subcommittee, and bank securities powers were a consistent part of the weeks of comprehensive oversight hearings held by the full Banking Committee. Moreover, both mutual fund powers and revenue bond underwriting have been before the Congress for many years, and both have previously passed the Senate. What additional information can possibly be needed now is not immediately apparent to me, to say the least.

The amendment reflects many of the suggestions made at these hearings. I believe it accommodates all of the substantive concerns that were raised during the hearings and in the detailed discussions with industry and agency representatives over the past year and a half. Because the amendment now would place these activities in a separate holding company subsidiary, the proposal insures equality of regulation and taxation. This separation of the deposit taking and securities functions also insures the integrity of insured deposits. Indeed, I believe the separation of securities activities I have provided goes even further than necessary to preserve these interests. But, I note, the additional protections are included to accommodate all concerns.

Mr. President, I believe my amendment will provide a measure of equity for our depository institutions by allowing them to compete with the nondepository institutions. Increased competition can only benefit the public.

Mr. President, I urge my colleagues' favorable consideration of this amendment.

Mr. GARN. Mr. President, I support the Senator from Rhode Island. As he told the Senate, in the original title of this bill, known as S. 1720, I did offer money market mutual fund and municipal revenue bond authority for banks. I continue to believe that these authorities should be in this bill as strongly as I did a year ago. I could not possibly agree more with my distinguished colleague.

But I have to face the fact that I have learned to count since I have been in the Senate, and I simply had fewer votes than the other side on this particular issue. So it is not in. But the entire committee agreed to revisit this issue next year. I promise the Senator from Rhode Island that we will. It is only temporarily removed. We will be back and we will consider not only this issue but others next year. Although I support exactly what he is saying, I would hope in the interest of getting this bill through that he would consider withdrawing his amendment at this time.

Mr. CHAFEE. Mr. President, I appreciate the position that the distinguished chairman of the committee is in.

I would like to direct a couple of questions, if I might, to the chairman. These issues are of tremendous importance to the banking industry, and the commercial banks especially. The legislation we are considering today does something for the thrifts. There is no question about it.

The PRESIDING OFFICER. The Senate is not in order. The Senator from Rhode Island has the floor.

Mr. CHAFEE. Mr. President, the legislation we are considering today broadens the powers of the thrifts, helps the thrifts. That is good. But at the same time, it does not broaden the powers of the commercial banks to compete. I believe so strongly that in fairness those powers should be broadened. They are being hit from the one side by the increased powers of the thrifts; on the other side not from the expanded powers but just the innovativeness and imaginativeness that is coming from the securities industry, and that is fine. But at the same time, to keep one group in the middle with restricted powers, unable to expand into those areas, is to me patently unfair.

The distinguished chairman of the committee has said he could count, and I am confident that he can.

My question to the chairman of the committee is as follows: He indicated that he wants to tackle these issues next year. Could I review with the chairman how high would he rate these issues on his agenda? He has a lot of issues coming before him. But as he sees the calendar ahead for next year, where would he place these issues we are discussing today, specifically, authority for commercial banks to sponsor and sell shares in mutual funds and, second, authority to underwrite municipal revenue bonds?

Mr. GARN. I believe the Senator from Rhode Island knows how I am still smarting from the fact that I could not get them through this year. I was disappointed that I could not have them in this package. I will answer the question in that way, that they will be the highest priority that I have, to start working on them at the beginning of the 98th Congress.

I told a group of people the other day that, from their standpoint, they may not be happy about it, but I would be here at least until January of 1987. They could not get rid of me before then, so they could expect that these issues would be revisited soon.

Mr. CHAFEE. Mr. President, that is very reassuring.

I might ask the distinguished ranking minority member of the committee. He does not have the ability to guarantee us he will be here until January of 1987.

Mr. FORD. Neither does the Senator from Rhode Island.

Mr. CHAFEE. Neither do I, that is quite sure.

I do ask him, Mr. President, if the fates smile on him, what would his attitude be toward tackling this matter?

Mr. RIEGLE. Mr. President, I begin by saying it is my presumption that the Senator from Rhode Island is hopeful that we shall both be here. I assume that is his feeling.

In any event, I have said repeatedly to my colleague (Mr. GARN)—and I say to the Senator from Rhode Island now—that the issues which have not been dealt with in this bill have not gone away. I think they will have to be addressed. There will be full hearings on them. I think it is in all parties' interest to have a chance to speak to them and that these items be considered fully and carefully. I expect they will be. If I am here, I intend to be an active participant in that effort.

Mr. CHAFEE. I thank the distinguished ranking member for that. I appreciate his assurances that this will be taken up to the extent he can do so.

Mr. President, on the basis of the assurances given me by the distinguished chairman and the distinguished ranking member, I am prepared to withdraw my amendment. I do so and yield back the remainder of my time.

The PRESIDING OFFICER. The amendment (No. 3615) was withdrawn.

UP AMENDMENT 1293

Mr. CRANSTON. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from California (Mr. CRANSTON) proposes an unprinted amendment numbered 1293.

At the appropriate place insert: Section 4(a)(2) of the Bank Holding Company Act of 1956 (18 U.S.C. 1843(a)(2)), as amended, is further amended by striking the phrase "December 31, 1982" in the last paragraph and substituting therefor the phrase "December 31, 1984."

Mr. CRANSTON. Mr. President this amendment extends the deadline for bank holding companies to divest themselves of real estate or interest in real estate. The deadline for divestiture is December 31, 1982, and the amendment would extend that deadline until December 31, 1984.

Although bank holding companies have had 12 years to divest themselves of interest in real property, the adverse economic climate of the real estate market in the last 2 years has precluded divestiture in some cases. In 1970, Congress gave bank holding companies 10 years to divest but, in 1980, Congress recognized that it would create a great hardship on bank holding companies to divest immediately and the deadline was extended in 1980 for another 2 years. Unfortunately, the economy has experienced much difficulty since the 1980 extension making divestiture difficult. I am hopeful that the Senate will accept my amendment and extend the deadline. I understand that it has been cleared on both sides.

Mr. GARN. Mr. President, the amendment is acceptable to the majority.

Mr. RIEGLE. I accept the amendment Mr. President.

The PRESIDING OFFICER. Is all time yielded back?

Mr. GARN. I yield back my time.

Mr. RIEGLE. Mr. President, I yield back my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment.

The amendment (UP No. 1293) was agreed to.

Mr. RIEGLE. I move to reconsider the vote by which the amendment was agreed to.

Mr. GARN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. RIEGLE. Mr. President, before we proceed any further, I want everybody to understand how we are proceeding. There is an understanding that we shall not have any votes past 4 o'clock today. Because we now have 35 mintues before that cutoff period, I think it is very important that we try to conclude this matter before that time. Therefore, I am going to ask all my colleagues, at least those on this side of the aisle, to be understanding so that we may dispose of these issues within the time given.

AMENDMENT 3617

Mr. RIEGLE. I understand that the amendment that has been pending by Senator BRADY is ready for disposition.

The PRESIDING OFFICER. Who yields time?

Mr. GARN. Mr. President, we are returning to the Brady amendment. I understand the time has expired. I yield Senator BRADY time off the bill to pursue his amendment.

Mr. BRADY. Mr. President, I have no desire to hold up the proceedings here on this very important matter. I only point out that the amendment I have offered provides considerable protection to the consumer. He is given a chance, if he buys his insurance from a bank holding company, to shop that insurance for 30 days.

I also point out that the amendment applies to all creditors who sell insurance and not just a few bank holding companies.

My amendment, if accepted, would provide no exemption for small bank holding companies, which, will provide more protection for the independent insurance agent. So I would like to have it entered in the RECORD that I have no objection to moving on with the banking bill. I am willing to withdraw my amendment.

I ask the chairman of the committee, if I do withdraw my amendment, that he give me his agreement that, in conference, the points that have been made here this afternoon and the points that are contained in my amendment will get a hearing.

Mr. GARN. Mr. President, the Senator from New Jersey is being very co-

operative under the circumstances. I point out that the House version of this particular bill is very limited by comparison. The House version has similar proposals of title 1 and title 2, but none of the others. There is no similar provision to title 6 in the House bill. Therefore, in the conference, I can guarantee that this will be an item of disagreement.

It is not a matter of choice, Mr. President, because they do not have the provision and we do have the provision in title 6. It will be an item of conference disagreement and will be discussed and some disposition will have to be made between the two points of view, between the House and the Senate version.

The PRESIDING OFFICER. Does the Senator from New Jersey withdraw his amendment?

Mr. BRADY. Mr. President, I am willing to withdraw my amendment.

The PRESIDING OFFICER. The Senator has the right to withdraw his amendment.

The amendment (No. 3617) was withdrawn.

UP AMENDMENT 1294

Mr. BRADY. Mr. President, I have an amendment which I send to the desk to be read. This amendment, I understand, is acceptable to the floor managers.

The PRESIDING OFFICER. The clerk will state the amendment of the Senator from New Jersey.

The legislative clerk read as follows:

The Senator from New Jersey (Mr. BRADY) proposed an unprinted amendment numbered 1294.

Mr. RIEGLE. Does the Senator have copies of the amendment?

Mr. BRADY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

Page 160, line 23, after "October 7, 1981" add the following: "(for purposes of this subparagraph, activities engaged in or approved by the Board on May 1, 1982, shall include activities carried on subsequent to that date as the result of an application to engage in such activities pending on May 1, 1982, and approved subsequent to that date or of the acquisition by such company pursuant to a binding written contract entered into on or before May 1, 1980, of another company engaged in such activities at the time of the acquisition)".

Mr. FORD. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. FORD. Do we have a copy of the amendment at the desk?

The PRESIDING OFFICER. There is an original at the desk. A copy will be made and distributed to the Senators.

Mr. FORD. The Senator from Kentucky would be very pleased if he could have a copy of the amendment.

Mr. GARN. Mr. President, while Senators are receiving copies of the amendment, I might just explain that the main purpose of the amendment is to change the grandfather date. In the bill, it was October 7, 1981. The only reason that date was picked is that that was the day that I introduced S. 1720 and, therefore, people were assumed to be put on notice that these changes might possibly be made in the laws.

Obviously, nearly a year has transpired since that time and the bill has not yet been enacted, so this is a simple amendment that would change that grandfather date and allow those banking institutions who had applications pending before the Federal Reserve prior to May 1, 1982, to have those pending applications considered by the Fed rather than the previous October 7 date.

Now, after the great controversy over this amendment, the original amendment, and title VI, I believe it is extremely cooperative and helpful of Senator BRADY to withdraw his original amendment and offer this second amendment, and on behalf of the majority, I certainly would be willing to accept the amendment.

Mr. FORD. Mr. President will the Senator yield? Will the Senator from New Jersey yield for a question?

Mr. GARN. I would be happy to yield time.

Mr. FORD. I do not have to have time yielded to me. I just want to ask questions.

Will the Senator from New Jersey yield? It is his amendment.

Mr. BRADY. I yield to the Senator from Kentucky.

Mr. FORD. Will the Senator from New Jersey advise the Senator from Kentucky what is meant when October 7, 1981, is stricken out of the original Boschwitz amendment, I guess it is, and then add "an application to engage in such activities pending on May 1, 1982, and approved subsequent to that date or of"—I am not sure—"the acquisition by such company pursuant to a binding written contract"? I do not understand what we are doing. If this is a copy of the amendment that is at the desk, I need some clarification.

Mr. BRADY. Mr. President, I suggest the absence of a quorum so that I may confer with the Chairman as to the acceptability of this amendment.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. GARN. 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. FORD. Mr. President, I withdraw my question.

Mr. GARN. Mr. President, may I respond so that everybody understands.

I appreciate the Senator from Kentucky withdrawing his question, but let me see if I can clarify it so that everybody understands.

We are changing the grandfather date from October 7, 1981, to May 1, 1982, with this amendment. Under this amendment, insurance activities engaged in or approved to be conducted by specific bank holding companies on or before May 1, 1982, are grandfathered. Also, those who have an application pending before the Board by May 1, 1982, to engage in such activities, were such application is subsequently approved by the Board; and those who were a party to a binding written contract to acquire another company engaged in such activities which was entered into on or before May 1, 1982, would be eligible for the grandfathered treatment.

That is as simple as I can explain it, and I hope that clarifies it.

Mr. EAGLETON addressed the Chair.

Mr. TSONGAS. Will the Senator yield?

The PRESIDING OFFICER. Who yields time?

Mr. EAGLETON. Just 30 seconds.

I must say that the explanation of the Senator from Utah is preeminently correct.

Mr. GARN. I will yield to the Senator from Massachusetts for a question.

Mr. TSONGAS. I thank the Senator from Utah and the Senator from Michigan. There are a number of institutions that were caught in this bind through no real fault of their own, and we appreciate the willingness of the Members to be cooperative.

I ask the Senator from New Jersey if he will list me as a cosponsor of the amendment.

Mr. BRADY. Mr. President, I ask unanimous consent that the Senator from Massachusetts (Mr. TSONGAS) be listed as a cosponsor of the amendment.

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

Mr. GARN. Mr. President, I ask for immediate consideration of the amendment.

The PRESIDING OFFICER. Do Senators yield back their time?

Mr. GARN. I yield back my time.

Mr. BRADY. I yield back my time.

Mr. RIEGLE. Are there any requests for time on my side at this point?

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

The PRESIDING OFFICER. All time having been yielded back, the question now is on agreeing to the amendment of the Senator from New Jersey.

The amendment (UP No. 1294) was agreed to.

Mr. GARN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BOSCHWITZ. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. GARN. Mr. President, I believe Senator BOREN has an amendment to be considered.

UP AMENDMENT NO. 1295

Mr. BOREN. Mr. President, on behalf of myself and the Senator from Nebraska (Mr. EXON), I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Oklahoma (Mr. BOREN), for himself and Mr. EXON, proposes an unprinted amendment numbered 1295.

Mr. BOREN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

At the appropriate place in the bill, insert the following: "On and after September 24, 1982 all federal savings and loan associations and federal savings and loan banks shall be subject to the same conditions under state or federal law upon which a national bank may establish and operate branches as to branches established after September 24, 1982."

Mr. BOREN. Mr. President, if I may have the attention of my colleagues, I will try to be as brief as possible and not utilize the full amount of time authorized for this amendment because I know we are under time constraints; we need to have final action on this piece of legislation today.

In cutting short the time, I do not want to underestimate the importance which I attach to this amendment. I hope that my colleagues, both on the floor and listening in their offices will give full consideration to the content of this amendment. It simply says that after the adoption of this act, from this day forward, September 24, 1982, savings and loan associations establishing new branches—new branches; it says nothing about branches which they already have in existence—shall meet the same requirements under the law of the State in which they are located as applied to banks within those States.

I think it is very important that we do not prejudice the decision which is to be made at the State and local level in regard to the question of branch banking. In my own State, for example, it is a very lively issue, one which will undoubtedly be before our State legislature next year. Under our State law, savings and loan associations may have branch offices, banks may not. The argument is already being raised that if we are going to broaden the powers of savings and loan institutions into areas that have previously been given to banks, banks must be allowed the same privileges. Therefore, perhaps unintentionally, we would be injecting ourselves into decisions which should be made at the State level.

This amendment will simply allow that decision to be made at the State level. It will not prejudice that decision. It will give States time to decide for themselves, in those instances where savings and loans have more liberal branching powers than do banks, whether or not they want to apply the more restrictive rule traditionally applied in many States to banks and all institutions in the future or whether they want to apply the more liberal rules that have generally applied to savings and loan associations.

I think it is an important amendment. I, for one, am concerned about further concentration of economic power in financial institutions.

I should like to preserve, to the maximum extent possible, the existence of local financial institutions able to provide personal service, able to weigh the reputation of individual customers.

I recall a recent discussion with a small businessman, a self-made person, who had become a financial success, who indicated to me that if he had had to deal with a large and impersonal institution not located in his own home community, he undoubtedly would never have been able to receive the credit necessary to start his own business, which, because of his own efforts has become a success.

It is important in terms of the maintenance of economic freedom and economic opportunity in our country that we allow for the continued existence of small, community-based financial institutions. I urge my colleagues to seriously consider the content of this amendment, an amendment to allow the States to set their own standards, before voting on it.

Mr. President, at this time I yield to the Senator from Nebraska, who is a cosponsor of this amendment, for his comments.

Mr. EXON. I thank the Senator from Oklahoma. I will be very brief.

Mr. President, the Senator from Oklahoma has stated the case very well. I have opposed generally the rash of activities from many quarters to revolutionize the financial structure of the United States. It has been going on for some time. During my years as Governor, I opposed the overproliferation of new financial institutions in all quarters. Whatever we turned down—a bank charter or a savings and loan charter—it was almost automatic for the Feds to come in and say, "The more the better." The more the better is not necessarily true with regard to our financial institutions.

The amendment offered by the Senator from Oklahoma and me simply says that if we are going to have more proliferation in the States, it is important that when we establish new branch offices, they meet the same requirements of other institutions with regard to revenues.

I point out in closing, Mr. President, that a rather significant thing has been going on in this country for some time. Through the proliferation of our financial institutions we have been contributing to taking the money out of the communities and transferring that money to large financial centers and, with it, considerable economic power.

I hope that the Boren amendment will be accepted.

Mr. BOREN. Mr. President, I thank my colleague from Nebraska.

I ask for the yeas and nays on this amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. GARN. Mr. President, many Senators are waiting to leave, so I simply say that I oppose the amendment. Even apart from my statement earlier that I would oppose all amendments, I oppose the substance of this amendment, and I move to table the amendment.

Mr. RIEGLE. Mr. President, will the Senator withhold his motion to table?

Mr. GARN. Yes.

Mr. RIEGLE. Mr. President, it is my understanding that no other amendments are pending and that there has been no request for a recorded vote on final passage. Were there to be, that vote could not be taken today but would be carried over to next week. It is my hope that we could vote on final passage on a voice vote.

Mr. GARN. That is not right. We have 16 minutes.

I renew my motion to table.

Mr. BOREN. Mr. President, I request the yeas and nays on the tabling motion.

The PRESIDING OFFICER. Do all Senators yield back their time on the amendment?

Mr. BOREN. I yield back the remainder of my time.

Mr. GARN. I yield back the remainder of my time.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. STEVENS. Mr. President, this vote will end at 4 p.m.

The PRESIDING OFFICER. The question is on agreeing to the motion to table the amendment. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. STEVENS. I announce that the Senator from North Dakota (Mr. ANDREWS), the Senator from Tennessee (Mr. BAKER), the Senator from Missouri (Mr. DANFORTH), the Senator from Minnesota (Mr. DURENBERGER), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from Maryland (Mr. MATHIAS), the Senator from Georgia (Mr. MATTINGLY), the Senator from Wyoming (Mr. SIMPSON), the Senator from Vermont (Mr. STAFFORD), the Senator from Idaho (Mr. SYMMS), the Senator from Wyoming (Mr. WALLOP), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD) and the Senator from Georgia (Mr. MATTINGLY) would each vote "yea."

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DECONCINI), the Senator from Connecticut (Mr. DODD), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Montana (Mr. MELCHER), the Senator from Tennessee (Mr. SASSER), the Senator from Ohio (Mr. METZENBAUM), and the Senator from Virginia (Mr. HARRY F. BYRD, JR.) are necessarily absent.

The PRESIDING OFFICER (Mr. MURKOWSKI). Are there any other Senators in the Chamber who desire to vote?

The result was announced—yeas 67, nays 11, as follows:

[Rollcall Vote No. 358 Leg.]

YEAS—67

Abdnor	Gorton	Moynihan
Armstrong	Grassley	Nunn
Biden	Hart	Packwood
Boschwitz	Hatch	Pell
Brady	Hawkins	Percy
Bumpers	Heinz	Pressler
Burdick	Helms	Pryor
Byrd, Robert C.	Hollings	Quayle
Chafee	Huddleston	Randolph
Chiles	Humphrey	Riegle
Cochran	Inouye	Roth
Cohen	Jackson	Rudman
Cranston	Jepsen	Sarbanes
D'Amato	Johnston	Schmitt
Denton	Kassebaum	Specter
Dixon	Kasten	Stennis
Domenici	Laxalt	Stevens
Eagleton	Leahy	Thurmond
East	Levin	Tower
Ford	Lugar	Tsongas
Garn	Matsunaga	Warner
Glenn	McClure	
Goldwater	Mitchell	

NAYS—11

Baucus	Exon	Nickles
Boren	Heflin	Proxmire
Bradley	Long	Zorinsky
Dole	Murkowski	

NOT VOTING—22

Andrews	Dodd	Metzenbaum
Baker	Durenberger	Sasser
Bentsen	Hatfield	Simpson
Byrd, Harry F., Jr.	Hayakawa	Stafford
	Kennedy	Symms
Cannon	Mathias	Wallop
Danforth	Mattingly	Weicker
DeConcini	Melcher	

So the motion to lay on the table Mr. BOREN's amendment (UP No. 1295) was agreed to.

Mr. GARN. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. RIEGLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. STEVENS. Mr. President, that is the last rollcall vote of the day. There will be no more rollcall votes today.

UP AMENDMENT NO. 1296

(Purpose: Provide parity to nonfederally chartered housing creditors with federally chartered institutions with respect to alternative mortgage instruments)

Mr. GARN. I send an amendment to the desk on behalf of Senator HEINZ. This amendment has been agreed to by both Senator RIEGLE and myself, and I ask for its immediate consideration.

The PRESIDING OFFICER (Mr. MURKOWSKI). The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Utah (Mr. GARN), for Mr. HEINZ, proposes an unprinted amendment numbered 1296.

Mr. GARN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

Add the following title at the end of the bill:

TITLE VIII—ALTERNATIVE MORTGAGE TRANSACTIONS

SHORT TITLE

SEC. 801. This title may be cited as the "Alternative Mortgage Transaction Parity Act of 1982".

FINDINGS AND PURPOSE

SEC. 802. (a) The Congress hereby finds that—

(1) increasingly volatile and dynamic changes in interest rates have seriously impaired the ability of housing creditors to provide consumers with fixed-term, fixed-rate credit secured by interests in real property, cooperative housing, manufactured homes, and other dwellings;

(2) alternative mortgage transactions are essential to the provision of an adequate supply of credit secured by residential property necessary to meet the demand expected during the 1980's; and

(3) the Comptroller of the Currency, the National Credit Union Administration, and the Federal Home Loan Bank Board have recognized the importance of alternative mortgage transactions and have adopted regulations authorizing federally chartered depository institutions to engage in alternative mortgage financing.

(b) It is the purpose of this title to eliminate the discriminatory impact that those regulations have upon nonfederally chartered housing creditors and provide them with parity with federally chartered institutions by authorizing all housing creditors to make, purchase, and enforce alternative mortgage transactions so long as the transactions are in conformity with the regulations issued by the Federal agencies.

DEFINITIONS

SEC. 803. As used in this title—

(1) the term "alternative mortgage transaction" means a loan or credit sale secured by an interest in residential real property, a dwelling, all stock allocated to a dwelling unit in a residential cooperative housing corporation, or a residential manufactured home (as that term is defined in section 603(6) of the National Manufactured Home Consturction and Safety Standards Act of 1974)—

(A) in which the interest rate or finance charge may be adjusted or renegotiated;

(B) involving a fixed-rate, but which implicitly permits rate adjustments by having the debt mature at the end of interval shorter than the term of the amortization schedule; or

(C) involving any similar type of rate, method of determining return, term, repayment, or other variation not common to traditional fixed-rate, fixed-term transactions, including without limitation, transactions that involve the sharing of equity or appreciation;

described and defined by applicable regulation; and

(2) the term "housing creditor" means—

(A) a depository institution, as defined in section 501(a)(2) of the Depository Institutions Deregulation and Monetary Control Act of 1980;

(B) a lender approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act;

(C) any person who regularly makes loans, credit sales, or advances secured by interests in properties referred to in paragraph (1); or

(D) any transferee of any of them.

A person is not a "housing creditor" with respect to a specific alternative mortgage transaction if, except for this title, in order to enter into that transaction, the person would be required to comply with licensing requirements imposed under State law, unless such person is licensed under applicable State law and such person remains, or becomes, subject to the applicable regulatory requirements and enforcement mechanisms provided by State law.

ALTERNATIVE MORTGAGE AUTHORITY

SEC. 804. (a) In order to prevent discrimination against State-chartered depository institutions, and other nonfederally chartered housing creditors, with respect to making, purchasing, and enforcing alternative mortgage transactions, housing creditors may make, purchase, and enforce alternative mortgage transactions, except that this section shall apply—

(1) with respect to banks, only to transactions made in accordance with regulations governing alternative mortgage transactions as issued by the Comptroller of the Currency for national banks, to the extent that such regulations are authorized by rulemaking authority granted to the Comptroller of the Currency with regard to national banks under laws other than this section;

(2) with respect to credit unions, only to transactions made in accordance with regulations governing alternative mortgage transactions as issued by the National Credit Union Administration Board for Federal credit unions, to the extent that such regulations are authorized by rulemaking authority granted to the National Credit Union Administration with regard to Feder-

al credit unions under laws other than this section; and

(3) with respect to all other housing creditors, including without limitation, savings and loan associations, mutual savings banks, and savings banks, only to transactions made in accordance with regulations governing alternative mortgage transactions as issued by the Federal Home Loan Bank Board for federally chartered savings and loan associations, to the extent that such regulations are authorized by rulemaking authority granted to the Federal Home Loan Bank Board with regard to federally chartered savings and loan associations under laws other than this section.

(b) For the purpose of determining the applicability of this section, an alternative mortgage transaction shall be deemed to be made in accordance with the applicable regulation notwithstanding the housing creditor's failure to comply with the regulation, if—

(1) the transaction is in substantial compliance with the regulation; and

(2) withing sixty days of discovering any error, the housing creditor corrects such error, including making appropriate adjustments, if and, to the account.

(c) An alternative mortgage transaction may be made by a housing creditor in accordance with this section, notwithstanding and State consitution, law, or regulation.

APPLICABILITY

SEC. 805. (a) The provisions of section 804 shall not apply to any alternative mortgage transaction in any State made on or after the effective date (if such effective date occurs on or after the effective date of this title and prior to a date three years after the effective date of this title) of a State law or a certification that the voters of such State have voted in favor of any provision, constitutional or otherwise, which states explicitly and by its terms that such State does not want to preemption provided in section 804 to apply with respect to alternative mortgage transactions subject to the laws of such State, except that section 804 shall continue to apply to—

(1) any alternative mortgage transaction undertaken on or after such date pursuant to an agreement to undertake such alternative mortgage transaction with was entered into on or after the effective date of this title and prior to such later date (the "preemption period"); and

(2) any renewal, extension, refinancing, or other modification of an alternative mortgage transaction that was entered into during the preemption period.

(b) An alternative mortgage transaction shall be deemed to have been undertaken during the preemption period to which this section applies if it—

(1) is funded or extended in whole or in part during the preemption period, regardless of whether pursuant to a commitment or other agreement therefor made prior to that period; or

(2) is a renewal, extension, refinancing, or other modification of an alternative mortgage transaction entered into before the preemption period and such renewal, extension, or other modification is made during such period with the written consent of any person obligated to repay such credit.

RELATION TO OTHER LAW

SEC. 806. Section 501(c)(1) of the Depository Institutions Deregulation and Monetary Control Act of 1980 shall not apply to transactions which are subject to this title.

EFFECTIVE DATE

SEC. 807. (a) This title shall be effective upon enactment.

(b) Within sixty days of the enactment of this title, the Comptroller of the Currency, the National Credit Union Administration, and the Federal Home Loan Bank Board shall identify, describe, and publish those portions or provisions of their respective regulations that are inappropriate for (and thus inapplicable to), or that need to be conformed for the use of, the nonfederally chartered housing creditors to which their respective regulations apply, including without limitation, making necessary changes in terminology to conform the regulatory and disclosure provisions to those more typically associated with various types of transactions including credit sales.

Mr. GARN. Mr. President, I move the adoption of the amendment.

Mr. RIEGLE. I yield back my time.

Mr. GARN. I yield back my time.

The PRESIDING OFFICER. All time having been yielded back, the question is on agreeing to the amendment of the Senator from Utah.

The amendment (UP No. 1296) was agreed to.

(Later the following occurred:)

The PRESIDING OFFICER (Mr. MURKOWSKI). The Senator from Alaska.

Mr. STEVENS. Mr. President, does the distinguished Senator from Utah have business to finish on the banking bill?

Mr. GARN. Yes; we do.

Mr. STEVENS. I yield to the Senator from Utah.

UP AMENDMENT NO. 1297

(Purpose: To designate the building known as the Federal Reserve Board Main Building in Washington, District of Columbia, as the "Marriner S. Eccles Federal Board Building")

Mr. GARN. Mr. President, inadvertently, we overlooked a noncontroversial amendment that has been agreed to by the minority. I ask unanimous consent to add to the bill we just passed, the banking bill, an amendment that I submit to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

The Senator from Utah (Mr. GARN) proposes an unprinted amendment numbered 1297.

Mr. GARN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

At the appropriate place insert the following: That the building at 20th and Constitution Avenue, Northwest, in Washington, District of Columbia (commonly known at the Federal Reserve Board Main Building) shall hereafter be known and designated as the "Marriner S. Eccles Building". Any reference in a law, map, regulation, document, record, or other paper of the United States to that building shall be held to be a reference to the "Marriner S. Eccles Federal Reserve Board Building".

Mr. GARN. Mr. President, Marriner Stoddard Eccles was born in Logan, Utah, in 1890. He was the oldest of nine children of Ellen Stoddard, the second wife of David Eccles—a Mormon polygamist. Marriner attended both Utah State University in Logan and Brigham Young University in Provo, Utah, although he never completed high school. In 1909 he filed an L.D.S. mission to Scotland, where he met his first wife May Campbell Young. He was married to her from 1913 to 1950. He got married for a second time in 1951 to Sarah Madison Glassie.

Marriner's father, who immigrated from Scotland, built up a profitable $2 million enterprise that Marriner inherited when he was 22 years old upon his father's death. He built this into one of the greatest family fortunes in the West that included banking, insurance, construction, sugar, mining, shipping, and lumber. He conducted business in a firm manner, said one of his brothers, "He was more feared than loved." By 1916 he had organized Eccles Investment Co. By the time he was 38 he was president of Eccles Investment, the huge holding company First Security Corp., the First Nations Bank, a hotel company, a milk company, and a lumber company. He also held executive positions with Amalgamated Sugar—one of the West's largest sugar processors—and Utah Construction—one of the six companies that built Boulder Dam. Utah Construction later became Utah International, which has been a subsidiary of General Electric Co. since 1976.

First Security Corp. operated several banks in Utah, Idaho, and Wyoming. There were 27 banks in all, including branches. These banks were valued at $50 million. In 1929 when the stock market crashed not one of his banks failed, not one depositor lost a single dollar.

In 1933 Eccles gave a speech in Utah that impressed Stuart Chase so much that Chase convinced him to go to Washington. He went to Washington, ended up spending 17 years there and became one of the most influential people in the economic history of the United States. His first position was that of special assistant to Secretary of the Treasury Henry Morgenthau. By 1934 he was appointed to the Federal Reserve Board by Franklin D. Roosevelt. In 1936 he was named chairman of the board, he held that position for 12 years, until 1948. At 44 he was the youngest man ever to head the Federal Reserve System. He was described as "lean, smallish, nervous, intense. In manner he is pleasant, impersonal. He is convinced that in money management lies the salvation of capitalism." He was a Republican,

but later switched to the Democratic Party. He called himself "a capitalist and a conservative."

He pushed two main themes while in Washington, spend and go into debt during a depression, and cut borrowing and spending and tighten credit during periods of inflation. He was a strong advocate of deficit spending, even before the theories of John Maynard Keynes became widely known. He began working on his own solution to the depression in 1929. These ideas later formed Roosevelt's New Deal. With the exception of the war debt cancellation, all of his recommendations became part of the New Deal. He helped develop the massive welfare program during the depression that gave the Federal Government unprecedented control over the economy. One of the major components of this program was Government spending on public works. Because of this type of program he had enemies in Congress and in the business world who labeled him a spendthrift. He was also often at odds with Secretary Morgenthau. Other programs he called for that added to the power of the Government included higher income and inheritance taxes, unemployment benefits, control over securities and stock exchanges, cancellation of war debts, child labor laws, social security, and Federal control over transportation.

Eccles also helped draft the Banking Act of 1935 that gave the Board more control over money supply and credit to deal more effectively with economic crisis. Roosevelt said this act contained "the general objectives of the administration." But critics attacked the concentration of power in an administration controlled committee. The Wall Street Journal said:

Power over the circulating medium and over creation and direction of bank credit, which this measure places in the hand of the Government in office should be objectionable at any time. Proposed just now, when the whole fiscal policy of the country is under an incalculable compound of political group pressures, this scheme . . . is doubly objectionable.

Eccles defense was:

If the monetary mechanism is to be used as an instrument for the promotion of stability, conscious control and management are essential.

The bill passed and the Fed gained more control than ever. Eccles then called for more strict supervision of the Nations banks to reach his objectives. In February 1936, he appeared on the cover of Time magazine, the article said, "Many people believe Marriner S. Eccles is the only thing standing between the U.S. and disaster."

During World War II he urged that steps be taken to ease the pressure on the prices of war-scarce goods. He served on the Economic Stabilization Board from 1942 to 1946. He supported war bonds and savings bonds to soak up consumer dollars and relieve upward price pressures. He also believed that high interest rates would help contain inflation. He received a lot of criticism during this time for his cooperation with the Treasury in financing a $200 billion increase in the national debt. He began to have disputes with President Truman and in 1948 Truman replaced him as Chairman. Many thought Eccles would leave Washington at that point, but he served another 3 years on the Board and finally left in 1951 when William McChesney Martin was Chairman. At this time he felt the system was in good hands and it had regained its control over decisions involving monetary policy and credit from the Treasury.

After his 17 years of service in Washington he returned to Salt Lake. In 1952 he made an unsuccessful bid for the Republican nomination for Senator, losing to Arthur V. Watkins. He then resumed his business career and became chairman of First Security. He held this position until 1975, and was honorary chairman until his death in 1977. He also served as chairman of Amalgamated Sugar and Utah International.

He was always very outspoken. He was one of the first businessmen to speak out publicly against the Vietnam war. He blamed most of the economic difficulties from 1965 to 1975 on Vietnam involvement. He once stated:

The Fed wants to stop inflation, but the government doesn't want badly enough to stop the war. . . . William McChesney Martin and Arthur Burns did everything they could, but how could they cope with this fiscal policy of ours?

He also worked hard for world population control and sought closer relations with China long before that was considered acceptable in financial circles. It was said he was a "perceptive observer of the rapidly changing plight of mankind, and a courageous, fiesty battler for what he thought was right, whatever the odds of success."

He was a very slow and deliberate speaker, everything he said was carefully thought out. He had an extraordinary record of forecasting economic and social change. In 1965 he said about the future:

I think unemployment will increase, inflation will continue, interest rates will remain relatively high because of the lack of liquidity, the Federal and many State budgets will remain in deficit, and large deficiencies are ahead in the international balance of payments. Declines in corporate earnings will continue, savings will remain inadequate, and housing will remain a problem.

Although many of the actions he took were controversial he helped steer the Nation out of the worst economic crisis it has ever experienced. He was indeed one of the great leaders the United States has ever seen. As G. L. Bach said:

Few men make a difference in the course of human history. Marriner Eccles, deeply involved in the affairs of the Nation as a private citizen and a public servant during this tumultuous century, did.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Utah (Mr. GARN).

The amendment (UP No. 1297) was agreed to.

Mr. GARN. I move to reconsider the vote by which the amendment was agreed to.

Mr. RIEGLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

(Conclusion of later proceedings.)

Mr. GLENN. Mr. President, I congratulate the Committee on Banking, Housing, and Urban Affairs, which has worked long and hard to balance competing interests and arrive at legislation that takes a step toward greater stability in our competitive financial system.

We all recognize, I believe, that the driving force behind this bill has been the need to insure continued public confidence in depository institutions by giving them a safety net, if you will, in order to enhance their soundness and to assist them in repositioning themselves so as to permit them to compete in a deregulated financial services marketplace. Unfortunately, S. 2879 fails to take into consideration approximately 560 thrift institutions located primarily in five or six States, my own State of Ohio included, which have their deposits insured by agencies established under State law rather than by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation. These institutions have total deposits of approximately $22 billion and serve about 6½ million savers.

These institutions exist for various reasons. Some, notably in Pennsylvania, largely serve institutions too small to qualify for Federal insurance. Massachusetts' funds predate creation of the Federal insurance agencies. But, whatever their reasons for being apart, these institutions and the deposit insurance funds themselves are generally strong. On average, the State-insured institutions have better earnings than do thrift institutions nationally. The funds that insure them, what is more, generally have higher reserve to deposit ratios than their Federal counterparts.

Nonetheless, these institutions are impacted by the same circumstances that give rise to the legislation before us. A capital assistance program such as we are considering, which excludes them, could well exacerbate the strain on these institutions. The House of Representatives has recognized this by providing in its legislation for coverage of these institutions.

I recognize that there are different approaches to the problem of capital assistance between the House and Senate bills. And I do not propose today to have the Senate address the issue by offering an amendment. I can count and recognize that, since only five or six States are directly affected, such an amendment would be running against the tide. But I do believe that, in conference, the Senate must give careful consideration to reaching accommodation with the House of Representatives on this issue. It is a matter of fairness.

We should not, in the name of enhancing competition in financial services, put these institutions at a competitive disadvantage. We should recognize that in passing S. 2879 we are making a significant change in Federal policy. The capital certificates it authorizes, in effect, will create contingent liabilities for the taxpayers of this Nation. No longer—at least for the time this program remains in effect—will depositor's protection be based only on the insurance principle of pooled risk and premiums levied on participating institutions in an amount sufficient to cover the risk. The authority to create these contingent liabilities on the U.S. Treasury which would be given to the FDIC and FSLIC cannot be matched by the insurance funds created under State law.

Mr. President, I am confident this matter can be resolved reasonably in conference without creating cheap deposit insurance for anyone. The State insurance funds are willing to stand the liability for losses on income capital certificates issued to State-insured institutions to the same extent as the Federal insurance funds are liable for losses on certificates issued to federally insured institutions.

CLARIFYING SECTION 341 DUE-ON-SALE PROVISION

Mr. GARN. Mr. President, I would like to clarify a few provisions of section 341 of the bill, which provides a Federal preemption for State laws which restrict the enforcement of due-on-sale clauses.

Section 341 of the bill will not affect State personal property rights, State securities statutes, or State foreclosure laws as long as they are not used to inhibit or obstruct the congressional purpose of allowing lenders to enforce due-on-sale clauses in real property loans.

It has recently come to the attention of the committee that modifications in State foreclosure laws are being advocated as a way to circumvent a lender's right to enforce due-on-sale clauses, and bypass the intent of the Federal preemption. For example, foreclosure laws which make it more difficult for a lender to foreclose by imposing such burdens as prolonged redemption periods, or requiring more costly or time-consuming foreclosure procedures, solely because such foreclosure results from due-on-sale enforcement, have the effect of eliminating or restricting a lender's enforcement of due-on-sale and thus fall within the scope of the preemption.

In addition, the reference to "personal property rights" and "State securities" in the committee is not intended to limit the scope of the preemption with regard to stock allocated to a dwelling unit in a cooperative housing corporation or a personal property manufactured home.

At the time the committee report was released the committee took no position regarding the state of the law in Wisconsin concerning the enforceability of due on sale.

In 1973, the Wisconsin Supreme Court stated:

> It is difficult to see, given the general policy behind a "due-on-sale clause," why a transfer of land title by a land contract does not pose the same potential hazard to the interests of the mortgagee as most other recognized types of conveyances.
>
> We, accordingly, hold that a due-on-sale clause . . . is not against public policy and is enforceable as a contractual condition of the note and mortgage. *Mutual Federal Savings and Loan Association* v. *Wisconsin Wire Works*, 58 Wis.2d 99, 110, 205 N.W.2d 762, 769 (1973).

Therefore, it appears that no Wisconsin judicial decision prohibits the enforcement of due-on-sale clauses, and hence no window period restrictions would apply to Wisconsin mortgages.

Neither the language of the committee report, nor the language of the bill, refer to or comment upon the existing due-on-sale regulations of the National Credit Union Administration which were promulgated on March 31, 1978, nor to the proposed due-on-sale regulations of the Comptroller of the Currency which were released for public comment on September 23, 1981. It is not the intent of the committee to take a position on the authority of the National Credit Union Administration or the Comptroller of the Currency to issue such regulations.

Similarly, as we noted in the report, the committee takes no position on the authority of the National Credit Union Administration or the Comptroller of the Currency to issue regulations covering window period loans originated by national banks and federally chartered credit unions. The Comptroller of the Currency must act under the authority of the National Banking Act, and the National Credit Union Administration Board must act under the authority of the Federal Credit Union Act, in the issuance of such regulations.

Mr. CRANSTON. Mr. President, for over 50 years, banking in the United States has been regulated by Government. Thrift institutions have been strictly limited to their main product line of mortgages. For decades Federal and State Governments have provided banks and other depository institutions with charters to operate.

This highly regulated financial system worked well until the 1970's when the economic environment changed rapidly and made the borrowing short and lending long practice of thrifts no longer a viable portfolio practice. In recent years the winds of Government deregulation have blown through the Nation's airlines, trucking and communications industries. In 1980, a stiff deregulatory gust was also felt in America's financial institutions when many of the Hunt Commission's recommendations were embodied in the first landmark banking legislation since the 1930's, the Depository Deregulation and Monetary Control Act of 1980.

This legislation, which I helped develop as chairman of the Financial Institutions Subcommittee, began the phase out of regulation Q (interest rate ceilings) and provided limited new investment powers, including NOW accounts, to thrift. Even though this bill helped in the competitive battle within the depository institutions industry, it did not address the competitive advantages of unregulated financial intermediaries.

Since the 1980 act was adopted, there have been even more dramatic changes in the financial marketplace. Traditional depository institutions—commercial banks, thrifts and credit unions—have found their turfs aggressively invaded by brokerage houses, retail chains and insurance companies. The financial giants which are not depository institutions—such as Merrill Lynch, Prudential, Sears and others—are free to offer consumers high market rates as well as a variety of financial services. Their entry into the field of financial services marked the beginning of the financial supermarket. Consumers in the future will have the option to invest in money market mutual funds, buy stocks and bonds, insure a car or a home, and obtain a business or personal loan—all at a single business location.

This growing disparity in products being offered by depository and nondepository institutions has created an unlevel playing field for regulated depository institutions at the same time high interest rates have reduced the prospects for future bank, thrift, and credit union viability.

The Federal Home Loan Bank Board estimates that the thrift industry has lost $10 billion net new deposits this year because of lack of consumer confidence and inability of these institutions to pay market rates of interest. Virtually one-fourth of the entire thrift industry has insufficient net worth to survive the next 2 years at its current loss rate. Likewise, the yield

on thrift assets is unlikely to improve quickly because the return on their low yielding mortgage portfolios will increase only gradually as old mortgages are paid off and new market rate mortgages are acquired.

In response to these problems and issues and to enable all financial institutions to compete on a more equitable basis, the Senate Banking Committee has unanimously reported S. 2879, a comprehensive legislative package. This bill will in general give depository institutions greater freedom to offer a variety of financial services, to increase their profits and to change their deposit structure. Banks and thrifts will be permitted to have a money market account directly competitive with the money market funds; the differential on accounts will be phased out 1 year earlier on January 1, 1985; increased real estate lending powers will be given to banks; thrifts will be given 15 percent commercial loan authority. Capital assistance will be provided to increase the net worth of all troubled depository institutions who qualify. This flexibility will enable institutions to develop the procedures necessary for their long-term survival in an increasingly competitive marketplace.

While the regulatory agencies have taken many novel approaches in dealing with the serious financial problems in the thrift industry over the last year and a half, their efforts have been focused primarily on merging failing institutions into healthy ones whether on an intrastate or interstate or interindustry Basis. The "regulators bill" as incorporated in this bill sets out strict guidelines under which the regulators are to be permitted to continue these practices. The restraints in this section are meant to discourage the use of involuntary mergers as the primary solution to the thrift crisis. Indeed it is the intent of the Congress that all other options and alternatives be considered and that a true emergency exist before this section is used. Additionally, the committee has made it clear by the language in this bill that every effort must be made by the regulators to preserve the ethnic character of minority thrift institutions that are experiencing net worth problems. Currently there are 85 minority associations operating with combined assets of $2.5 billion and a combined net worth of $87.8 million. These institutions are located in predominantly minority communities where they have provided a unique service to their customer base despite inner city adversity. These institutions are irreplaceable. Overall, most smaller minority institutions are in better financial condition than larger thrift associations because their customer base has shown strong loyalty and identification with these institutions. These institutions generally service a small geographic area, with a distinct community and should be preserved in those communities where possible and as ethnic institutions overall. The bill directs the FHLBB to show sensitivity to these concerns in their merger procedures.

Senator GARN is to be commended for his dogged persistence in bringing all the competing interest groups together on the issue in this bill. I believe that S. 2879 will enhance the ability of financial regulators to deal with troubled depository institutions and enhance the stability and competiveness of these institutions. Mr. President, I call for a prompt consideration of S. 2879 today.

CLARIFICATION OF SECTION 707 OF S. 2879, AMENDMENT TO THE INTERNATIONAL BANKING ACT

● Mr. D'AMATO. Mr. President, section 707 of S. 2879 contains a technical amendment to section 8(c) of the International Banking Act relating to nonbanking activities which may be conducted by foreign banks covered by the act. I support this provision and I understand its application is limited. I would like to inquire of the chairman of the Banking Committee how the committee has limited the application of this provision.

Mr. GARN. Section 707 is extremely limited in scope. The act identified a type of nonbanking affiliate of a foreign bank which is defined as a "domestically-controlled affiliate covered in 1978." To the extent that such an affiliate is engaged in the business of underwriting, distributing, or otherwise buying or selling stocks, bonds, or other securities, the act provided that it would be free to continue to engage in such activities, through acquisition or otherwise, notwithstanding its partial ownership by a foreign bank. The legislative history of the act made it clear that the act was not intended to inhibit the growth or competitive posture of an essentially domestic U.S. securities company solely because it had a minority ownership position held by a foreign bank.

Having reviewed the extent of foreign bank ownership in the securities industry as it existed in 1978, the committee concluded that, while the definition of a "domestically controlled affiliate covered in 1978" contained in the act was drafted in a manner which was thought at the time to cover all situations in which a domestic U.S. securities company has such a minority foreign bank ownership position, the language of the act failed at the time of its enactment to meet completely its intended objective.

This section, therefore, changes the permitted level of foreign bank ownership while preserving the essential characteristic of the affiliate as a domestic U.S. entity, but does not change the July 26, 1978 grandfather date established by the act. It provides that a foreign bank, to meet the definition, may not own 45 percent or more of the voting shares of the domestic affiliate and requires that no more than 20 percent of the board of directors and of the executive officers of the domestic affiliate have any past or present affiliation with the foreign bank or be otherwise related to the foreign bank in such a way as to indicate that they would represent its interests, and that the nonaffiliated directors be elected by a super-majority of shareholders other than the foreign bank. While modifying the definition of "domestically controlled affiliate covered in 1978," the committee reasserts that the application of this portion of the act should be limited, as was originally intended, to domestic U.S. securities companies, whose business activities are not appropriately regulated under our banking laws. Accordingly, for example, the committee does not believe that section 8(c) as here amended should be interpreted to reach a securities affiliate which was orginally formed as a "captive" of a foreign bank regardless of its technical compliance of the grandfather date with the amended definition. With these considerations in mind, the committee is satisfied that this amendment does not broaden the availability of grandfather status beyond the original intention of the act, and that the Federal Reserve Board has ample interpretive and regulatory authority under the act and under the Bank Holding Company Act to prevent any evasions of the restrictions contained in this provision.

Mr. D'AMATO. I thank the Chairman, I appreciate that explanation.●

CLARIFYING THE INTENT OF THE COMMITTEE ON BANKERS' ACCEPTANCES

● Mr. HEINZ. As the original author of the provision dealing with bankers' acceptances, I have one technical question on the section of the committee bill dealing with bankers' acceptances. My question relates to the provision on participated acceptances. It is my understanding that the bill will permit smaller banks around the country to provide acceptance financing to their customers through participated agreements with larger banks whose acceptances are purchased in the money markets. As a technical matter, I am told that the intent of the committee to permit participations would be violated if the Federal Reserve requires that the acceptance bear a legend or stamp indicating the interest of each participating bank. Acceptances encumbered by those legends would not be marketable. I would like to have a clarification for the record that it is the intent of the committee that at a minimum the Federal Reserve permit the participations to be effective without requiring a legend and that they report back to Congress if they can

document that this has caused problems.

Mr. GARN. The Senator's understanding of the bankers' acceptance provision is correct. I agree that the legending requirement proposed by the Federal Reserve would keep all but the 30 or 40 largest banks out of bankers' acceptance financing. It is for this reason that it is the intent of the committee that a participation to be effective need only be covered by a specific agreement, not also bear a legend. If the Federal Reserve encounters problems with this system I am sure they will report back to us. I, however, believe this is an area where the market place imposes strict discipline and I foresee no problems.●

● Mr. DOLE. Mr. President, the Senator from Kansas has great admiration for the Senator from Utah, and for all members of that committee, who have labored diligently and with great persistence over the last year to craft a bill which could even be brought to the floor of the Senate. This Senator knows firsthand how difficult it can be to bring groups with inherently different outlooks together to support passage of major legislation. That we are even able to consider this bill at this time is testament to the great skill exhibited by those Senators playing an active role in negotiations with representatives of those industries which are directly affected by this legislation.

What we are now considering is a practical, scaled down, bill that addresses the plight of the thrift institutions, not S. 1720, the ambitious proposal first advanced by Senator GARN. High interest rates have hurt just about every industry and every sector of our economy, and the thrift industry has certainly been affected as seriously as any one industry. We have seen the net worth of the entire industry plummet from over $32 billion to around $24 billion in a year and a half. Mergers have been arranged out of necessity—and frankly, some of us would like to seriously examine the ramifications of interstate mergers before we get too carried away with that idea. That aside, let me just say that I support the effort to let the industry earn itself out of its crisis rather than have us do nothing and then be treated to the menu of bailout proposals, some of which we have already seen, that will surface if conditions continue to deteriorate.

The lower rates that we have seen in recent weeks will certainly help stem the tide of failures, but portfolios of thrifts are such that more is needed. The net worth assistance provisions in this bill will, this Senator is confident, give the thrift industry the time needed for recovery. There are not many of us that are deluded with false hope this time around—as some Members were when the all-savers certificate was being pushed on us a little over a year ago. We know that recovery of the thrift industry will be a gradual process. But the net worth infusion, coupled with competitive powers and a competitive instrument, should prove effective if combined with the scenario of lower interest rates over the course of the next several years. Let me just emphasize that this bill cannot, and should not be viewed as a substitute for lower interest rates—but as a complement.

Immediately prior to each meeting of the depository institutions deregulation committee in the past 1½ years, all Senators and their staffs have been confronted by demands that we tell the DIDC how to conduct its business. This Senator knew full well that that was a no-win situation, since the thrift and banking industry had different ideas about deregulation. But one thing emerged from the mess: That both banks and thrift institutions needed to be able to offer a depository account competitive with money market funds, which have grown from less than $10 billion to around $230 billion in a short 4 years, thus eroding the deposit base of our traditional depository institutions. This Senator is most pleased that this legislation contains a provision which will direct the DIDC to create such a competitive account.

Over the longer haul, let me just observe that it appears the revolution in the financial services industry is only beginning. While some that would like to see us move in the direction of more regulations and restrictions—on money market funds for example, it seems more likely that a more competitive marketplace is on the horizon. The consumer has already gotten a taste of market rates for his deposits and that consumer has found that he likes those high rates of return so that the value of his deposits is not eroded by inflation. Those offering financial products seem to be willing to offer market rates. The fact of the matter is that the clock probably can not be turned back because the financial services industry will make an end run around unduly restrictive provisions.

In short, this Senator applauds the efforts of those who were able to steer this matter in and around rocky cliffs so that we could deal with important legislation today. There are many issues left unresolved, of course, and the bill as it stands is certainly not acceptable to all concerned. This Senator is not happy with all provisions either, but it seems to me that this bill addresses the most immediate and serious problems facing the financial services industry—and that it must be adopted by the Senate.●

● Mr. GORTON. Is this legislation intended to affect those institutions which are in trouble and for which bids have already been solicited in connection with merger proceedings?

Mr. GARN. No. We do not intend to upset merger proceedings in process as of the effective date of this act, or to require the resubmission of bids.●

● Mr. PRESSLER. Mr. President, I would like to express my support for the committee amendment to S. 2879. This amendment will insure the creation of a competitive instrument for our financial institutions.

South Dakota bankers have led the fight for creation of this instrument. They have unsuccessfully petitioned the DIDC and will soon file suit in Federal court to allow them to offer super NOW accounts. I share their concern over the flow of dollars out of South Dakota into money market funds in the East.

These accounts will serve two important purposes. First, they will keep money in South Dakota where it is badly needed for investment in our local communities. Second, they will provide savers with a high yield of return while protection their investment. It is more important than ever in these difficult economic times to provide savers with this kind of option provided by insured institutions.

I know that the South Dakota bankers have been very frustrated with the lack of action by the DIDC in allowing the implementation of these accounts. They feel, and I believe justly, that the DIDC has ignored its legislative mandate. The language in the committee amendments will send a clear signal to the DIDC that they must finally take action. Banks in South Dakota will be able to offer their super NOW accounts within 60 days of enactment and they will be spared a costly court battle with the Federal Government.

I want to commend Senator GARN and other members of the Senate Banking Committee on addressing this very important issue, and I urge my colleagues to support the Banking Committee amendment.●

Mr. DOMENICI. Mr. President, it is no secret that the thrift industry in the United States is experiencing a severe financial crisis. The problems facing the savings and loan industry are of staggering dimensions. Since the middle of 1981, more than 80 percent of the institutions making up this $600 billion industry have been operating at a loss.

The industry suffered a net after-tax loss in 1981 of $4.6 billion, with a record semiannual loss of $3.1 billion occurring in the second half. This was their first loss in recent history. Last year; depositors withdrew nearly $40 billion more than they put into the thrifts. Those are big numbers.

Every day I get telephone calls from constitutents asking: "Is my money safe?" and "Why are the S&L's in

trouble?" The level of financial distress has resulted from an economic environment characterized by high and volatile interest rates. Thrifts hold primarily long-term, fixed-rate assets funded with short maturity liabilities. In simple English, this means that there is a mismatch between the 30-year home mortgages they hold and the rate they must pay savers to attract their deposits. Those are the funds thrifts turn around and lend to borrowers. It is simple arithmetic that paying depositors 13 percent to 15 percent and receiving less than 10 percent return on old mortgages equals disaster.

Chairman Pratt at the Federal Home Loan Bank Board (FHLBB) made predictions regarding the potential magnitude of the thrift crisis. He has predicted that if the interest rates on short-term Treasury issues in 1982 average approximately 13.5 percent, some 944 associations with assets of $220 billion will reach net worth levels of 2 percent or less; and that 222 of these, having assets of $57 billion, will run out of capital. This means that they will have to be merged or liquidated and depositors paid off out of the insurance fund. Continuation of such rates through 1983 would result, the FHLBB estimates, in 1,622 associations, representing $425 billion in assets, falling below 2 percent net worth; 558 associations, having assets of $130 billion, would reach zero net worth. Persistent rates in the 13½-percent range would bring the net worth of this $600 billion industry to zero by the middle of 1984.

This situation carries enormous financial implications for the Federal Government. When interest rates rose to record levels in 1980 and 1981, deposit flows and mortgage lending slowed, the cost of funds rose sharply, and profits turned negative. Net worth declined sharply and the thrift industry began sliding toward insolvency.

The most promising way to deal with high and volatile interest rates is the economic recovery program formulated by the President. In addition we need this bill. It buys time. Our economy needs some time and we need to put it to good use. As of June 30, 1982, the FSLIC insurance fund had a book value of $6.6 billion, and from the foregoing statisitics it is obvious that the expense of dealing with these impending failures cannot be borne by the FSLIC's insurance fund. This bill is a bridge to better times. Without the bill, the costs of the thrift problem will fall directly on the Treasury, greatly aggravating current budget deficit problems.

This bill offers Congress and all members of the financial community an opportunity and an obligation to find a legislative solution to problems posed by the new realities of the marketplace for financial services. The scope is greater than the thrift problem. The competitive forces have already fundamentally changed the financial structure of this country. Therefore, if traditional financial institutions—that is, banks, savings and loan associations, and credit unions—are to be competitive with nontraditional institutions, Congress must enact this bill.

This bill is comprised of several titles. Title I gives the regulators some additional flexibility to deal with the thrift crisis. Title II of this bill provides tangible assistance that will improve the earnings and net worth of troubled institutions. It maintains incentives for sound business decisions by providing only partial coverage of losses. It provides time for institutions to regain a sound footing. Yet it steers clear of the day-to-day operations.

In exchange for an interest-bearing promissory note, an association would provide the FSLIC with an income capital certificate. This would provide the association with a net worth boost, and some cash income in the form of interest earned on the promissory notes. Ultimately, the FSLIC would redeem the ICC through payments from the association's net income.

Philosophically, I am against the notion of Government intervention to prevent corporate failures. It seems generally true that a free enterprise system, to function efficiently, must allow unprofitable institutions to fail. Nevertheless, it is true that there are instances when intervention is appropriate to achieve some transcendent national objective. There are circumstances when we have no other acceptable choice. Preservation of a vital defense industry is one example. Maintenance of a stable bank system is another. Given the magnitude of the thrift problem and its implications for the economy in general, the budget in particular, it would appear that this bill is a prudent step. The assistance is Darwinian in impact. It allows the weakest members of the industry to go out of existence.

I believe that the income capital certificate program is necessary. We really don't have any other acceptable choice. It may be enough to give these institutions some time to adjust to the changing financial environment. I think we need to take a wait and see attitude. We need to wait and see how the thrifts respond to new powers. We need to wait and see what happens with Mexico, Poland, and Argentina when their loans come due. We need to wait and see how the financial markets perform.

In the meantime, I believe that Congress should give a strong directive to the Federal Home Loan Bank Board that the capital assistance program be judiciously administered. This bill contains a statutory criteria that I expect to be rigorously adhered to. This bill requires that institutions must have a positive net worth for at least 6 months after purchase of capital instruments, and institutions are required to comply with all terms and conditions established by the appropriate Federal agency.

I have been told that right now there are approximately $200 million worth of ICC's outstanding. Assuming a 9½-percent Treasury bill rate scenario the FHLBB estimates that that number will grow to $260 million by the end of 1982, $460 million in 1983, $680 million in 1984, $820 million in 1985, and $920 million cumulative total by 1986.

Assuming a 13½-percent 6-month Treasury bill rate scenario, the estimates are considerably higher. By the end of 1982 there will be $700 million worth of ICC's outstanding, $2.4 billion in 1983, $4.7 billion in 1984, $6.2 billion in 1985, and $6.9 billion in 1986.

I do not want to see the program growing much beyond that. I do not want to look back on this day as the birth date of another out-of-control program. We have too many of those already. I would not be voting for this particular provision except we have already insured the accounts. The Federal Government's obligation was created at that time.

I do not want this program growing much beyond the projected dimensions. If it does, it is a warning signal that our entire system of financial institutions might need some significant revamping. We need to watch this program very carefully, because it can serve us as a barometer. It can be an indicator that restructuring, as we have thus implemented it, has worked. On the other hand, if the income capital certificate program goes wild, it is a warning signal that more dramatic action is necessary. We need to be prepared, because I am afraid this may not be the end of the financial institution crisis.

I want to express my support for the senior Senator from Utah for his persistence in coping with this very complex and demanding issue. He has brought together a group of historically opposed industries. I think he has done a superb job and deserves the appreciation of this body and the country. He deserves our support for this bill. I urge you to support S. 2879.

● Mr. GRASSLEY. Mr. President, I would like to commend my distinguished colleagues, Senator GARN and Senator RIEGLE, for their tremendous efforts in achieving final passage of this vital bill. The Nation's financial community has long awaited congressional action to address their most urgent concerns, and I believe that we have come a long way to achieve that goal with S. 2879. Reaching a consensus on this comprehensive bill was pos-

sible only through the diligence of Senators GARN and RIEGLE.

The importance of S. 2879 cannot be overstated. The thrift industry is faced with numerous problems, many of them not of their own making. This bill will greatly aid them in restoring health to one of this Nation's most important industry. It provides the needed short-term assistance to get them through a very critical period in their history, and provides for a sound restructuring plan to better enable the thrifts to compete more effectively in the long run.

Additionally, the authorization of a new competitive instrument will prove vital in allowing the regulated sector of the financial community to better face their unregulated competition.

Any bill of this magnitude which tries to solve the broad and varied concerns of the entire financial industry is a monumental undertaking. This bill does not purport to be perfect, nor will it be a cure-all for the financial community.

I am pleased with the results of the depository institutions amendments. Reaching any measure of agreement on such a far-reaching bill is a true accomplishment. I believe S. 2879 to be a well-balanced bill, and I surely support it. Once again, I would like to commend Senators GARN and RIEGLE and the involved financial industries in working together to insure passage of this legislation during this session of Congress.●

The PRESIDING OFFICER. If there are no further amendments, the question is on the engrossment and third reading of the bill.

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

Mr. GARN. Mr. President, I move to discharge the Banking Committee from further consideration of H.R. 6267, and I ask for its immediate consideration.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Utah.

The motion was agreed to.

The PRESIDING OFFICER. The clerk will state the bill by title.

The legislative clerk read as follows:

A bill (H.R. 6267) to revitalize the housing industry by strengthening the financial stability of home mortgage lending institutions and ensuring the availability of home mortgage loans.

Mr. GARN. Mr. President, I move to strike all after the enacting clause of H.R. 6267 and insert the text of S. 2879, as amended.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Utah.

The motion was agreed to.

Mr. GARN. Third reading.

The PRESIDING OFFICER. The question is on the third reading of the bill.

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

The PRESIDING OFFICER. The question is, Shall the bill pass?

The bill (H.R. 6267) was passed, as follows:

Resolved, That the bill from the House of Representatives (H.R. 6267) entitled "An Act to revitalize the housing industry by strengthening the financial stability of home mortgage lending institutions and ensuring the availability of home mortgage loans", do pass with the following amendment: Strike out all after the enacting clause and insert:

That this Act may be cited as the "Depository Institutions Amendments of 1982".

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TITLE I—DEPOSIT INSURANCE FELXIBILITY

SHORT TITLE

SEC. 101. This title may be cited as the "Deposit Insurance Flexibility Act".

PART A—FEDERAL DEPOSIT INSURANCE CORPORATION AMENDMENTS

ASSISTANCE TO INSURED BANKS

SEC. 111. Section 13(c) of the Federal Deposit Insurance Act (12 U.S.C. 1823(c)) is amended to read as follows:

"(c)(1) The Corporation is authorized, in its sole discretion and upon such terms and conditions as the Board of Directors may prescribe, to make loans to, to make deposits in, to purchase the assets or securities of, to assume the liabilities of, or to make contributions to, any insured band—

"(A) if such action is taken to prevent the closing of such insured bank;

"(B) if, with respect to a closed insured bank, such action is taken to restore such closed insured bank to normal operation; or

"(C) if, when severe financial conditions exist which threaten the stability of a significant number of insured banks or of insured banks possessing significant financial resources, such action is taken in order to lessen the risk to the Corporation posed by such insured bank under such threat of instability.

"(2)(A) In order to facilitate a merger or consolidation of an insured bank described in subparagraph (B) with an insured institution or the sale of assets of such insured bank and the assumption of such insured bank's liabilities by an insured institution, or the acquisition of the stock of such insured bank, the Corporation is authorized, in its sole discretion and upon such terms and conditions as the Board of Directors may prescribe—

"(i) to purchase any such assets or assume any such liabilities;

"(ii) to make loans or contributions to, or deposits in, or purchase the securities of, such insured institution or the company which controls or will acquire control of such insured institution;

"(iii) to guarantee such insured institution or the company which controls or will acquire control of such insured institution against loss by reason of such insured institution's merging or consolidating with or assuming the liabilities and purchasing the assets of such insured bank or by reason of such company acquiring control of such insured bank; or

"(iv) to take any combination of the actions referred to in subparagraphs (i) through (iii).

"(B) An insured bank described in this paragraph (2)—

"(i) is an insured bank which is closed;

"(ii) is an insured bank which, in the judgment of the Board of Directors, is in danger of closing; or

"(iii) is an insured bank which, when severe financial conditions exist which threaten the stability of a significant number of insured banks or of insured banks possessing significant financial resources, is determined by the Corporation, in its sole discretion, to require assistance under subparagraph (A) in order to lessen the risk to the Corporation posed by such insured bank under such threat of instability.

"(3) The Corporation may provide any person acquiring control of, merging with, consolidating with or acquiring the assets of an insured bank under section 13(f) of this Act with such financial assistance as it could provide an insured institution under this subsection.

"(4) No assistance shall be provided under this subsection in an amount in excess of that amount which the Corporation determines to be reasonably necessary to save the cost of liquidating (including paying the insured accounts of) such insured bank, except that such restriction shall not apply in any case in which the Corporation determines that the continued operation of such insured bank is essential to provide adequate banking services in its community. The Corporation may not use its authority under this subsection to purchase the voting of common stock of an insured bank. Nothing in the preceding sentence shall be construed to limit the ability of the Corporation to enter into and enforce covenants and agreements that it determines to be necessary to protect its financial interests.

"(5) Any assistance provided under this subsection may be in subordination to the rights of depositors and other creditors.

"(6) In its annual report to the Congress, the Corporation shall report the total amount it has saved, or estimates it has saved, by exercising the authority provided in this subsection.

"(7) For purposes of this subsection, the term "insured institution' means an insured bank as defined in section 3 of this Act or an insured institution as defined in section 401 of the National Housing Act (12 U.S.C. 1724).".

FEDERAL DEPOSIT INSURANCE CORPORATION—INSURED FEDERAL SAVINGS BANKS

SEC. 112. Section 5 of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464) is amended by adding at the end thereof the following:

"(o)(1) Notwithstanding any other provision of this section, the Board, subject to the provisions of this subsection, may authorize, under the rules and regulations of the Board, the conversion of a State-chartered savings bank insured by the Federal Deposit Insurance Corporation into a Federal savings bank, if such conversion is not in contravention of State law, and provide for the organization, incorporation, operation, and regulation of such institution.

"(2)(A) The Federal Deposit Insurance Corporation shall insure the deposit accounts of any Federal savings bank chartered pursuant to this subsection, until such time as the accounts of such institution are insured by the Federal Savings and Loan Insurance Corporation.

"(B) The Board shall provide the Federal Deposit Insurance Corporation with notification of any application under this Act for conversion to a Federal charter by an institution insured by that Corporation, shall consult with said Corporation before disposing of the application, and shall provide said Corporation with notification of the Board's determination with respect to such application.

"(C) The Federal Deposit Insurance Corporation shall have the power to make special examinations of any Federal savings bank it insures and for which the Board of Directors of the Federal Deposit Insurance Corporation determines an examination is necessary to determine the condition of the bank for insurance purposes.

"(D) Except with the prior written approval of the Federal Deposit Insurance Corporation, no Federal savings bank insured by the Federal Deposit Insurance Corporation shall—

"(i) merge or consolidate with any bank, association, or institution that is not insured by the Federal Deposit Insurance Corporation;

"(ii) assume liability to pay any deposits made in, or similar liabilities of, any bank, association, or institution that is not insured

by the Federal Deposit Insurance Corporation; or

"(iii) transfer assets to any bank, association, or institution that is not insured by the Federal Deposit Insurance Corporation in consideration of the assumption of liabilities for any portion of the deposits made in such bank.

"(E) In granting any approval required by paragraph (D) of this subsection, the Board of Directors of the Federal Deposit Insurance Corporation shall consider the financial and managerial resources and the future prospects of the existing and proposed institutions.

"(F) Notwithstanding section 402(j) of the National Housing Act, or any provision of the constitution or laws of any State, or paragraph (1) of this subsection, if the Federal Deposit Insurance Corporation determines conversion into a Federal stock savings bank or the chartering of a Federal stock savings bank is necessary to prevent the closing of a savings bank it insures or to reopen a closed savings bank it insured, or if the Federal Deposit Insurance Corporation determines, with the concurrence of the Board, that severe financial conditions exist that threaten the stability of a savings bank insured by such Corporation and that such a conversion or charter is likely to improve the financial condition of such savings bank, the Federal Deposit Insurance Corporation shall provide to the Board a certificate of such determination, the reasons therefor in conformance with the requirements of this Act, and the bank, without further action by the Board, shall be converted or chartered by the Board, pursuant to the rules and regulations thereof, from the time the Federal Deposit Insurance Corporation issues such certificate.

"(G) A bank may be converted under subparagraph (F) only where the board of trustees of the bank—

"(i) has specified in writing that the bank is in danger of closing or is closed, or that severe financial conditions exist that threaten the stability of the bank and a conversion is likely to improve the financial condition of the bank; and

"(ii) has requested in writing that the Corporation use the authority of subparagraph (F).

Before making a determination under subparagraph (F), the Corporation shall consult the State bank supervisor of the State in which the bank in danger of closing is chartered. The State bank supervisor shall be given a reasonable opportunity, and in no event less than twenty-four hours, to object to the use of the provisions of subparagraph (F). If the State supervisor objects, the Corporation may use the authority of subparagraph (F) only by a unanimous vote of the Board of Directors. The Board of Directors shall provide to the State supervisor, as soon as practicable, a written cetification of its determination.

"(3) A Federal savings bank chartered under this subsection shall have the same authority with respect to investments, operations, and activities, and shall be subject to the same restrictions, including those applicable to branching and discrimination, as would apply to it if it were chartered as a Federal savings bank under any other provision of this Act.

"(4) For purposes of the Bank Protection Act of 1968, the Home Mortgage Disclosure Act, the Community Reinvestment Act, the Depository Institution Management Interlocks Act, the Depository Institutions Deregulation Act of 1980, the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Debt Collection Practices Act, the Electronic Fund Transfer Act, and section 12(i) of the Securities Exchange Act of 1934, a Federal savings bank the deposits of which are insured by the Federal Deposit Insurance Corporation shall be regarded as an institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation.

"(5) Notwithstanding any limitation contained in the National Housing Act, the Federal Savings and Loan Insurance Corporation, in its sole discretion, and on such terms and conditions as it shall determine, may provide the Federal Deposit Insurance Corporation with financial assistance or guarantees in connection with a transaction subject to paragraph (2)(D) or section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828 (c)).".

CONFORMING AMENDMENTS TO THE FEDERAL DEPOSIT INSURANCE ACT

SEC. 113. (a) Section 3(q) of the Federal Deposit Insurance Act (12 U.S.C. 1813(q)) is amended—

(1) in paragraph (2) thereof, by striking out "and" at the end thereof;

(2) in paragraph (3) thereof, by striking out the period at the end thereof and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following:

"(4) the Federal Home Loan Bank Board in the case of an insured Federal savings bank.".

(b) Section 3 of the Federal Deposit Insurance Act (12 U.S.C. 1813) is amended by inserting at the end thereof the following:

"(t) The term 'insured Federal savings bank' means a Federal savings bank chartered pursuant to section 5(o) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(o)) and insured by the Corporation.".

(c) Section 4 of the Federal Deposit Insurance Act (12 U.S.C. 1814) is amended by inserting at the end thereof the following:

"(c) Every Federal savings bank which is chartered pursuant to section 5(o) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(o)), and which is engaged in the business of receiving deposits other than trust funds as herein defined, shall be an insured bank from the time it is authorized to commence business, until such time as its accounts are insured by the Federal Savings and Loan Insurance Corporation.".

(d) Section 7(a)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a)(2)) is amended by inserting at the end thereof the following: "The Corporation shall have access to reports of examination made by, and reports of condition made to, the Federal Home Loan Bank Board or any Federal Home Loan Bank, respecting any insured Federal savings bank, and the Corporation shall have access to all revisions of reports of condition made to either of them, and they shall promptly advise the Corporation of any revisions or changes in respect to deposit liabilities made or required to be made in any report of condition.".

(e) The first sentence of section 7(a)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a)(3)) is amended to read as follows: "Each insured State nonmember bank (except a District bank) and each foreign bank having an insured branch (other than a Federal branch) shall make to the Corporation, each insured national bank, each foreign bank having an insured branch which is a Federal branch, and each insured District bank shall make to the Comptroller of the Currency, each insured State member bank shall make to the Federal Reserve bank of which it is a member, and each insured Federal savings bank shall make to the Federal Home Loan Bank Board, four reports of condition annually upon dates which shall be selected by the Chairman of the Board of Directors, the Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Home Loan Bank Board.".

(f) Section 7(a)(6) of the Federal Deposit Insurance Act (12 U.S.C. 1817(a)(6)) is amended by inserting ", the Federal Home Loan Bank Board" after "Comptroller of the Currency" and before the word "and" the first place it appears.

(g) Section 8(a) of the Federal Deposit Insurance Act (12 U.S.C. 1818(a)) is amended—

(1) by inserting in the second sentence thereof, after the words "district bank,", the following: "to the Federal Home Loan Bank Board in the case of an insured Federal savings bank,"; and

(2) by inseting in the third sentence thereof, after the words "national bank,", the following: "or the Federal Home Loan Bank Board in the case of an insured Federal savings bank,".

(h) Section 8(o) of the Federal Deposit Insurance Act (12 U.S.C. 1818(o)) is amended by inserting at the end thereof the following: "Whenever the insured status of an insured Federal savings bank shall be terminated by action of the Board of Directors, the Federal Home Loan Bank Board shall appoint a receiver for the bank, which shall be the Corporation.".

(i) Section 10(b) of the Federal Deposit Insurance Act (12 U.S.C. 1820(b)) is amended by inserting in the second sentence thereof, after the words "of District bank,", the following: "or any insured Federal savings bank,".

(j) Section 11(c) of the Federal Deposit Insurance Act (12 U.S.C. 1821(c)) is amended by inserting at the end thereof the following: "Notwithstanding any other provision of law, whenever the Federal Home Loan Bank Board shall appoint a receiver, other than a conservator, of any insured Federal savings bank hereafter closed, it shall appoint the Corporation receiver for such closed bank.".

(k) Section 11(g) of the Federal Deposit Insurance Act (12 U.S.C. 1821(g)) is amended by inserting in the first sentence thereof, after the words "District bank,", the following: "or closed insured Federal savings bank,".

(l) Section 12(a) of the Federal Deposit Insurance Act (12 U.S.C. 1822(a)) is amended by inserting, after the words "foreign bank,", the following: "insured Federal savings bank,".

(m) Section 13 of the Federal Deposit Insurance Act (12 U.S.C. 1823) is amended—

(1) by redesignating subsections (f) and (g) as subsections (g) and (h), respectively; and

(2) in subsection (e)—

(A) by inserting "(e)" before "No agreement"; and

(B) by striking out the first paragraph of such subsection.

(n) Section 18(c) of the Federal Deposit Insurance Act (12 U.S.C. 1828(c)) is amended by inserting at the end thereof the following:

"(12) The provisions of this subsection do not apply to any merger transaction involving an insured Federal savings bank unless the resulting institution will be an insured bank other than an insured Federal savings bank.".

(o) Section 18(j) of the Federal Deposit Insurance Act (12 U.S.C. 1828(j)) is amended by adding a new paragraph (4), to read as follows:

"(4) The provisions of this subsection shall not apply to an insured Federal savings bank.".

(p) Section 26 of the Federal Deposit Insurance Act (12 U.S.C. 1831(c)) is amended as follows:

(1) By adding "(a)" at the beginning thereof and adding a new last sentence to read as follows: "The provisions of this subsection shall apply only to mergers, consolidations or conversions consummated and effective prior to the effective date of this amendment or mergers, consolidations or conversions for which applications have been received at a regional Federal Home Loan Bank prior to the effecive date of this amendment."; and

(2) By adding a new subsection (b) to read as follows:

"(b) No transaction involving a change of deposit insuance agencies from the Corporation to the Federal Savings and Loan Insurance Corporation shall be deemed a termination of insured status under section 8(a) of this Act.".

(q) Section 7(j)(16) of the Federal Deposit Insurance Act (12 U.S.C. 1817(j)(16)) is amended by adding the following sentence: "This subsection shall not apply tc an insured Federal savings bank.".

CONFORMING AMENDMENTS TO THE HOME OWNERS' LOAN ACT OF 1933

SEC. 114. (a) Section 2(d) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1462(d)) is amended to read as follows:

"(d) The term 'association' means a Federal savings and loan association or a Federal savings bank chartered by the Board under section 5 of this Act and any reference in any other law to a Federal savings and loan association shall be deemed to be also a reference to such Federal savings banks, unless the context indicates otherwise.".

(b) Section 5(d)(6) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)(6)) is amended by—

(1) inserting in paragraph (B), after the words "Federal Savings and Loan Insurance Corporation", the words "or the Federal Deposit Insurance Corporation";

(2) inserting in the second sentence of paragraph (D), after the words "shall appoint", the words "(except as hereafter provided)"; and

(3) inserting at the end of paragraph (D): "In the case of a Federal savings bank chartered pursuant to subsection (o) and insured by the Federal Deposit Insurance Corporation the Board shall appoint only the Federal Deposit Insurance Corporation as receiver for the association and the Federal Deposit Insurance Corporation shall have the same powers as receiver as those granted by this paragraph to the Federal Savings and Loan Insurance Corporation as receiver of other associations.".

(c) Section 5(d)(11) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)(11)) is amended by striking the words "with other", and substituting therefor the words "with associations or with any".

CONFORMING AMENDMENTS TO THE NATIONAL HOUSING ACT

SEC. 115. (a) Section 403(a) of the National Housing Act (12 U.S.C. 1726(a)) is amended to read as follows:

"(a) It shall be the duty of the Corporation to insure the accounts of all Federal savings and loan associations, and all Federal savings banks, except for Federal savings banks the deposits of which are insured by the Federal Deposit Insurance Corporation, and it may insure the accounts of building and loan, savings and loan, and homestead associations and cooperative banks organized and operated according to the laws of the State, District, territory, or possession in which they are chartered or organized, and of savings banks chartered pursuant to section 5(o) of the Home Owners' Loan Act of 1933.".

(b) Subparagraphs (A) and (B) of section 408(a)(1) of the National Housing Act (12 U.S.C. 1730a(a)(1)) are amended to read as follows:

"(A) 'insured institution' means a Federal savings and loan association, a Federal savings bank, a building and loan, savings and loan or homestead association or a cooperative bank, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, and shall include a Federal savings bank the deposits of which are insured by the Federal Deposit Insurance Corporation;

"(B) 'uninsured institution' means any association or bank referred to in subparagraph (A) hereof, the accounts of which are not insured by the Federal Savings and Loan Insurance Corporation, except for a Federal savings bank the deposits of which are insured by the Federal Deposit Insurance Corporation;".

(c) Section 407(m) of the National Housing Act (12 U.S.C. 1730(m)) is amended by adding at the end thereof the following:

"(4) The Federal Home Loan Bank Board, or its designated representative, shall have the same power with respect to a Federal association (or affiliate thereof) the deposits of which are insured by the Federal Deposit Insurance Corporation as it or the Corporation has under paragraphs (1) and (2) of this subsection with respect to insured institutions (or their affiliates).".

(d) Section 407(l)(6) of the National Housing Act (12 U.S.C. 1730(l)(6)) is amended by adding the following sentence: "For the purposes of this subsection the term 'insured institution' shall include a Federal savings bank the deposits of which are insured by the Federal Deposit Insurance Corporation.".

(e) Section 407(q)(13) of the National Housing Act (12 U.S.C. 1730(q)(13)) is amended by adding at the end thereof the following sentence: "For the purposes of this subsection, the term 'insured institution' shall include a Federal savings bank the deposits of which are insured by the Federal Deposit Insurance Corporation.".

EXTRAORDINARY ACQUISITIONS

SEC. 116. Section 13 of the Federal Deposit Insurance Act (12 U.S.C. 1823) is amended by inserting after subsection (e) thereof the following:

"(f)(1) Nothing contained in paragraphs (2) or (3) shall be construed to limit the Corporation's powers in subsection (c) to assist a transaction under paragraphs (2) or (3).

"(2)(A) Whenever an insured bank with total assets of $500,000,000 or more (as determined from its most recent report of condition) is closed, the Corporation, as receiver, may, in its discretion and upon such terms and conditions as it may determine, arrange the sale of assets of the closed bank and the assumption of the liabilities of the closed bank, including the sale of such assets to and the assumption of such liabilities by an insured depository institution located in the State where the closed bank was chartered but established by an out-of-State bank or holding company. Where otherwise lawfully required, a transaction under this subsection must be approved by the primary Federal or State supervisor of any party thereto.

"(B) Before making a determination to take any action under subparagraph (A), the Corporation shall consult the State bank supervisor of the State in which the closed insured bank was chartered. The State bank supervisor shall be given a reasonable opportunity, and in no event less than twenty-four hours, to object to the use of the provisions of this paragraph. Such notice may be provided by the Corporation prior to its appointment as receiver, but in anticipation of an impending appointment. If the State supervisor objects, the Corporation may use the authority of this paragraph (2) only by a unanimous vote of the Board of Directors. The Board of Directors shall provide to the State supervisor, as soon as practicable, a written certification of its determination.

"(3)(A) Whenever the Corporation has determined, in its discretion, that an insured bank organized in mutual form with total assets of $500,000,000 or more (as determined from its most recent report of condition) is in danger of closing, then the insured bank may merge with or its assets may be purchased by and its liabilities assumed by another institution, including an insured depository institution located in the State where the insured bank is chartered but established by an out-of-State bank or holding company. Where otherwise lawfully required, a transaction under this subsection must be approved by the primary Federal or State supervisor of any party thereto.

"(B) The Corporation may make a determination under paragraph (A) only where the board of trustees of the insured bank and the appropriate Federal or State chartering authority have specified in writing that the bank is in danger of closing and have requested in writing that the Corporation assist a merger or a purchase.

"(C) Before making a determination under subparagraph (A), the Corporation shall consult the State bank supervisor of the State in which the bank in danger of closing is chartered. The State bank supervisor shall be given a reasonable opportunity, and in no event less than twenty-four hours, to object to the use of the provisions of this paragraph (3). If the State supervisor objects, the Corporation may use the authority of this paragraph (3) only by a unanimous vote of the Board of Directors. The Board of Directors shall provide to the State supervisor, as soon as practicable, a written certification of its determination.

"(4) Notwithstanding subsection (d) of section 3 of the Bank Holding Company Act of 1956 or any other provision of law, State or Federal, or the constitution of any State, an institution that merges with or acquires an insured bank under paragraph (2) or (3) is authorized to be and shall be operated as a subsidiary of an out-of-State bank or bank holding company; except that an out-of-State bank may operate the resulting institution as a subsidiary only if such ownership is otherwise specifically authorized. Any subsidiary created by operation of this subsection may retain and operate any existing branch or branches of the institution merged with or acquired under paragraph (2) or (3), but otherwise shall be subject to the conditions upon which a national bank may establish and operate branches in the State in which such insured institution is lo-

cated. In addition, no insured institution acquired under this subection shall move its principal office or any branch office after it is acquired which it would be prohibited from moving if the institution were a national bank.

"(5) In determining whether to arrange a sale of assets and assumption of liabilities or to permit an acquisition or a merger under the authority of paragraph (2) or (3), the Corporation may solicit such offers or proposals as are practicable from any prospective purchasers or merger partners it determines, in its sole discretion, are both qualified and capable of acquiring the assets and liabilities of the closed bank or the bank in danger of closing.

"(A) If, after receiving offers, the offer presenting the lowest expense to the Corporation, that is in a form and with conditions acceptable to the Corporation (hereinafter referred to as the 'lowest acceptable offer'), is from an offeror that is not an existing in-State bank of the same type as the bank that has closed or is in danger of closing (or, where the closed bank is an insured bank other than a mutual savings bank, the lowest acceptable offer is not from an in-State bank holding company), the Corporation shall permit each offeror who made an offer the estimated cost of which to the Corporation was within 15 per centum or $15,000,000, whichever is less, of the initial lowest acceptable offer to submit a new offer.

"(B) In considering authorizations under this subsection, the Corporation shall give consideration to the need to minimize the cost of financial assistance and to the maintenance of specialized depository institutions. The Corporation shall authorize transactions under this subsection considering the following priorities:

"(i) First, between depository institutions of the same type within the same State;

"(ii) Second, between depository institutions of different types in the same State;

"(iii) Third, between depository institutions of the same type in different States; and

"(iv) Fourth, between depository institutions of different types in different States.

"(C) In considering offers from different States, the Corporation shall give a priority to offers from adjoining States.

"(D) In determining the cost of offers and reoffers, the Corporation's calculations and estimations shall be determinative. The Corporation may set reasonable time limits on offers and reoffers.

"(6) No sale may be made under the provisions of paragraph (2) or (3)—

"(A) which would result in a monopoly, or which would be in furtherance of any combination or conspiracy to monopolize or to attempt to monopolize the business of banking in any part of the United States; or

"(B) whose effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless the Corporation finds that the anticompetitive effects of the proposed transactions are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served.

"(7) As used in this subsection—

"(A) the term 'receiver' shall mean the Corporation when it has been appointed the receiver of a closed insured bank;

"(B) the term 'insured depository institution' shall mean an insured bank or an association or savings bank insured by the Federal Savings and Loan Insurance Corporation; and

"(C) the term 'in-State depository institution or in-State holding company' shall mean an existing insured depository institution currently operating in the State in which he closed bank or the bank or the bank in danger of closing is chartered or a company that is operating an insured depository institution subsidiary in the State in which the closed bank or the bank in danger of closing is chartered.".

ASSESSMENTS

SEC. 117. The third sentence of section 7(d)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1817(d)(1)) is amended—

(1) by striking out "and" before "(3) the insurance losses"; and

(2) by inserting before the period at the end thereof the following: "; and (4) any lending costs for the calendar year, which costs shall be equal to the amount by which the amount of interest earned, if any, from each loan made by the Corporation under section 13 of this Act after January 1, 1982, is less than the amount which the Corporation would have earned in interest for the calendar year if interest had been paid on such loan during such calendar year at a rate equal to the average current value of funds to the United States Treasury for such calendar year".

WAIVER OF NOTICE REQUIREMENTS

SEC. 118. (a) Section 4(c)(8) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)(8)) is amended striking out the semicolon at the end thereof and inserting in lieu thereof the following: ". Notwithstanding any other provision of this Act, if the Board finds that an emergency exists which requires it to act immediately on any application under this subsection involving a thrift institution, and the primary Federal regulator of such institution concurs in such finding, the Board may dispense with the notice and hearing requirement of this subsection and the Board may approve or deny any such applicant without notice or hearing;".

(b) Section 2(i) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(i)) is amended by—

(1) striking out "or" before "(3)"; and

(2) by inserting before the period at the end thereof the following: "or (4) a Federal savings bank."

(c) The first sentence of section 3(d) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(d)) is amended by inserting after "no application" the following: "(except an application filed as a result of a transaction authorized under section 13(f) of the Federal Deposit Insurance Act (12 U.S.C. 1823(f)))".

PART B—FEDERAL HOME LOAN BANK BOARD AMENDMENTS

FEDERAL STOCK SAVINGS INSTITUTIONS

SEC. 121. Section 5 of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464), as amended by section 112, is amended by adding at the end thereof the following:

"(p) Notwithstanding any other provision of Federal law or the laws or constitution of any State, and consistent with the purposes of this Act, the Board may authorize (or in the case of a Federal association, require) the conversion of a mutual savings and loan association or Federal mutual savings bank that is insured by the Federal Savings and Loan Insurance Corporation into a Federal Savings and Loan Insurance Corporation into a Federal stock savings and loan association or Federal stock savings bank, or charter a Federal stock savings and loan association or Federal stock savings bank to acquire the assets of, or merge with such a mutual institution under the rules and regulations of the Board. Authorizations under this subsection may be made only to assist an institution in receivership, or if the Board has determined that severe financial conditions exist which threaten the stability of an institution and that such authorization is likely to improve the financial condition of the institution, or when the Federal Savings and Loan Insurance Corporation has contracted to provide assistance to such institution under section 406 of the National Housing Act. A Federal savings bank chartered under this subsection shall have the same authority with respect to investments, operations, and activities, and shall be subject to the same restrictions, including those applicable to branching and discrimination, as would apply to it if it were chartered as a Federal savings bank under any other provisions of this Act, and may engage in any investment, activity, or operation that the institution it acquired was engaged in if that institution was a Federal savings bank, or would have been authorized to engage in had that institution converted to a Federal charter.".

ASSISTANCE TO THRIFT INSTITUTIONS

SEC. 122. (a) Section 406(f) of the National Housing Act (12 U.S.C. 1729(f)) is amended to read as follows:

"(f)(1) The Corporation is authorized, in its sole discretion and upon such terms and conditions as the Corporation may prescribe, to make loans to, to make deposits in, to purchase the assets or securities of, to assume the liabilities of, or to make contributions to, any insured institution—

"(A) if such action is taken to prevent the default of such insured institution;

"(B) if, with respect to an insured institution in default, such action is taken to restore such insured institution in default to normal operation; or

"(C) if, when severe financial conditions exist which threaten the stability of a significant number of insured institutions or of insured institutions possessing significant resources, such action it taken in order to lessen the risk to the Corporation posed by such insured institution under such threat of instability.

"(2)(A) In order to facilitate a merger or consolidation of an insured institution described in subparagraph (B) with another insured institution or the sale of assets of such insured institution and the assumption of such insured institutions's liabilities by another insured institution, the Corporation is authorized, in its sole discretion and upon such terms and conditions as the Corporation may prescribe—

"(i) to purchase any such assets or assume any such liabilities;

"(ii) to make loans or contributions to, or deposits in, or purchase the securities of, such other insured institution (which, for the purposes of this subparagraph, shall include a Federal savings bank insured by the Federal Deposit Insurance Corporation);

"(iii) to guarantee such other insured institution (which, for the purposes of this subparagraph, shall include a Federal savings bank insured by the Federal Deposit Insurance Corporation) against loss by reason of such other insured institution's merging or consolidating with or assuming the liabilities and purchasing the assets of such insured institution; or

"(iv) to take any combination of the actions referred to in subparagraphs (i) through (iii).

"(B) An insured institution described in this subparagraph—

"(i) is an insured institution which is in default;

"(ii) is an insured institution which, in the judgment of the Corporation is in danger or default; or

"(iii) is an insured institution which, when severe financial conditions exist which threaten the stability of a significant number of insured institutions, or of insured institutions possessing significant financial resources, is determined by the Corporation, in its sole discretion, to require assistance under subparagraph (A) in order to lessen the risk to the Corporation posed by such insured institution under such threat of instability.

"(3) The Corporation may provide any person acquiring control of, merging with, consolidating with or acquiring the assets of an insured institution under section 408(m) of this Act with such financial assistance as it could provide an insured institution under this subsection.

"(4) No assistance shall be provided under paragraphs (1), (2), or (3) of this subsection in an amount in excess of that amount which the Corporation determines to be reasonably necessary to save the cost of liquidating (including paying the insured accounts of) such insured institution, except that such restriction shall not apply in any case in which the Corporation determines that the continued operation of such insured institution is essential to provide adequate savings or home financing services in its community. The Corporation may not use its authority under this subsection to purchase the voting or common stock of an insured institution. Nothing in the preceding sentence shall be construed to limit the ability of the corporation to enter into and enforce convenants and agreements that it determines to be necessary to protect its financial interest.".

(b) Section 406(b) of the National Housing Act (12 U.S.C. 1729(b)) is amended to read as follows:

"(b)(1) In the event that a Federal association is in default, the Corporation shall be appointed as conservator or receiver and as such—

"(A) is authorized—

"(i) to take over the assets of and operate such association;

"(ii) to take such action as may be necessary to put it in a sound and solvent condition;

"(iii) to merge it with another insured institution;

"(iv) to organize a new Federal association to take over its assets;

"(v) to proceed to liquidate its assets in an orderly manner; or

"(vi) to make such other disposition of the matter as it deems appropriate.

Whichever it deems to be in the best interest of the association, its savers, and the corporations; and

"(B) shall pay all valid credit obligations of the association.

"(2) The Corporation shall pay insurance as provided in section 405. The surrender and transfer to the Corporation of an insured account in any such association which is in default shall subrogate the Corporation with respect to such insured account, but shall not affect any right which the insured member may have in the uninsured portion of his account or any right which he may have to participate in the distribution of the net proceeds remaining from the disposition of the assets of such association.

"(3) As used in this section, the term 'Federal association' means a Federal savings and loan association or a Federal savings bank.".

(c) Section 406(c) of the National Housing Act (12 U.S.C. 1729(c)) is amended by striking out "savings and loan" wherever it appears.

(d) Section 406(c)(1) of the National Housing Act (12 U.S.C. 1729(c)(1)) is amended by inserting "(A)" after "(c)(1)" and by adding at the end thereof the following:

"(B) Notwithstanding any provision of the constitution or laws of any State, or of this section, in the event the Federal Home Loan Bank Board determines that any of the grounds specified in section 5(d)(6)(A)(i), (ii), or (iii) of the Home Owners' Loan Act of 1933 exist with respect to an insured institution, other than a Federal association, the Board shall have exclusive power and jurisdiction to appoint the Corporation as sole conservator or receiver of such institution. In such cases the Corporation shall have the same powers and duties with respect to insured institutions as are conferred upon it under subsection (b) of this section with respect to Federal associations. The authority conferred by this subparagraph shall not be exercised without the written approval of the State official having jurisdiction over the State-chartered insured institution that the grounds specified for such exercise exist, except that if such approval has not been received by the Board within 90 days of receipt of notice by the State that the Board has determined such grounds exist, and the Board has responded in writing to the State's written reasons, if any, for withholding approval, or if the Corporation has been appointed conservator, receiver, or other legal custodian pursuant to State law under subparagraph (A), then the Board may proceed without State approval.".

(e) Section 406(c)(2) of the National Housing Act (12 U.S.C. 1729(c)(2)) is amended by inserting "conservator or" after "sole" in the first sentence.

(f) Section 406(c)(3) of the National Housing Act (12 U.S.C. 1729(c)(3)) is amended—

(1) by inserting "conservator or" before "receiver" wherever it appears therein;

(2) by striking out "paragraph (2)" and inserting in lieu thereof "paragraphs (1) or (2)"; and

(3) by striking out the second sentence.

(g) Section 406(d) of the National Housing Act (12 U.S.C. 1729(d)) is amended to read as follows:

"(d) In connection with the liquidation of insured institutions, the Corporation shall have power to carry on the business of and to collect all obligations to the insured institutions, to settle, compromise, or release claims in favor of or against the insured institutions, and to do all other things that may be necessary in connection therewith, subject only to the regulation of the Federal Home Loan Bank Board, or, in cases where the Corporation has been appointed conservator, receiver, or legal custodian solely by a public authority having jurisdiction over the matter other than said Board, subject only to the regulation of such public authority.".

EMERGENCY THRIFT ACQUISITION

SEC. 123. (a) Section 408 of the National Housing Act (12 U.S.C. 1730a) is amended by adding at the end thereof the following.

"(m)(1) Notwithstanding any provision of the laws or constitution of any State or any provision of Federal law, except as provided in subsections (e)(2) and (l) hereof, and in the third sentence of this subparagraph, the Corporation, upon its determination that severe financial conditions exist which threaten the stability of a significant number of insured institutions, or of insured institutions possessing significant financial resources, may authorize, in its discretion and where it determines such authorization would lessen the risk to the Corporation, an insured institution that is eligible for assistance pursuant to section 406(f) of the Act to merge or consolidate with, or to transfer its assets and liabilities to, any other insured institution or any insured bank (as that term 'insured bank' is defined in section 3(h) of the Federal Deposit Insurance Act (12 U.S.C. 1813(h)), may authorize any other insured institution to acquire control of said insured institution, or may authorize any company to acquire control of said insured institution or to acquire the assets or assume the liabilities thereof. Mergers, consolidations, transfers, and acquisitions under this subsection shall be on such terms as the Corporation shall provide. Where otherwise required by law, transactions under this subsection must be approved by the primary Federal supervisor of the part thereto that is not an insured institution. No merger, consolidation, or transfer of assets and liabilities under this subsection shall be authorized without the written approval of the State official having jurisdiction over the disappearing State-chartered insured institution, except that, if the Corporation, despite a good faith effort, has not secured such approved within ninety days after the institution has exhausted its net worth, as determined under regulatory accounting prinicples, then the Corporation may effect such a transaction without State approval.

"(2) In considering authorization under this subsection, the Corporation may solicit such offers or proposals as are practicable from any prospective purchasers or merger partners it determines, in its sole discretion, are both qualified and capable of acquiring the assets and liabilities of the insured institution.

"(A) If, after receiving offers, the offer presenting the lowest expense to the Corporation, that is in a form and with conditions acceptable to the Corporation (hereinafter referred to as the 'lowest acceptable offer'), is from an institution that is not an existing in-State insured institution or an in-State savings and loan holding company, the Corporation shall permit each offeror who made an offer the estimated cost of which to the Corporation was within 15 per entum or $15,000,000, whichever is less, of the initial lowest acceptable offer to submit a new offer.

"(B) In considering authorizations under this subsection, the Corporation shall give consideration to the need to minimize the cost of financial assistance and to the maintenance of specialized depository institutions. The Corporation shall authorize transactions under this subsection considering the following priorities:

"(i) First, between depository institutions of the same type within the same State;

"(ii) Second, between depository institutions of different types in the same State;

"(iii) Third, between depository institutions of the same type in different States; and

"(iv) Fourth, between depository institutions of different types in different States.

"(C) In the case of a minority-controlled institution, the Corporation shall seek an offer from other minority-controlled institutions before proceeding with the sequence set forth in the preceding subparagraph.

"(D) In considering offers from different States, the Corporation shall give a priority to offers from adjoining States.

"(E) In determining the cost of offers and reoffers under this subsection, the Corporation's calculations and estimations shall be determinative. The Corporation may set reasonable time limits on offers and reoffers.

"(3) For purposes of this subsection—

"(A) the term 'insured depository institution' shall mean an insured institution or a bank insured by the Federal Deposit Insurance Corporation; and

"(B) the term 'in-State depository institution or in-State depository institution holding company' shall mean an existing insured depository institution currently operating in the State in which the closed institution is chartered or a company that is operating an insured depository institution subsidiary in the State in which the closed institution is chartered.

"(4) Where a merger, consolidation, transfer, or acquisition under this subsection involves an insured institution eligible for assistance and a bank or bank holding company, an insured institution may retain and operate any existing branch or branches or any other existing facilities but otherwise shall be subject to the conditions upon which a national bank may establish and operate branches in the State in which such insured institution is located. In addition, no such insured institution shall move its principal office or any branch office after it is acquired which it would be prohibited from moving if it were a national bank. Notwithstanding the foregoing, if such an insured institution does not have its home office in the State of the bank holding company bank subsidiary, and if such institution does not qualify as a domestic building and loan association under section 7701(a)(19) of the Internal Revenue Code, or does not meet the asset composition test imposed by subparagraph (c) of that section on institutions seeking so to qualify, then such insured institutions shall be subject to the conditions upon which a bank may retain, operate and establish branches in the State in which the insured institution is located. The Corporation, for good cause shown, may allow insured institutions up to two years to comply with the requirements of the preceding sentence.".

(b) Section 408(e)(2) of the National Housing Act (12 U.S.C. 1730a(e)(2)) is amended—

(1) by inserting after "subsection" in the first sentence the following: ", or any transaction under subsection (m) hereof,"; and

(2) by inserting after "acquisition," in the third sentence the following: "except a transaction under subsection (m) hereof,".

ASSISTANCE TO FEDERAL HOME LOAN BANKS MEMBERS

SEC. 124. Section 16 of the Federal Home Loan Bank Act (12 U.S.C. 1436) is amended by inserting "(a)" after "SEC. 16." and by adding at the end thereof the following:

"(b) Notwithstanding subsection (a) or any other provision of this Act, if the Board determines that severe financial conditions exist threatening the stability of member institutions, the Board may suspend temporarily the requirements of subsection (a) that a portion of net earnings be set aside semiannually by each Federal Home Loan Bank to a reserve account and permit each Federal Home Loan Bank to declare and pay dividends out of undivided profits.".

BORROWING AUTHORITY

SEC. 125. (a) The first sentence of section 402(d) of the National Housing Act (12 U.S.C. 1725(d)) is amended by inserting before the period at the end thereof the following: ", except that interest on loans from the Federal Home Loan Banks shall be not less than their current marginal cost of funds, taking into account the maturities involved, and loans from the Federal Home Loan Banks shall be adequately secured, as determined by the Board".

(b) The first sentence of section 402(i) of the National Housing Act (12 U.S.C. 1725(i)) is amended—

(1) by striking out "any other source" and inserting in lieu thereof "any source other than the Federal Home Loan Banks";

(2) by inserting "from the Treasury" after "*Provided*, That each such loan".

(c) Section 11 of the Federal Home Loan Bank Act (12 U.S.C. 1431) is amended by adding at the end thereof the following:

"(k) The Federal Home Loan Banks are hereby authorized, as directed by the Board, to make loans to the Federal Savings and Loan Insurance Corporation. All such loans shall be made in accordance with the provisions of section 402(d) of the National Housing Act.".

INSURANCE FUND RESERVES

SEC. 126. Section 404 of the National Housing Act (12 U.S.C. 1727) is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following:

"(h) Notwithstanding any other provision of this section, the Corporation, upon its determination that extraordinary financial conditions exist increasing the risk to the Corporation, may terminate distribution of shares of the secondary reserve and utilize said reserve on the same basis as the primary reserve. If otherwise authorized, the Corporation may resume such distribution upon its determination that said conditions no longer exist.".

FEDERAL HOME LOAN BANK ACT

SEC. 127. Section 17(a) of the Federal Home Loan Bank Act (12 U.S.C. 1437(a)) is amended by inserting after the first sentence the following: "Notwithstanding any other provision of law, the Board may from time to time make such provision as it deems appropriate authorizing the performance by any officer, employee, agent, or administrative unit thereof of any function of the Board (including any function of the Federal Savings and Loan Insurance Corporation), except with regard to promulgation of rules and regulations in accordance with the Administrative Procedure Act, and adjudications subject to such Act.".

CONTINUATION OF INSURANCE

SEC. 128. Section 405(a) of the National Housing Act (12 U.S.C. 1728(a)) is amended by adding after the first sentence the following: "Whenever the liabilities of an insured institution for accounts shall have been assumed by another insured institution or institutions, whether by way of merger, consolidation, or other statutory assumption, or pursuant to contract, all accounts so assumed shall have separate insurance which shall terminate at the end of six months from the date such assumption takes effect or, in the case of any certificate account, the earliest maturity date after the six-month period."

PART C—CREDIT UNIONS

EMERGENCY MERGER AUTHORITY

SEC. 131. Section 205 of the Federal Credit Union Act (12 U.S.C. 1785) is amended—

(1) by redesignating subsections (d) through (g) as subsections (f) through (j), respectively; and

(2) by inserting after subsection (c) the following:

"(d) Nothwithstanding any other provision of this Act, other Federal law or any State law, the Board may authorize a merger or consolidation of an insured credit union which is insolvent or is in danger of insolvency with any other insured credit union or may authorize a purchase and assumption by an insured credit union of all or any part of the assets and liabilities of any other insured credit union which is insolvent or in danger of insolvency if the Board is satisfied that an emergency requiring expeditious action exists with respect to the credit union, that other alternatives are not reasonably available, and the public interest would best be served by approval of such merger, consolidation, or purchase and assumption.

"(e) Notwithstanding any other provision of this Act or any State law, the Board may authorize a purchase and assumption of all or any part of the assets, liabilities, and insured accounts of an insured credit union that is insolvent or in danger of insolvency by a federally insured financial institution other than a credit union. For purposes of this authority, insured accounts of the credit union may upon consummation of the purchase and assumption be converted to insured deposits or other comparable accounts in the acquiring institution, and the Board and the National Credit Union Share Insurance Fund shall be absolved of any liability to the credit union's members with respect to those accounts.".

BOARD'S AUTHORITY AS CONSERVATOR

SEC. 132. (a) Section 206 of the Federal Credit Union Act (12 U.S.C. 1786) is amended—

(1) by redesignating subsections (h) through (o) as subsections (i) through (p), respectively; and

(2) by inserting after subsection (g) the following new subsection:

"(h)(1) The Board may, ex parte without notice, appoint itself as conservator and immediately take possession and control of the business and assets of any insured credit union in any case in which—

"(A)(i) the Board determines that such action is necessary to conserve the assets of any insured credit union or to protect the Fund or the interests of the members of such insured credit union; or

"(ii) an insured credit union, by a resolution of its board of directors, consents to such an action by the Board; and

"(B) in the case of an insured State-chartered credit union, the State credit union supervisor is consulted at least twenty-four hours prior to the use of this authority by the Board, and the Board provides to the State supervisor, as soon as practicable, a written certification of its determination.

"(2) Not later than ten days after the date on which the Board takes possession and control of the business and assets of an insured credit union pursuant to paragraph (1), such insured credit union may apply to the United States district court for the judicial district in which the principal office of such insured credit union is located, or the United States District Court for the District of Columbia, for an order requiring the

Board to show cause why it should not be enjoined from continuing such possession and control.

"(3) Except as provided in paragraph (2), in the case of a Federal credit union, the Board may maintain possession and control of the business and assets of such credit union and may operate such credit union until such time—

"(A) as the Board shall permit such credit union to continue business subject to such terms and conditions as may be imposed by the Board; or

"(B) as such credit union is liquidated in accordance with the provisions of section 207.

"(4) Except as provided in paragraph (2), in the case of an insured State-chartered credit union, the Board may maintain possession and control of the business and assets of such credit union and may operate such credit union until such time—

"(A) as the Board shall permit such credit union to continue business, subject to such terms and conditions as may be imposed by the Board;

"(B) as the Board shall permit the transfer of possession and control of such credit union to any commission, board, or authority which has supervisory authority over such credit union and which is authorized by State law to operate such credit union; or

"(C) as such credit union is liquidated in accordance with the provisions of section 207.

"(5) The Board may appoint such agents as it considers necessary in order to assist the Board in carrying out its duties as a conservator under this subsection.

"(6) All expenses by the Board in exercising its authority under this subsection with respect to any credit union shall be paid out of the assets of such credit union.

"(7) The authority granted by this subsection is in addition to all other authority granted to the Board under this Act.".

(b) Section 206(b)(2) of such Act (12 U.S.C. 1786(b)(2)) is amended by striking out "subsection (i)" and inserting in lieu thereof "subsection (j)".

(c) Section 206(j)(1) of such Act (12 U.S.C. 1786(j)(1)), as so redesignated by subsection (a), is amended—

(1) in the first sentence by striking out "subsection (h)(3)" and inserting in lieu thereof "subsection (i)(3)"; and

(2) in the fourth sentence by striking out "subsection (i)" and inserting in lieu thereof "subsection (j)".

(d) The first sentence of section 206(j)(2) of such Act (12 U.S.C. 1786(j)(2)), as redesignated by subsection (a), is amended by striking out "subsection (h)(1)" and inserting in lieu thereof "subsection (i)(1)".

(e) The first sentence of section 206(l) of such Act (12 U.S.C. 1786(l)), as redesignated by subsection (a), is amended by striking out "(h)" and inserting in lieu thereof "(i)".

(f) Section 206(m) of such Act (12 U.S.C. 1786(m)), as redesignated by subsection (a), is amended—

(1) by striking out "subsection (i)" and inserting in lieu thereof "Subsection (j)"; and

(2) by striking out "subsection (h)" and inserting in lieu thereof "subsection (i)".

(g) The section heading for section 206 of the Federal Credit Union Act (12 U.S.C. 1786) is amended by inserting "; TAKING POSSESSION OF BUSINESS AND ASSETS" after "COMMITTEE MEMBERS".

PART D—SUNSET PROVISION

SUNSET OF CERTAIN PROVISIONS

SEC. 141. (a) Effective upon the expiration of three years after the date of enactment of this Act—

(1) subparagraphs (F) and (G) of section 5(o)(2) of the Home Owners' Loan Act of 1933, as added by section 112 of this Act, shall be repealed;

(2) the provision of law amended by section 116 of this Act shall be amended to read as it would without such amendment;

(3) the provisions of law amended by subsections (a) and (c) of section 118 shall be amended to read as they would without such amendments;

(4) the provision of law amended by section 121 of this Act shall be amended to read as it would without such amendment;

(5) the provisions of law amended by subsections (d) through (g) of section 122 of this Act shall be amended to read as they would without such amendments;

(6) the provisions of law amended by section 123 of this Act shall be amended to read as they would without such amendments; and

(7) the provisions of law amended by sections 131 and 132 shall be amended to read as they would without such amendments.

(b) The repeal or termination by subsection (a) of any amendment made by this Act shall have no effect on any action taken or authorized while such amendment was in effect.

TITLE II—CAPITAL ASSISTANCE

SHORT TITLE

SEC. 201. This title may be cited as the "Capital Assistance Act of 1982".

INSURED INSTITUTIONS

SEC. 202. (a) Section 406(f) of the National Housing Act (12 U.S.C. 1729(f)), as amended by section 122 of this Act, is amended by adding at the end thereof the following:

"(5)(A) Notwithstanding any other provision of State or Federal law, and without limitation on any authority provided elsewhere in this Act or the Home Owners' Loan Act of 1933, the Corporation, in its sole discretion and on such terms and conditions as it may prescribe, is authorized to increase or maintain the capital of a qualified institution by making periodic purchases of capital instruments, as defined by the Corporation, for such form of consideration as the Corporation may determine, from such qualified institution, and may authorize such institution to issue such instruments, pursuant to this paragraph. Dividends on any capital instrument so purchased shall be at a rate equivalent to the rate of interest paid on any promissory note used to purchase the instrument. In making a determination under this paragraph, the State supervisor of the State in which an insured, State chartered institution which is the subject of the eligibility determination is located shall be consulted. With respect to instruments held by it, the claim of the Corporation shall have a priority over any claim arising out of an equity interest in the institution in the event of a liquidation or reorganization and over any right of equity holders to participate in future earnings.

"(B) For the purposes of this paragraph, the term 'qualified instititution' means an insured institution which, as determined by the Corporation—

"(i) has net worth equal to or less than 3 per centum of its assets;

"(ii) has incurred losses during the two previous quarters;

"(iii) agrees to comply with all the terms and conditions established by the Corporation for receiving assistance pursuant to this paragraph, including, without limitation on the totality of the foregoing, those relating to reporting, compliance with laws, rules and regulations, execution and implementation of resolutions and agreements to merge or reorganize (except that such resolutions and agreements shall not be required of institutions that will have a positive net worth for nine months or more after any purchase of their capital instruments by the Corporation, as determined by the Corporation in accordance with the methods for calculating net worth pursuant to this paragraph), suspension of dividends by stock institutions, submission and adoption of plans of operation, restrictions on operations, repayment of assistance received, and consent to supervisory action;

"(iv) will have a positive net worth for six months or more after any purchase of its capital instruments by the Corporation, as determined by the Corporation in accordance with the methods for calculating net worth pursuant to this paragraph; and

"(v) has investments in residential mortgages or securities backed by such mortgages aggregating at least 20 per centum of its assets.

"(C) The Corporation may initially purchase capital instruments as follows:

"(i) With respect to a qualified institution having net worth greater than 2 per centum and less than or equal to 3 per centum, the Corporation may purchase capital instruments in any period from such institution in an amount equal to 30 per centum of its actual losses (not occasioned by mismanagement or speculation in futures or forward contracts), as determined by the Corporation.

"(ii) With respect to a qualified institution having net worth greater than 1 per centum and less than or equal to 2 per centum, the Corporation may purchase capital instruments in any period from such institution in an amount equal to 40 per centum of it actual losses (not occasioned by mismanagement or speculation in futures or forward contracts) as determined by the Corporation.

"(iii) With respect to a qualified institution having net worth greater than zero and less than or equal to 1 per centum, the Corporation may purchase capital instruments in any period from such institution in an amount equal to 50 per centum of its actual losses (not occasioned by mismanagement or speculation in futures or forward contracts), as determined by the Corporation.

"(D) In the exercise of its authority under this paragraph, the Corporation may at any time, in its sole discretion, establish criteria which, with respect to ranges of net worth, calculation of losses, and percentage of losses to be met by purchases of capital instruments, differ from those set forth in subparagraph (C).

"(E) No assistance may be provided to a qualified institution pursuant to this paragraph if the Corporation determines that providing such assistance would be costlier than liquidating (including paying the insured accounts of) such institution or dealing with it in accordance with paragraph (1) or (2) of this subsection.

"(F) Notwithstanding any other provision of this paragraph, the Corporation shall in no period purchase capital instruments from a qualified institution in an amount equal to more than 100 per centum of such institution's actual losses incurred for the immediately preceding period.

"(G) The provisions of the constitution or the laws, civil or criminal, or any State, express or implied, limiting the authority of a qualified institution (i) to take part in programs under this paragraph, (ii) to issue and

otherwise deal in capital instruments issued pursuant to this paragraph, or (iii) to continue operations, including the receipt of deposits and the payment or crediting of interest or dividends to depositors, because of the level of such institution's net worth, surplus fund, or guaranty fund, shall not apply to any qualified institution which the Corporation has approved for the purpose of taking part in programs under this paragraph, continuing operations, or paying interest or dividends.

"(H) During any period when a qualified institution has outstanding capital instruments issued in accordance with this paragraph, such institution shall not be liable for any State or local tax which is determined on the basis of the deposits held by such institution or the interest paid thereon.

"(I) Notwithstanding any other Federal or State law, capital instruments purchased by the Corporation under this paragraph shall be deemed to be net worth for statutory and regulatory purposes.

"(J) The Corporation may not use its authority under this paragraph to purchase the voting or common stock of a qualified institution. Nothing in this subparagraph shall be construed to limit the ability of the Corporation to enter into and enforce covenants and agreements that it determines to be necessary to protect its financial interests.".

(b) Section 5(b)(5) of the House Owners' Loan Act of 1933 (12 U.S.C. 1464(b)(5)) is amended—

(1) by striking out subparagraph (B) and inserting in lieu thereof the following:

"(B) Capital instruments issued by an association pursuant to section 406(f) of the National Housing Act shall constitute part of the general reserves and net worth of the association, in accordance with the rules and regulations of the Board."; and

(2) by adding at the end thereof a new subparagraph (C) as follows:

"(C) The Board shall provide in its rules and regulations for charging losses to mutual capital certificates, capital instruments issued pursuant to section 406(f) of the National Housing Act, reserves, and other net worth accounts.".

(c) Section 403(b) of the National Housing Act (12 U.S.C. 1726(b)) is amended—

(1) in the fourth-to-last sentence by inserting after "items," the following: "including capital instruments issued pursuant to section 406(f) of this Act,"; and

(2) in the second-to-last sentence by striking out "the mutual capital certificate" and inserting in lieu thereof "mutual capital certificates, capital instruments issued pursuant to section 406(f) of this Act,".

(d) Section 403(b) of the National Housing Act (12 U.S.C. 1726(b)) is amended by striking out everything beginning with and including the phrase "will provide adequate reserves satisfactory to the Corporation" through the end of the sentence immediately preceding the fourth sentence from the end of such subsection, and inserting in lieu thereof the following: "and will provide adequate reserves in a form satisfactory to the Corporation, to be established in accordance with regulations made by the Corporation.".

INSURED BANKS

SEC. 203. Section 13 of the Federal Deposit Insurance Act (12 U.S.C. 1823), as amended by section 113 of this Act is amended by adding at the end thereof the following:

"(i)(1) Notwithstanding any other provision of State or Federal law, and without limitation on any authority provided elsewhere in this Act, the Corporation, in its sole discretion and on such terms and conditions as it may prescribe, is authorized to increase or maintain the capital of a qualified institution by making periodic purchases of capital instruments, as defined by the Corporation, for such form of consideration as the Corporation may determine, from such institution, and may authorize such institution to issue such instruments, pursuant to this subsection. Dividends on any capital instrument so purchased shall be at a rate equivalent to the rate of interest paid on any promissory note used to purchase said instrument. In making a determination under this subsection, the Corporation shall consult the State supervisor of the State in which an insured, State chartered bank which is the subject of the eligibility determination is located, and in the case of a State member bank or a national bank, the Corporation shall consult the Board of Governors of the Federal Reserve System or the Comptroller of the Currency, respectively. With respect to instruments held by it, the claim of the corporation shall have a priority over any claim, arising out of an equity interest in the institution in the event of a liquidation or reorganization and over any right of equity holders to participate in future earnings.

"(2) For the purpose of this subsection, the term 'qualified institution' means an insured bank which, as determined by the Corporation—

"(A) has net worth equal to or less than 3 per centum of its assets;

"(B) has incurred losses during the two previous quarters;

"(C) agrees to comply with all the terms and conditions established by the Corporation for receiving assistance pursuant to this subsection, including, without limitation on the totality of the foregoing, those relating to reporting, compliance with laws, rules and regulations, execution and implementation of resolutions and agreements to merge or reorgainze (except that such resolutions and agreements shall not be required of institutions that will have a positive net worth for nine months or more after any purchase of their capital instruments by the Corporation, as determined by the Corporation in accordance with the methods for calculating net worth pursuant to this subsection), suspension of dividends by stock institutions, submission and adoption of plans of operation, restrictions on operations, repayment of assistance received, and consent to supervisory action;

"(D) will be solvent for more than six months, as determined by the Corporation in accordance with the methods for calculating net worth pursuant to this subsection; and

"(E) has investments in residental mortgages or securities backed by such mortgages aggregating at least 20 per centum of its assets.

"(3) The Corporation may initially purchase capital instruments as follows:

"(A) With respect to a qualified institution having net worth greater than 2 per centum and less than or equal to 3 per centum, the Corporation may purchase capital instruments in any period from such institution in an amount equal to 30 per centum of the actual losses (not occasioned by mismanagement or speculation in futures or forward contracts), as determined by the Corporation.

"(B) With respect to a qualified institution having net worth greater than 1 per centum and less than or equal to 2 per centum, the Corporation may purchase capital instruments in any period from such institution in an amount equal to 40 per centum of the actual losses (not occasioned by mismanagement or speculation in futures or forward contracts), as determined by the Corporation.

"(C) With respect to a qualified institution having net worth greater than zero and less than or equal to 1 per centum, the Corporation may purchase capital instruments in any period from such institution in an amount equal to 50 per centum of the actual losses (not occasioned by mismanagement or speculation in futures or forward contracts), as determined by the Corporation.

"(4) In the exercise of its authority under this subsection, the Corporation may at any time, in its sole discretion, establish criteria which, with respect to ranges of net worth, calculation of losses, and percentage of losses to be met by purchases of capital instruments, differ from those set forth in paragraph (3).

"(5) No assistance may be provided to a qualified institution pursuant to this subsection if the Corporation determines that providing such assistance would be costlier than liquidating (including paying the insured accounts of) such institution or dealing with it in accordance with subsection (c) or (d) of this section.

"(6) Notwithstanding any other provision of this subsection, the Corporation shall in no period purchase capital instruments from a qualified institution in an amount equal to more than 100 per centum of such institution's actual losses incurred for the immediately preceding period.

"(7) The provisions of the constitution or the laws, civil or criminal, of any State, express or implied, limiting the authority of a qualified institution (A) to take part in programs under this subsection, (B) to issue and otherwise deal in capital certificates issued pursuant to this subsection, or (C) to continue operations, including the receipt of deposits and the payment or crediting of interest or dividends to depositors, because of the level of such institution's net worth, surplus fund, or guaranty fund, shall not apply to any qualified institution which the Corporation has approved for the purpose of taking part in programs under this subsection, continuing operations, or paying interest or dividends.

"(8) During any period when a qualified institution has outstanding capital instruments issued in accordance with this subsection, such institution shall not be liable for any State or local tax which is determined on the basis of the deposits held by such institution or the interest paid thereon.

"(9) Notwithstanding any other Federal or State law, capital instruments purchased by the Corporation under this subsection shall be deemed to be net worth for statutory and regulatory purposes.

"(10) The Corporation may not use its authority under this subsection to purchase the voting or common stock of a qualified institution. Nothing in this paragraph shall be construed to limit the ability of the Corporation to enter into and enforce covenants and agreements that it determines to be necessary to protect its financial interests.".

SUNSET

SEC. 204. The provisions of this title shall cease to be effective upon the expiration of three years after the date of enactment of this Act.

TITLE III—THRIFT INSTITUTIONS RESTRUCTURING

SHORT TITLE

SEC. 301. This title may be cited as the "Thrift Institutions Restructuring Act of 1982".

PART A—FORM OF CHARTER; DEMAND ACCOUNTS

CHARTERING AND PURPOSE

SEC. 311. Section 5(a) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(a)) is amended to read as follows:

"SEC. 5. (a) In order to provide thrift institutions for the deposit or investment of funds and for the extension of credit for homes and other goods and services, the Board is authorized, under such rules and regulations as it may prescribe, to provide for the organization, incorporation, examination, operation, and regulation of associations to be known as Federal savings and loan associations, or Federal savings banks, and to issue charters therefor, giving primary consideration to the best practices of thrift institutions in the United States.".

DEMAND ACCOUNTS AND CAPITAL STOCK

SEC. 312. Paragraphs (1) and (2) of section 5(b) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(b)) are amended to read as follows:

"(1) An association may raise capital in the form of such savings deposits, shares, or other accounts, for fixed, minimum, or indefinite periods of time (all of which are referred to in this section as savings accounts), or in the form of such demand accounts of those persons or organizations that have a business, corporate, commercial, or agricultural loan relationship with the association as are authorized by its charter or by regulations of the Board, and may issue such passbooks, time certificates of deposit, or other evidence of accounts as are so authorized. As association may also accept demand accounts from a commercial, corporate, business, or agricultural entity for the sole purpose of effectuating payments thereto by a nonbusiness customer. An association may not pay interest on a demand account. All savings accounts and demand accounts shall have the same priority upon liquidation. Holders of accounts and obligors of an association shall, to such extent as may be provided by its charter or by regulations of the Board, be members of the association, and shall have such voting rights and such other rights as are thereby provided. Except as may be otherwise authorized by the association's charter or regulation of the Board in the case of savings accounts for fixed or minimum terms of not less than fourteen days, the payment of any savings account shall be subject to the right of the association to require such advance notice, not less than fourteen days, as shall be provided for by the charter of the association or the regulations of the Board. The payment of withdrawals from accounts in the event an association does not pay all withdrawals in full (subject to the right of the association, where applicable, to require notice) shall be subject to such rules and procedures as may be prescribed by the association's charter or by regulation of the Board, but any association which, except as authorized in writing by the Board, fails to make full payment of any withdrawal when due shall be deemed to be in an unsafe or unsound condition to transact business within the meaning of subsection (d) of this section. Accounts may be subject to check or to withdrawal or transfer on negotiable or transferable or other order or authorization to the association, as the Board may by regulation provide. Notwithstanding any limitation of this section, associations may establish remote service units for the purpose of crediting savings or demand accounts, debiting such accounts, crediting payments on loans, and the disposition of related financial transactions, as provided in regulations prescribed by the Board.

"(2) To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, may be surety as defined by the Board and may issue such notes, bonds, debentures, or other obligations, or other securities, including capital stock, as the Board may so authorize.".

CONVERSIONS TO FEDERAL CHARTERS

SEC. 313. Section 5(i) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(i)) is amended to read as follows:

"(i)(1) Any institution which is, or is eligible to become, a member of a Federal home loan bank may convert itself into a Federal savings and loan association or Federal savings bank under this Act (and in so doing may change directly from the mutual form to the stock form, or from the stock form to the mutual form), but such conversion shall be subject to such rules and regulations as the Board shall prescribe, and thereafter the converted association shall be entitled to all the benefits of this section and shall be subject to examination and regulation to the same extent as other associations incorporated pursuant to this Act.

"(2) Subject to the rules and regulations of the Board, any Federal association may convert itself from the mutual form to the stock form of organization, or from the stock form to the mutual form, and any Federal association may change its designation from a Federal savings and loan association to a Federal savings bank, or the reverse.

"(3) Any Federal association may convert itself into a savings and loan or savings bank type of institution organized pursuant to the laws of the State, district, Commonwealth, or territory (hereinafter referred to in this section as the 'State') in which the principal office of such Federal association is located if—

"(A) the State permits the conversion of any savings and loan or savings bank type of institution of such State into a Federal association;

"(B) such conversion of a Federal association into such a State institution is determined upon the vote in favor of such conversion cast in person or by proxy at a special meeting of members or stockholders called to consider such action, specified by the law of the State in which the home office of the Federal association is located, as required by such law for a State-chartered institution to convert itself into a Federal association, but in no event upon a vote of less than 51 per centum of all the votes cast at such meeting, and upon compliance with other requirements reciprocally equivalent to the requirements of such State law for the conversion of a State-chartered institution into a Federal association;

"(C) notice of the meeting to vote on conversion shall be given as herein provided and no other notice thereof shall be necessary; the notice shall expressly state that such meeting is called to vote thereon, as well as the time and place thereof, and such notice shall be mailed, postage prepaid, at least thirty and not more than sixty days prior to the date of the meeting, to each member of stockholder of record of the Federal association at his last address as shown on the books of the Federal association and to the General Counsel of the Federal Home Loan Bank Board, Washington, District of Columbia;

"(D) in the event of dissolution of a mutual association after conversion, the members or shareholders of the association will share on a mutual basis in the assets of the association in exact proportion to their relative share or account credits;

"(E) in the event of dissolution of a stock association after conversion, the stockholders will share on a equitable basis in the assets of the association; and

"(F) such conversion shall be effective upon the date that all the provisions of this Act shall have been fully complied with and upon the issuance of a new charter by the State wherein the association is located.

The act of conversion constitutes consent by the institution to be bound by all the requirements that the Federal Savings and Loan Insurance Corporation may legally impose under section 403 of the National Housing Act. The association shall upon conversion and thereafter be authorized to issue securities in any form currently approved at the time of issue by the Federal Savings and Loan Insurance Corporation for issuance by similar insured institutions in such State. If the insurance of accounts is terminated in connection with such conversion, the notice and other action shall be taken as provided by law and regulations for the termination of insurance of accounts.

"(4) Any aggrieved person may obtain review of a final action of the Board or the Federal Savings and Loan Insurance Corporation which approves, with or without conditions, or disapproves a plan of conversion from the mutual to the stock form, only by complying with the provisions of subsection (k) of section 408 of the National Housing Act within the time limit and in the manner therein prescribed, which provisions shall apply in all respects as if such final action were an order the review of which is therein provided for, except that such time limit shall commence upon publication of notice of such final action in the Federal Register or upon the giving of such general notice of final action as is required by or approved under regulations of the Corporation, whichever is later.

"(5) To the extent authorized by the Board—

"(A) any Federal savings bank chartered as such prior to the enactment of this paragraph may continue to make any investment or engage in any activity not otherwise authorized under this section, to the degree it was permitted to do so as a Federal savings bank prior to such enactment; and

"(B) any Federal savings bank formerly organized as a mutual savings bank under State law may continue to make any investment or engage in any activity not otherwise authorized under this section, to the degree it was authorized to do so as a mutual savings bank under State law.

The authority conferred by this paragraph may be utilized by any Federal association that acquires, by merger or consolidation, a Federal savings bank enjoying grandfathered rights hereunder.".

CONVERSION FROM STATE MUTUAL TO STATE STOCK

SEC. 314. Section 402(j) of the National Housing Act (12 U.S.C. 1725(j) is amended—

(1) by amending paragraph (1) to read as follows:

"(1) Except as provided in section 5 of the Home Owners' Loan Act of 1933, no insured institution may convert from the mutual to the stock form except in accordance with the rules and regulations of the Corporation."; and

(2) by striking our paragraphs (2), (3), (5), and (6) and redesignating paragraph (4) as paragraph (2).

PART B—INVESTMENTS

OVERDRAFTS

SEC. 321. Section 5(c)(1)(A) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)(1)(A)) is amended to read as follows:

"(A) ACCOUNTS LOANS.—Loans on the security of its savings accounts and loans specifically related to transaction accounts.".

REAL ESTATE LOANS

SEC. 322. Section 5(c)(1)(B) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)(1)(B)) is amended to read as follows:

"(B) REAL PROPERTY LOANS.—Loans on the security of liens upon residential or nonresidential real property, except that the loans and investments of an association on nonresidential real property may not exceed 40 per centum of its assets.".

TIME DEPOSITS

SEC. 323. Section 5(c)(1)(G) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)(1)(G)) is amended to read as follows:

"(G) DEPOSITS.—Investments in the time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation, or in the savings accounts, certificates, or other accounts of any institution the accounts of which are insured by the Federal Savings and Loan Insurance Corporation.".

GOVERNMENT SECURITIES

SEC. 324. Section 5(c)(1)(H) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)(1)(H)) is amended to read as follows:

"(H) STATE SECURITIES.—Investments in obligations of, or issued by, any State or political subdivision thereof (including any agency, corporation, or instrumentality of a State or political subdivision), except that an association may not invest more than $250,000 or 10 per centum of its capital and surplus in obligations of any one issuer (exclusive of investments in general obligations of any issuer).".

COMMERCIAL AND OTHER LOANS

SEC. 325. Section 5(c)(1)(L) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)(1)(L)) is amended to read as follows:

"(L) COMMERCIAL AND OTHER LOANS.—Secured or unsecured loans for commercial, corporate, business, or agricultural purposes. No association may make loans to one borrower under the authority provided by this subparagraph in excess of the amount a national bank having an identical total capital and surplus could lend such borrower. The aggregate amount of loans under this paragraph shall not exceed (i) for direct loans, 5 per centum of the assets of a savings and loan association (7½ per centum of the assets of a savings bank) prior to January 1, 1984, or 7½ per centum of the assets of a savings and loan association or savings bank thereafter, and (ii) for participations or purchases, 5 per centum of the assets of a savings and loan association or savings bank prior to January 1, 1984, or 7½ per centum of the assets of a savings and loan association or savings bank thereafter.".

ELIMINATION OF DIFFERENTIAL

SEC. 326. (a) Section 102 of Public Law 94-200 is repealed.

(b) Interest rate differentials for all categories of deposits or accounts between (A) any bank (other than a savings bank) the deposits of which are insured by the Federal Deposit Insurance Corporation, and (B) any savings and loan, building and loan, or homestead association (including cooperative banks) the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation or any mutual savings bank as defined in section 3 (f) of the Federal Deposit Insurance Act (12 U.S.C. 1813 (j)), shall be phased out on or before January 1, 1984. Any differential which is being phased out pursuant to a schedule established by regulations prescribed by the Depository Institutions Deregulation Committee prior to the date of enactment of this Act shall be phased out as soon as practicable, but in no event later than such schedule provides. Notwithstanding any other provision of law, no differential for any category of deposits or accounts shall be established or maintained on or after January 1, 1984.

(c) No interest rate differential may be established or maintained in the case of the deposit account authorized pursuant to section 204 (c) of the Depository Institutions Deregulation Act of 1980.

(d) In the case of the elimination or reduction of any interest rate differential under subsection (b) with respect to any category of deposits or accounts between (1) any bank (other than a savings bank) the deposits of which are insured by the Federal Deposit Insurance Corporation and (2) any savings and loan, building and loan, or homestead association (including cooperative banks) the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation or any mutual savings bank as defined in section 3 (f) of the Federal Deposit Insurance Act (12 U.S.C 1813 (f)), the maximum rate of interest which shall be established for such category of deposits for banks (other than savings banks) the deposits of which are insured by the Federal Deposit Insurance Corporation shall be equal to the highest rate of interest which savings and loan associations the deposits or accounts of which are insured by the Federal Savings and Loan Insurance Corporation were permitted to pay on such category of deposits immediately prior to the elimination or reduction of such interest rate differential.

MONEY MARKET DEPOSIT ACCOUNT

SEC. 327. Section 204 of the Depository Institutions Deregulation Act of 1980 (12 U.S.C. 3503) is amended by adding at the end there of the following:

"(c) The Committee shall issue a regulation authorizing a new deposit account, effective not later than sixty days after the date of enactment of this subsection. Such account shall be directly equivalent to and competitive with money market mutual funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940. No limitation on the maximum rate or rates of interest payable on deposit accounts shall apply to the account authorized by this subsection. For the purpose of section 19(b) of the Federal Reserve Act, accounts established pursuant to this subsection which are not 'transaction accounts' as defined by the reserve requirement regulations of the Board of Governors of the Federal Reserve System as those regulations existed on August 1, 1982, shall not be subject to transaction account reserves, even though no minimum maturity is required.".

HOUSING AND LAND DEVELOPMENT LOANS

SEC. 328. Section 5(c)(1)(O) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)(1)(O)) is amended to read as follows:

"(O) HOUSING AND LAND AND URBAN DEVELOPMENT INSURED OR GURANTEED INVESTMENTS.—Loans (i) secured by mortgages as to which the association has the benefit of insurance under title X of the National Housing Act or of a commitment or agreement for such insurance, or (ii) as to which the association has the benefit of any guarantee under title IV of the Housing and Urban Development Act of 1968 or under part B of the National Urban Policy and New Community Development Act of 1970 or under section 802 of the Housing and Community Development Act of 1974, or of a commitment or agreement therefor.".

CONSUMER LOANS

SEC. 329. Section 5(c)(2)(B) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)(2)(B)) is amended—

(1) by inserting ", including loans reasonably incident to the provision of such credit," after "household purposes"; and

(2) by inserting before the period at the end thereof the following: ", except that loans of an association under this subparagraph may not exceed 30 per centum of the assets of the association".

ADDITIONAL INVESTMENT AUTHORITIES

SEC. 330. Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended—

(1) by striking out "20 per centum" and inserting in lieu thereof "the following percentages" in paragraph (2);

(2) by redesignating paragraph (6) as paragraph (5);

(3) by striking out paragraph (2)(A) and inserting in lieu thereof the following:

"(A) INVESTMENTS IN PERSONALITY.—Investments in tangible personal property, including, without limitation, vehicles, manufactured homes, machinery, equipment, or furniture, for rental or sale, but such investment may not exceed 10 per centum of the assets of the association.";

(4) in paragraph (3)—

(A) by striking out subparagraph (D); and

(B) by amending subparagraph (A) to read as follows:

"(A) EDUCATION LOANS.—Loans made for the payment of educational expenses."; and

(5) in paragraph (4)—

(A) by amending subparagraph (C) to read as follows:

"(C) FOREIGN ASSISTANCE INVESTMENTS.—Investments in housing project loans having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961 or loans having the benefit of any guarantee under section 224 of such Act, or any commitment or agreement with respect to such loans made pursuant to either of such sections and in the share capital and capital reserve of the Inter-American Savings and Loan Bank. This authority extends to the acquisition, holding and disposition of loans having the benefit of any guaranty under section 221 or 222 of such Act as hereafter amended or extended, or of any commitment or agreement for any such guaranty. Investments under this subparagraph shall not exceed, in the case of any association, 1 per centum of the assets of such association."; and

(B) by amending subparagraph (D) to read as follows:

"(D) SMALL BUSINESS INVESTMENT COMPANIES.—An association may invest in stock,

obligations, or other securities of any small business investment company formed pursuant to section 301(d) of the Small Business Investment Act of 1958, for the purpose of aiding members of the Federal Home Loan Bank System, but no association may make any investment under this subparagraph if its aggregate outstanding investment under this subparagraph would exceed 1 per centum of the assets of such association.".

TYING ARRANGEMENTS

SEC. 331. Section 5 of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464), as amended by sections 112 and 121, is amended by adding at the end thereof the following:

"(r)(1) An association shall not in any manner extend credit, lease or sell property of any kind, or furnish any service, or fix or vary the consideration for any of the foregoing, on the condition or requirement—

"(A) that the customer shall obtain additional credit, property, or service from such association, or from any service corporation or affiliate of such association, other than a loan, discount, deposit, or trust service;

"(B) that the customer provide additional credit, property, or service to such association, or to any service corporation or affiliate of such association, other than those related to and usually provided in connection with a similar loan, discount, deposit, or trust service; and

"(C) that the customer shall not obtain some other credit, property, or service from a competitor of such association, or from a competitor of any service corporation or affiliate of such association, other than a condition or requirement that such association shall reasonably impose in connection with credit transactions to assure the soundness of credit.

"(2) Any person may sue for and have injunctive relief, in any court of the United States having jurisdiction over the parties, against threatened loss or damage by reason of a violation of paragraph (1), under the same conditions and principles as injunctive relief against threatened conduct that will cause loss or damage is granted by courts of equity and under the rules governing such proceedings. Upon the execution of proper bond against damages for an injunction improvidently granted and a showing that the danger of irreparable loss or damage is immediate, a preliminary injunction may issue.

"(3) Any person who is injured in his business or property by reason of anything forbidden in paragraph (1) may sue therefor in any district court of the United States in which the defendant resides or is found or has an agent, without regard to the amount in controversy, or may sue therefor in e of the occurrence of the violation.

"(4) Nothing contained in this subsection shall be construed as affecting in any manner the right of the United States or any other party to bring an action under any other law of the United States or of any State, including any right which may exist in addition to specific statutory authority, challenging the legality of any act or practice which may be proscribed by this subsection. No regulation or order issued by the Board under this subsection shall in any manner constitute a defense to such action.

"(5) As used in this subsection—

"(A) the term 'affiliate' of an association means any individual or company (including any corporation, partnership, trust, joint-stock company, or similar organization) which controls, is controlled by, or is under common control with such association; and

"(B) the term 'loan' includes obligations and extensions or advances of credit.".

LIQUIDITY INVESTMENTS

SEC. 332. Section 5A(b)(1)(B) of the Federal Home Loan Bank Act (12 U.S.C. 1425a(b)(1)(B)) is amended by striking out "and commercial banks" and inserting in lieu thereof the following: ", institutions which are, or are eligible to become, members thereof, and commercial banks".

REGULATORY JURISDICTION

SEC. 333. Section 2(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)) is amended by inserting after "Islands" the following: ", except an institution and the accounts of which are insured by the Federal Savings and Loan Insurance Corporation, or an institution chartered by the Federal Home Loan Bank Board".

BRANCHING

SEC. 334. Section 5 of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464), as amended by sections 112, 121, and 331, is amended by adding at the end thereof the following:

"(s) No association may establish, retain, or operate a branch outside the State in which the association has its home office, unless the association qualifies as a domestic building and loan association under section 7701(a)(19) of the Internal Revenue Code or meets the asset compostition test imposed by subparagraph (C) of that section on institutions seeking so to qualify. No out-of-State branch so established shall be retained or operated unless the total assets of the association attributable to all branches of the association in that State would qualify the branches as a whole, were they otherwise eligible, for treatment as a domestic building and loan association under said section 7701(a)(19). The limitations of this subsection shall not apply if (1) the branch results from a transaction authorized under section 408(m) of the National Housing Act; (2) the branch was authorized for the association prior to the enactment of the Depository Institutions Amendments of 1982; (3) the law of the State in which the branch is or is to be located would permit establishment of the branch were the association an institution of the savings and loan or savings bank type chartered by the State in which its home office is located; or (4) the branch was operated lawfully as a branch under State law prior to the association's conversion to a Federal charter. The Board, for good cause shown, may allow associations up to two years to comply with the requirements of this subsection.".

HOLDING COMPANY ACTIVITIES

SEC. 335. Section 408 of the National Housing Act (12 U.S.C. 1730a), as amended by section 123, is amended by adding at the end thereof the following:

"(n) No savings and loan holding company, nor any subsidiary thereof which is not an insured institution, whose subsidiary insured institution fails to qualify as a domestic building and loan association under section 7701(a)(19) of the Internal Revenue Code of 1954, shall commence, or continue for more than three years after such failure, any business activity other than those specified for multiple savings and loan holding companies and their subsidiaries under subsection (c)(2) hereof.".

PART C—PREEMPTION OF DUE-ON-SALE PROHIBITIONS

DUE-ON-SALE CLAUSES

SEC. 341. (a) For the purpose of this section—

(1) the term "due-on-sale clause" means a contract provision which authorizes a lender, at it option, to declare due and payable sums secured by the lender's security instrument if all or any part of the property, or an interest therein, securing the real property loan is sold or transferred without the lender's prior written consent;

(2) the term "lender" means a person or government agency making a real property loan or any assignee or transferee, in whole or in part, of such a person or agency;

(3) the term "real property loan" means a loan, mortgage, advance, or credit sale secured by a lien on real property, the stock allocated to a dwelling unit in a cooperative housing corporation, or a residential manufactured home, whether real or personal property; and

(4) the term "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, American Samoa, and the Trust Territory of the Pacific Islands.

(b) Notwithstanding any provision of the constitution or laws (including the judicial decisions) of any State to the contrary, a lender may, subject to subsection (c), enter into or enforce a contract containing a due-on-sale clause with respect to a real property loan. Except as otherwise provided in subsection (d), the exercise by the lender of its option pursuant to such a clause shall be exclusively governed by the terms of the loan contract, and all rights and remedies of the lender and the borrower shall be fixed and governed by the contract. In the exercise of its option under a due-on-sale clause, a lender is encouraged to permit an assumption of a real property loan at the existing contract rate or at a rate which is at or below the average between the contract and market rates, and nothing in this section shall be interpreted to prohibit any such assumption.

(c) In the case of a contract involving a real property loan which was made or assumed, including a transfer of the liened property subject to the real property loan, during the period beginning on the date a State adopted a constitutional provision or statute prohibiting the exercise of due-on-sale clauses, or the date on which the highest court of such State has rendered a decision (or if the highest court has not so decided, the date on which the next highest appellate court has rendered a decision resulting in a final judgment if such decision applies statewide) prohibiting such exercise, and ending on the date of enactment of this section, the provisions of subsection (b) shall apply only in the case of a transfer which occurs on or after the expiration of three years after the date of enactment of this Act, except that—

(1) a State, by a State law enacted by the State legislature prior to the close of such three-year period, with respect to real property loans originated in the State by lenders other than national banks, Federal savings and loan associations, Federal savings banks, and Federal credit unions, may otherwise regulate such contracts, in which case subsection (b) shall apply only if such State law so provides; and

(2) the Comptroller of the Currency with respect to real property loans originated by national banks or the National Credit Union Administration Board with respect to real property loans originated by Federal credit unions may, by regulation prescribed prior to the close of such period, otherwise regulate such contracts, in which case subsection (b) shall apply only if such regulation so provides.

For any contract to which subsection (b) does not apply pursuant to this subsection, a lender may require any successor or transferee of the borrower to meet customary credit standards applied to loans secured by similar property, and the lender may declare the loan due and payable pursuant to the terms of the contract upon transfer to any successor or transferee of the borrower who fails to meet such customary credit standards. A lender may not exercise its option pursuant to a due-on-sale clause in the case of a transfer of a real property loan which is subject to this subsection where the transfer occurred prior to the date of enactment of this Act. This subsection does not apply to a loan which was originated by a Federal savings and loan association or Federal savings bank.

(d) A lender may not exercise its option pursuant to a due-on-sale clause upon—

(1) the creation of a lien or other encumbrance subordinate to the lender's security instrument which does not relate to a transfer of rights of occupancy in the property;

(2) the creation of a purchase money security interest for household appliances;

(3) a transfer by devise, descent, or operation of law on the death of a joint tenant or tenant by the entirety;

(4) the granting of a leasehold interest of three years or less not containing an option to purchase;

(5) a transfer to a relative resulting from the death of a borrower;

(6) a transfer where the spouse or children of the borrower become an owner of the property;

(7) a transfer resulting from a decree of a dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement, by which the spouse of the borrower becomes an owner of the property;

(8) a transfer into an inter vivos trust in which the borrower is and remains a beneficiary and which does not relate to a transfer of rights of occupancy in the property; or

(9) any other transfer or disposition described in regulations prescribed by the Federal Home Loan Bank Board.

(e) The Federal Home Loan Bank Board, in consulation with the Comptroller of the Currency, is authorized to issue rules and regulations and to publish interpretations governing the implementation of this section. Notwithstanding the provisions of subsection (d), the rules and regulations prescribed under this section may permit a lender to exercise its option pursuant to a due on-sale clause with respect to a real property loan and any related agreement pursuant to which a borrower obtains the right to receive future income.

(f) The Federal Home Loan Mortgage Corporation (hereinafter referred to as the "Corporation") shall not, prior to April 1, 1983, implement the change in its policy announced on July 2, 1982, with respect to enforcement of due-on-sale clauses in real property loans which are owned in whole or in part by the Corporation.

(g) Federal Home Loan Bank Board regulations restricting the use of a balloon payment shall not apply to a loan, mortgage, advance, or credit sale to which this section applies.

PART D—MISCELLANEOUS

ATTORNEYS FEES

SEC. 351. Section 5(d)(8)(A) of the Homeowners' Loan Act of 1933 (12 U.S.C. 1464(d)(8)(A)) is amended by inserting in the last sentence thereof, after the word "party", the following: ", which prevails,".

SECURITY FOR ADVANCES

SEC. 352. Section 10 of the Federal Loan Bank Act (12 U.S.C. 1430) is amended—

(1) by amending subsection (a) to read as follows:

"(a) Each Federal Home Loan Bank is authorized to make secured advances to its members upon such security as the Board may prescribe.";

(2) by striking out the first two sentences of subsection (b); and

(3) by striking out the word "twelve" wherever it appears in subsection (c) and inserting in lieu thereof the word "twenty".

DELETION OF OBSOLETE REQUIREMENT

SEC. 353. Section 6(c)(2) of the Federal Home Loan Bank Act (12 U.S.C. 1426(c)(2)) is amended to read as follows:

"(2) Notwithstanding any other provision of this subsection, no action shall be taken by any bank with respect to any member pursuant to any of the foregoing provisions of this subsection if the effect of such action would be to cause the aggregate outstanding advances, within the meaning of the last sentence of subsection (c) of section 1430 of this Act or within the meaning of regulations of said Board defining said term for the purposes of this sentence, made by such bank to such member to exceed twenty times the amounts paid in by such member for outstanding capital stock held by such member.".

COMPENSATION OF ADVISORY COMMITTEE MEMBERS

SEC. 354. Section 8a of the Federal Home Loan Bank Act (12 U.S.C. 1428a) is amended by striking out the fifth sentence and inserting in lieu thereof the following: "Subject to the provisions of section 7 of the Federal Advisory Committee Act, all members and alternates of the Council may be compensated and shall be entitled to reimbursement from the Board for traveling expenses incurred in attendance at meetings of such Council.".

WITHDRAWAL FROM MEMBERSHIP

SEC. 355. (a) Section 6(i) of the Federal Home Loan Bank Act (12 U.S.C. 1426(i)) is amended by inserting before the period at the end of the second sentence the following: ", except that in the case of a voluntary withdrawal, such liquidation shall be deemed a prepayment of any such indebtednes, and shall be subject to any penalties applicable to such prepayment".

(b) Section 6 of the Federal Home Loan Bank Act (12 U.S.C. 1426) is amended by adding at the end thereof the following:

"(m) Nothwithstanding any other provision of this Act, an institution which withdraws from membership may acquire membership in any Federal Home Loan Bank only after the expiration of a period of five years thereafter, except where such withdrawal is a consequence of a transfer of membership on a noninterrupted basis between banks or in connection with obtaining a charter from the Federal Home Loan Bank Board.".

TITLE IV—PROVISIONS RELATING TO NATIONAL AND MEMBER BANKS

PART A—GENERAL PROVISIONS

LENDING LIMITS

SEC. 401. (a) Section 5200 of the Revised Statutes (12 U.S.C. 84) is amended to read as follows:

"SEC. 5200. (a)(1) The total loans and extensions of credit by a national banking association to a person outstanding at one time and not fully secured, as determined in a manner consistent with paragraph (2) of this subsection, by collateral having a market value at least equal to the amount of the loan or extension of credit shall not exceed 15 per centum of the unimpaired capital and unimpaired surplus of the association.

"(2) The total loans and extensions of credit by a national banking association to a person outstanding at one time and fully secured by readily marketable collateral having a market value, as determined by reliable and continuously available price quotations, at least equal to the amount of the funds outstanding shall not exceed 10 per centum of the unimpaired capital and unimpaired surplus of the association. This limitation shall be separate from and in addition to the limitation contained in paragraph (1) of this subsection.

"(b) For the purposes of this section—

"(1) the term 'loans and extensions of credit' shall include all direct or indirect advances of funds to a person made on the basis of any obligation of that person to repay the funds or repayable from specific property pledged by or on behalf of the person and to the extent specified by the Comptroller of the Currency, such term shall also include any liability of a national banking association to advance funds to or on behalf of a person pursuant to a contractual commitment; and

"(2) the term 'person' shall include an individual, sole proprietorship, partnership, joint venture, association, trust, estate, business trust, corporation, or any similar entity or organization.

"(c) The limitations contained in subsection (a) shall be subject to the following exceptions:

"(1) Loans or extensions of credit arising from the discount of commercial or business paper evidencing an obligation to the person negotiating it with recourse shall not be subject to any limitation based on capital and surplus.

"(2) The purchase of bankers' acceptances of the kind described in section 13 of the Federal Reserve Act and issued by other banks shall not be subject to any limitation based on capital and surplus.

"(3) Loans and extensions of credit secured by bills of lading, warehouse receipts, or similar documents transferring or securing title to readily marketable staples shall be subject to a limitation of 35 percentum of capital and surplus in addition to the general limitations if the market value of the staples securing each additional loan or extension of credit at all times equals or exceeds 115 per centum of the outstanding amount of such loan or extension of credit. The staples shall be fully covered by insurance whenever it is customary to insure such staples.

"(4) Loans or extensions of credit secured by bonds, notes, certificates of indebtedness, or Treasury bills of the United States or by other such obligations fully guaranteed as to principal and interest by the United States shall not be subject to any limitation based on capital and surplus.

"(5) Loans or extensions of credit to or secured by unconditional takeout commitments or guarantees of any department, agency, bureau, board, commission, or establishment of the United States or any corporation wholly owned directly or indirectly by the United States shall not be subject to any limitation based on capital and surplus.

"(6) Loans or extensions of credit secured by a segregated deposit account in the lending bank shall not be subject to any limitation based on capital and surplus.

"(7) Loans or extensions of credit to any financial institution or to any receiver, conservator, superintendent of banks, or other agent in charge of the business and property of such financial institution, when such loans or extensions of credit are approved by the Comptroller of the Currency, shall not be subject to any limitation based on capital and surplus.

"(8) Loans and extensions of credit arising from the discount of negotiable or nonnegotiable installment consumer paper which carries a full recourse endorsement or unconditional guarantee by the person transferring the paper shall be subject under this section to a maximum limitation equal to 25 per centum of such capital and surplus, notwithstanding the collateral requirements set forth in subsection (a)(2): *Provided, however,* That if the bank's files or the knowledge of its officers of the financial condition of each maker of such consumer paper is reasonably adequate, and an officer of the bank designated for that purpose by the board of directors of the bank certifies in writing that the bank is relying primarily upon the responsibility of each maker for payment of such loans or extensions of credit and not upon any full or partial recourse endorsement or guarantee by the transferor, the limitations of this section as to the loans or extensions of credit of each such maker shall be the sole applicable loan limitations.

"(9) Loans and extensions of credit secured by shipping documents or instruments transferring or securing title covering livestock or giving a lien on livestock when the market value of the livestock securing the obligation is not at any time less than 115 per centum of the face amount of the note covered, shall be subject under this section, notwithstanding the collateral requirements set forth in subsection (a)(2), to a maximum limitation equal to 25 per centum of such capital and surplus. Loans and extensions of credit which arise from the discount by dealers in dairy cattle of paper given in payment for dairy cattle, which paper carries a full recourse endorsement or unconditional guarantee of the seller, and which are secured by the cattle being sold, shall be subject under this section, notwithstanding the collateral requirements set forth in subsection (a)(2), to a limitation of 25 per centum of such capital and surplus.

"(10) Loans or extensions of credit to the Student Loan Marketing Association shall not be subject to any limitation based on capital and surplus.

"(d) The Comptroller of the Currency may prescribe rules and regulations to administer and carry out the purposes of this section, including rules or regulations to define or further define terms used in this section and to establish limits or requirements other than those specified in this section for particular classes or categories of loans or extensions of credit. The Comptroller of the Currency also shall have authority to determine when a loan putatively made to a person shall for purposes of this section be attributed to another person.".

(b) This section shall take effect upon the expiration of one hundred and eighty days after the date of its enactment.

BORROWING LIMITS

SEC. 402. (a) Section 5202 of the Revised Statutes (12 U.S.C. 82) is repealed.

REAL ESTATE LOANS

SEC. 403. (a) Section 24 of the Federal Reserve Act (12 U.S.C. 371) is amended to read as follows:

"REAL ESTATE LOANS

"SEC. 24. (a) Any national banking association may make, arrange, purchase, or sell loans or extensions of credit secured by liens on interests in real estate, subject to such terms, conditions, and limitations as may be prescribed by the Comptroller of the Currency by order, rule, or regulation.

"(b) Notes representing loans made under this section to finance the construction of residential or farm buildings and having maturities not to exceed nine months shall be eligible for discount as commercial paper within the terms of the second paragraph of section 13 of the Federal Reserve Act if accompanied by a valid and binding agreement to advance the full amount of the loan upon the completion of the building entered into by an individual, partnership, association, or corporation acceptable to the discounting bank.".

(b) The Act of September 7, 1916 (12 U.S.C. 92; 39 Stat. 753), is amended as follows:

(1) by striking "; and may also act as the broker or agent for others in making or procuring loans on real estate located within one hundred miles of the place in which said bank may be located, receiving for such services a reasonable fee or commission";

(2) by striking "guarantee either the principal or interest of any such loans or".

(c) This section shall take effect upon the expiration of one hundred and eighty days after the date of its enactment.

BANKERS' BANKS

SEC. 404. (a) Section 5169 of the Revised Statutes (12 U.S.C. 27) is amended by adding at the end thereof the following: "The Comptroller of the Currency may also issue a certificate of authority to commence the business of banking pursuant to this section to a national banking association which is owned exclusively (except to the extent directors' qualifying shares are required by law) by other depository institutions and is organized to engage exclusively in providing services for other depository institutions and their officers, directors, and employees. Any national banking association chartered pursuant to the preceding sentence shall be subject to such rules, regulations, and orders as the Comptroller deems appropriate, and, except as otherwise specifically provided in such rules, regulations, or orders, shall be vested with or subject to the same rights, privileges, duties, restrictions, penalties, liabilities, conditions, and limitations that would apply under the national banking laws to a national bank.".

(b) Section 5136 (Seventh) of the Revised Statutes (12 U.S.C. 24 (Seventh)) is amended by striking out the matter following the phrase *"Provided further,* That," and inserting in lieu thereof the following: "notwithstanding any other provision of this paragraph, the association may purchase for its own account shares of stock of a bank insured by the Federal Deposit Insurance Corporation or a holding company which owns or controls such an insured bank if the stock of such bank or company is owned exclusively (except to the extent directors' qualifying shares are required by law) by depository institutions and such bank or company and all subsidiaries thereof are engaged exclusively in providing services for other depository institutions and their officers, directors, and employees, but in no event shall the total amount of such stock held by the association in any bank or holding company exceed at any time 10 per centum of its capital stock and paid in and unimpaired surplus and in no event shall the purchase of such stock result in an association's acquiring more than 5 per centum of any class of voting securities of such bank or company.".

(c) Section 8(b) of the Federal Deposit Insurance Act (12 U.S.C. 1818(b)) is amended by adding at the end thereof the following:

"(5) This section shall apply, in the same manner as it applies to any insured bank for which the appropriate Federal banking agency is the Comptroller of the Currency, to any national banking association chartered by the Comptroller of the Currency, including an uninsured association.".

(d)(1) Section 2(c) of the Bank Holding Company Act of 1956 (12 U.S.C. 1841(c)) is amended by adding at the end thereof the following: "The term 'bank' also includes a State chartered bank or a national banking association which is owned exclusively (except to the extent directors' qualifying shares are required by law) by other depository institutions or by a bank holding company which is owned exclusively by other depository institutions and is organized to engage exclusively in providing services for othe depository institutions and their officers, directors and employees.".

(2) Section 3(e) of such Act is amended by adding at the end thereof the following: "This subsection does not apply to a bank described in the last sentence of section 2(c).".

NAME OR HEADQUARTERS CHANGE

SEC. 405. (a) Section 2 of the Act of May 1, 1886 (24 Stat. 18; 12 U.S.C. 30) is amended to read as follows:

"SEC. 2. (a) Any national banking association, upon written notice to the Comptroller of the Currency, may change its name, except that such new name shall include the word 'National'.

"(b) Any national banking association, upon written notice to the Comptroller of the Currency, may change the location of its main office to any authorized branch location within the limits of the city, town, or village in which it is situated, or, with a vote of shareholders owning two-thirds of the stock of such association and upon receipt of a certificate of approval from the Comptroller of the Currency, to any other location within or outside the limits of the city, town, or village in which it is located, but not more than thirty miles beyond such limits.".

(b) The first proviso of section 5134 of the Revised Statutes (12 U.S.C. 22) is amended by placing a period after the word "national" and striking the remainder of that sentence.

VENUE PROVISIONS

SEC. 406. Section 5198 of the Revised Statutes (12 U.S.C. 94) is amended to read as follows:

"SEC. 5198. Any action or proceeding against a national banking association for which the Federal Deposit Insurance Corporation has been appointed receiver, or against the Federal Deposit Insurance Corporation as receiver of such association, shall be brought in the district or territorial court of the United States held within the district in which that association's principal place of business is located, or, in the event any State, county, or municipal court has jurisdiction over such an action or proceeding, in such court in the county or city in which that association's principal place of business is located.".

LEGAL HOLIDAYS

SEC. 407. The last sentence of section 4(b)(1) of the Act of March 9, 1933 (48 Stat. 2; 12 U.S.C. 95(b)(1)) is amended to read as follows: "In the event that a State official authorized by law designates any day as a legal holiday for ceremonial or emergency reasons, for the State or any part thereof, that same day shall be a legal holiday for all national banking associations or their offices located in that State or the part so affected. A national banking association or its affected offices may close or remain open on such a State-designated holiday unless the Comptroller of the Currency by written order directs otherwise.".

UNCLAIMED PROPERTY

SEC. 408. Title VII of the Depository Institutions Deregulation and Monetary Control Act of 1980 is amended by adding after section 723 the following:

"PART C—DISPOSITION OF UNCLAIMED PROPERTY RECOVERED FROM CLOSED NATIONAL BANKS

"PURPOSE

SEC. 731. The purpose of this part is to dispose of unclaimed property in the possession, custody, or control of the Comptroller of the Currency by—

"(1) providing final notice of the availability of unclaimed property from closed national banks and closed banks in the District of Columbia;

"(2) barring rights of claimants to obtain such property from the Comptroller after a reasonable period of time following such notice; and

"(3) authorizing the Comptroller to dispose of such property for which no claims have been filed and validated under this part.

"DEFINITIONS

"SEC. 732. For purposes of this part—

"(1) the term 'Comptroller' means the Comptroller of the Currency;

"(2) the term 'unclaimed property' means any articles, items, assets, other property, or the proceeds thereof from safe deposit boxes or other safekeeping arrangements with closed national banks or closed banks in the District of Columbia, which are in the possession, custody, or control of the Comptroller in its capacity as successor to receivers of those banks; and

"(3) the term 'claimant' means any person or entity, including a State under applicable statutory law, asserting a demonstrable legal interest in title to, or custody or possession of, unclaimed property.

"DISPOSITION OF UNCLAIMED PROPERTY

"SEC. 733. (a) Within twelve months following the date of the enactment of this part, the Comptroller shall publish formal notice in the Federal Register that all claims to rights of any claimant to obtain title to, or custody or possession of, any unclaimed property in the possession, custody, or control of the Comptroller must be filed within twelve months following the last date of publication of such formal notice in the Federal Register or shall thereafter be barred. Such notice shall contain the names of last known owners, if any, names and locations of affected closed banks, and a general description of the types of unclaimed property held by the Comptroller. The Comptroller may provide additional notice in local communities as it deems appropriate. The Comptroller shall not disclose, by publication, inspection, or otherwise, information relating to the ownership or description of any specific unclaimed property prior to publication of formal notice under this section. Thereafter, the Comptroller shall disclose descriptive information of specific unclaimed property only to a claimant thereof. The Comptroller may recoup expenses associated with any publication or other provision of notice from any sale of property authorized by this part. Reasonable opportunity for inspection of specific property by a claimant thereof shall be provided in Washington, District of Columbia.

"(b) The Comptroller shall deliver such property to any claimant or his or her legally authorized representative upon receiving proof deemed adequate by the Comptroller that such claimant is entitled to the property, but only if the claimant files for the property within twelve months following the last date formal notice is published in the Federal Register. The Comptroller shall have authority to determine the validity of all claims filed. The Comptroller may recoup expenses associated with the handling and processing of claims from any sale of property authorized by this part. All expenses associated with the delivery of any property shall be borne by the claimant. The Comptroller shall not be responsible for any loss in connection with the handling, storage, or delivery of any property to the claimant. The Comptroller may require the claimant to purchase insurance to cover the risk of any loss.

"(c) If, after twelve months from the date formal notice is published in the Federal Register, any such property remains in the possession, custody, or control of the Comptroller for which no valid claim has been filed, all rights, title, and interest in such property shall immediately be vested in the United States. The Comptroller shall thereupon, in his discretion, sell, use, destroy, or otherwise dispose of any such unclaimed property. Such disposition may include donations to the Smithsonian Institution for addition to the national collection. The proceeds of any sale authorized by this section, after recoupment by the Comptroller of any expenses incurred hereunder, shall be covered into the Treasury as miscellaneous receipts.

"(d) The United States, the Comptroller, or any officer, employee, or agent thereof shall not be subject to personal or legal liability for any determination as to the validity of any claim or claims filed under this part for any delivery, sale, destruction, or other disposition of unclaimed property.

"(e) A court action to determine legal ownership, entitlement, or right to possession may be filed in any State or Federal court of competent jurisdiction other than against the United States, the Comptroller, or any officer, agent, or employee thereof. Such actions shall be determined de novo without regard to any agency determination or any disposition or delivery by the Comptroller of any particular property to any person. The United States, the Comptroller, or any officer, employee, or agent thereof shall neither be a party to any such judicial proceeding nor be bound by any decision, decree, or order resulting therefrom.

"(f) The United States Claims Court shall have exclusive jurisdiction to hear and determine any suit brought against the United States, the Comptroller, or any officer, employee, or agent thereof with regard to any determination of a claim or the disposition of any unclaimed property. The United States Claims Court may set aside actions of the Comptroller only if such actions are found to be arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law. All claims for which the United States Claims Court has jurisdiction under this subsection shall be barred unless suit is filed within two years from the date of expiration of the twelve-month notice period provided by this part. For purposes of secton 1491 of title 28, United States Code, any claim against the Comptroller, the United States, or any officer, employeee, or agent thereof shall be considered a claim against the United States.

"RULEMAKING AUTHORITY

"SEC. 734. The Comptroller may issue rules and regulations necessary or appropriate to carry out this part.

"SEVERABILITY

"SEC. 735. If any provision of this part or the application of such provision to any person or circumstance is held invalid, the remainder of this part and the application of such provision to other persons or circumstances shall not be affected thereby.".

AMENDMENTS TO DEREGULATION ACT

SEC. 409. Sections 721 and 722 of the Depository Institutions Deregulation and Monetary Control Act of 1980 (12 U.S.C. 191 note) are amended by striking out the phrase "closed on or before January 22, 1934" each place it appears and inserting in lieu thereof "which have been closed and for which the Comptroller has appointed a receiver other than the Federal Deposit Insurance Corporation."

BANKERS' ACCEPTANCES

SEC. 410. The seventh paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 372) is amended to read as follows:

"(7)(A) Any member bank and any Federal or State branch or agency of a foreign bank subject to reserve requirements under section 7 of the International Banking Act of 1978 (hereinafter in this paragraph referred to as 'institutions'), may accept drafts or bills of exchange drawn upon it having not more than six months' sight to run, exclusive of days of grace—

"(i) which grow out of transactions involving the importation or exportation of goods;

"(ii) which grow out of transactions involving the domestic shipment of goods; or

"(iii) which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples.

"(B) No institution shall accept such bills, or be obligated for a participation share in such bills, in an amount equal at any time in the aggregate to more than 150 per centum of its paid up and unimpaired capital stock and surplus or, in the case of a United States branch or agency of a foreign bank, its dollar equivalent as determined by the Board under subparagraph (H).

"(C) The Board, under such conditions as it may prescribe, may authorize, by regulation or order, any institution to accept such bills, or be obligated for a participation share in such bills, in an amount not exceeding at any time in the aggregate 200 per centum of its paid up and unimpaired capital stock and surplus or, in the case of a United States branch or agency of a foreign bank, its dollar equivalent as determined by the Board under subparagraph (H).

"(D) Notwithstanding subparagraphs (B) and (C), with respect to any institution, the aggregate acceptances, including obligations for a participation share in such acceptances, growing out of domestic transactions shall not exceed 50 per centum of the aggregate of all acceptances, including obligations for a participation share in such accept-

ances, authorized for such institution under this paragraph.

"(E) No institution shall accept bills, or be obligated for a participation share in such bills, whether in a foreign or domestic transaction, for any one person, partnership, corporation, association, or other entity in an amount equal at any time in the aggregate to more than 10 per centum of its paid up and unimpaired capital stock and surplus, or, in the case of a United States branch or agency of a foreign bank, its dollar equivalent as determined by the Board pursuant to subparagraph (H), unless the institution is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance.

"(F) With respect to an institution which issues an acceptance, the limitations contained in subparagraphs (B), (C), and (E) shall not apply to that portion of an acceptance which is issued by such institution and which is covered by a participation agreement sold to another institution.

"(G) In order to carry out the purposes of this paragraph, the Board may define any of the terms used in this paragraph, and, with respect to institutions which do not have capital or capital stock, the Board shall define an equivalent measure to which the limitations contained in this paragraph shall apply.

"(H) Any limitation or restriction in this paragraph based on paid up and unimpaired capital stock and surplus of an institution shall be deemed to refer, with respect to a United States branch or agency of a foreign bank, to the dollar equivalent of the paid up capital stock and surplus of the foreign bank, as determined by the Board, and if the foreign bank has more than one United States branch or agency the business transacted by all such branches and agencies shall be aggregated in determining compliance with the limitation or restriction.".

BANKING AFFILIATES

SEC. 411. (a) This section may be cited as the "Banking Affiliates Act of 1982".

(b) Section 23A of the Federal Reserve Act (12 U.S.C. 371c) is amended to read as follows:

"SEC. 23A. (a) RESTRICTIONS ON TRANSACTIONS WITH AFFILIATES.—

"(1) A member bank and its subsidiaries may engage in a covered transaction with an affiliate only if—

"(A) in the case of any affiliate, the aggregate amount of covered transactions of the member bank and its subsidiaries will not exceed 10 per centum of the capital stock and surplus of the member bank; and

"(B) in the case of all affiliates, the aggregate amount of covered transactions of the member bank and its subsidiaries will not exceed 20 per centum of the capital stock and surplus of the member bank.

"(2) For the purpose of this section any transaction by a member bank with any person shall be deemed to be a transaction with an affiliate to the extent that the proceeds of the transaction are used for the benefit of, or transferred to, that affiliate.

"(3) A member bank and its subsidiaries may not purchase a low-quality asset from an affiliate unless the bank or such subsidiary, pursuant to an independent credit evaluation, committed itself to purchase such asset prior to the time such asset was acquired by the affiliate.

"(4) Any covered transactions and any transactions exempt under subsection (d) between a member bank and an affiliate shall be on terms and conditions that are consistent with safe and sound banking practices.

"(b) DEFINITIONS.—For the purpose of this section—

"(1) the term 'affiliate' with respect to a member bank means—

"(A) any company that controls the member bank and any other company that is controlled by the company that controls the member bank;

"(B) a bank subsidiary of the member bank;

"(C) any company—

"(i) that is controlled directly or indirectly, by a trust or otherwise, by or for the benefit of shareholders who beneficially or otherwise control, directly or indirectly, by trust or otherwise, the member bank or any company that controls the member bank; or

"(ii) in which a majority of its directors or trustees constitute a majority of the persons holding any such office with the member bank or any company that controls the member bank;

"(D)(i) any company, including a real estate investment trust, that is sponsored and advised on a contractual basis by the member bank or any subsidiary or affiliate of the member bank; or

"(ii) any investment company with respect to which a member bank or any affiliate thereof is an investment advisor as defined in section 2(a)(20) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)-2(a)(20)); and

"(E) any company that the Board determines by regulation or order to have a relationship with the member bank or any subsidiary or affiliate of the member bank, such that covered transactions by the member bank or its subsidiary with that company may be affected by the relationship to the detriment of the member bank or its subsidiary; and

"(2) the following shall not be considered to be an affiliate:

"(A) any company, other than a bank, that is a subsidiary of a member bank, unless a determination is made under paragraph (1)(E) not to exclude such subsidiary company from the definition of affiliate;

"(B) any company engaged solely in holding the premises of the member bank;

"(C) any company engaged solely in conducting a safe deposit business;

"(D) any company engaged solely in holding obligations of the United States or its agencies or obligations fully guaranteed by the United States or its agencies as to principal and interest; and

"(E) any company where control results from the exercise of rights arising out of a bona fide debt previously contracted, but only for the period of time specifically authorized under applicable State or Federal law or regulation or, in the absence of such law or regulation, for a period of two years from the date of the exercise of such rights or the effective date of this Act, whichever date is later, subject, upon application, to authorization by the Board for good cause shown of extensions of time for not more than one year at a time, but such extensions in the aggregate shall not exceed three years;

"(3)(A) a company or shareholder shall be deemed to have control over another company if—

"(i) such company or shareholder, directly or indirectly, or acting through one or more other persons owns, controls, or has power to vote 25 per centum or more of any class of voting securities of the other company;

"(ii) such company or shareholder controls in any manner the election of a majority of the directors or trustees of the other company; or

"(iii) the Board determines, after notice and opportunity for hearing, that such company or shareholder, directly or indirectly, exercises a controlling influence over the management or policies of the other company; and

"(B) notwithstanding any other provision of this section, no company shall be deemed to own or control another company by virtue of its ownership or control of shares in a fiduciary capacity, except as provided in paragraph (1)(C) of this subsection or if the company owning or controlling such shares is a business trust;

"(4) the term 'subsidiary' with respect to a specified company means a company that is controlled by such specified company;

"(5) the term 'bank' includes a State bank, national bank, banking association, and trust company;

"(6) the term 'company' means a corporation, partnership, business trust, association, or similar organization and, unless specifically excluded, the term 'company' includes a 'member bank' and a 'bank';

"(7) the term 'covered transaction' means with respect to an affiliate of a member bank—

"(A) a loan or extension of credit to the affiliate;

"(B) a purchase of or an investment in securities issued by the affiliate;

"(C) a purchase of assets, including assets subject to an agreement to repurchase, from the affiliate, except such purchase of real and personal property as may be specifically exempted by the Board by order or regulation;

"(D) the acceptance of securities issued by the affiliate as collateral security for a loan or extension of credit to any person or company; or

"(E) the issuance of a guarantee, acceptance, or letter of credit, including an endorsement or standby letter of credit, on behalf of an affiliate;

"(8) the term 'aggregate amount of covered transactions' means the amount of the covered transactions about to be engaged in added to the current amount of all outstanding covered transactions;

"(9) the term 'securities' means stocks, bonds, debentures, notes, or other similar obligations; and

"(10) the term 'low-quality asset' means an asset that falls in any one or more of the following categories:

"(A) an asset classified as 'substandard', 'doubtful', or 'loss' or treated as 'other loans especially mentioned' in the most recent report of examination or inspection of an affiliate prepared by either a Federal or State supervisory agency;

"(B) an asset in a nonaccrual status;

"(C) an asset on which principal or interest payments are more than thirty days past due; or

"(D) an asset whose terms have been renegotiated or compromised due to the deteriorating financial condition of the obligor.

"(c) COLLATERAL FOR CERTAIN TRANSACTIONS WITH AFFILIATES.—

"(1) Each loan or extension of credit to, or guarantee, acceptance, or letter of credit issued on behalf of, an affiliate by a member bank or its subsidiary shall be secured at the time of the transaction by collateral having a market value equal to—

"(A) 100 per centum of the amount of such loan or extension of credit, guarantee, acceptance, or letter of credit, if the collateral is composed of—

"(i) obligations of the United States or its agencies;

"(ii) obligations fully guaranteed by the United States or its agencies as to principal and interest;

"(iii) notes, drafts, bills of exchange or bankers' acceptances that are eligible for rediscount or purchase by a Federal Reserve Bank; or

"(iv) a segregated, earmarked deposit account with the member bank;

"(B) 110 per centum of the amount of such loan or extension of credit, guarantee, acceptance, or letter of credit if the collateral is composed of obligations of any State or political subdivision of any State;

"(C) 120 per centum of the amount of such loan or extension of credit, guarantee, acceptance, or letter of credit if the collateral is composed of other debt instruments, including receivables; or

"(D) 130 per centum of the amount of such loan or extension of credit, guarantee, acceptance, or letter of credit if the collateral is composed of stock, leases, or other real or personal property.

"(2) Any such collateral that is subsequently retired or amortized shall be replaced by additional eligible collateral where needed to keep the percentage of the collateral value relative to the amount of the outstanding loan or extension of credit, guarantee, acceptance, or letter of credit equal to the minimum percentage required at the inception of the transaction.

"(3) A low-quality asset shall not be acceptable as collateral for a loan or extension of credit to, or guarantee, acceptance, or letter of credit issued on behalf of an affiliate.

"(4) The securities issued by an affiliate of the member bank shall not be acceptable as collateral for a loan or extension of credit to, or guarantee, acceptance, or letter of credit issued on behalf of, that affiliate or any other affiliate of the member bank.

"(5) The collateral requirements of this paragraph shall not be applicable to an acceptance that is already fully secured either by attached documents or by other property having an ascertainable market value that is involved in the transaction.

"(d) EXEMPTIONS.—The provisions of this section, except paragraph (a)(4), shall not be applicable to—

"(1) any transaction, except for the purchase of a low-quality asset which is prohibited, with a bank—

"(A) which controls 80 per centum or more of the voting shares of the member bank;

"(B) in which the member bank controls 80 per centum or more of the voting shares; or

"(C) in which 80 per centum or more of the voting shares are controlled by the company that controls 80 per centum or more of the voting shares of the member bank;

"(2) making deposits in an affiliated bank or affiliated foreign bank in the ordinary course of correspondent business, subject to any restrictions that the Board may prescribe by regulation or order;

"(3) giving immediate credit to an affiliate for uncollected items received in the ordinary course of business;

"(4) making a loan or extension of credit to, or issuing a guarantee, acceptance, or letter of credit on behalf of, an affiliate that is fully secured by—

"(A) obligations of the United States or its agencies;

"(B) obligations fully guaranteed by the United States or its agencies as to principal and interest; or

"(C) a segregated , earmarked deposit account with the member bank;

"(5) purchasing securities issued by any company of the kinds described in section 4(c)(1) of the Bank Holding Company Act of 1956;

"(6) purchasing assets having a readily identifiable and publicly available market quotation and purchased at that market quotation; and

"(7) purchasing from an affiliate a loan or extension of credit that was originated by the member bank and sold to the affiliate subject to a repurchase agreement or with recourse.

"(e) RULEMAKING AND ADDITIONAL EXEMPTIONS.—

"(1) The Board may issue such further regulations and orders, including definitions consistent with this section, as may be necessary to administer and carry out the purposes of this section and to prevent evasions thereof.

"(2) The Board may, at its discretion, by regulation or order exempt transactions or relationships from the requirements of this section if it finds such exemptions to be in the public interest and consistent with the purposes of this section.".

"(c) Section 23A of the Federal Reserve Act, as amended by this section, shall apply to any transaction entered into after the date of enactment of this Act, except for transactions which are the subject of a binding written contract or commitment entered into on or before July 28, 1982, and except that any renewal of a participation in a loan outstanding on July 28, 1982, to a company that becomes an affiliate as a result of the enactment of this Act, or any participation in a loan to such an affiliate emanating from the renewal of a binding written contract or commitment outstanding on July 28, 1982, shall not be subject to the collateral requirements of this Act.

"(d) Section 18(j) of the Federal Deposit Insurance Act (12 U.S.C. 1828(j)) is amended by striking out, "within the meaning of section 2 of the Banking Act of 1933, and".

"(e) Section 22(h)(6)(C) of the Federal Reserve Act (12 U.S.C. 375b-(6)(C)) is repealed and subparagraphs (D) through (G) of such section are redesignated as subparagraphs (C) through (F), respectively.

"(f) Section 106(b)(2)(E) of the Bank Holding Company Amendments of 1970 (12 U.S.C. 1972(2)(E)) is amended by striking out "the same meaning given it in section 23A of the Federal Reserve Act" and inserting in lieu thereof "the meaning prescribed by the Board pursuant to section 22(h) of the Federal Reserve Act (12 U.S.C. 375).".

(g) Section 10(d) of the Federal Deposit Insurance Act (12 U.S.C. 1820(d)) is amended by inserting "as in section 2(d) of the Banking Act of 1933 (12 U.S.C. 221a(b)) and" after "shall have the same meaning".

EXEMPTION FROM RESERVE REQUIREMENTS

SEC. 412(a) Section 19(b)(9) of the Federal Reserve Act (12 U.S.C. 461(b)(9)) is amended—

(1) by inserting "(A)" after "(9) EXEMPTION.—"; and

(2) by adding at the end thereof the following:

"(B) Requirements imposed under paragraph (2) of this subsection shall not apply to any depository institution which has less than $5,000,000 in deposits, which amount shall be adjusted as provided in subparagraph (C). A depository institution which has less than $5,000,000, which amount shall be adjusted as provided in subparagraph (C), in total deposits shall remain exempt under this paragraph until has total deposits of at least $5,000,000, which amount shall be adjusted as provided in subparagraph (C), for two consecutive calendar quarters. This subparagraph shall not apply to any United States branch or agency of a foreign bank or any organization operating under section 25 or section 25(a) of this Act.

(C) Not later than December 31 of each year beginning in 1982, the Board shall issue a regulation increasing for the next succeeding calendar year the dollar amount contained in subparagraph (B) (or which was last determined pursuant to this subparagraph) by an amount obtained by multiplying such dollar amount by the percentage increase in the total deposits of all depository institutions. The Board may calculate the amount of the increase by using information on deposits received periodically by the Board for selected depository institutions. The increase in deposits shall be determined by subtracting the amount of such deposits on June 30th of the preceding calendar year from the amount of such deposits on June 30th of the calendar year involved. No adjustment will be made for a decrease in total deposits.".

(b) Section 19(b)(7) of the Federal Reserve Act is amended by inserting "including those exempted under subparagraph (9)(B)" after "Any depository institution".

(c) Section 11A(c)(2) of the Federal Reserve Act is amended by inserting "including those exempted under subsection 19(b)(9) of this Act" after "nonmember depository institution".

(d) This section shall take effect sixty days after the date of enactment of this Act.

VISITORIAL POWERS

SEC. 413. Section 5240 of the Revised Statutes (12 U.S.C. 484) is amended to read as follows:

"SEC. 5240. No national bank shall be subject to any visitorial powers except as authorized by Federal law, vested in the courts of justice or such as shall be, or have been exercised or directed by Congress or by either House thereof or by any committee of Congress or by either House thereof or by any committee of Congress or of either House duly authorized. Notwithstanding the preceding sentence, lawfully authorized State auditors and examiners may, at reasonable times and upon reasonable notice to a bank, review its records solely to ensure compliance with applicable State unclaimed property or escheat laws upon reasonable cause to believe that the bank has failed to comply with such laws.".

REAL ESTATE HOLDING PERIOD

SEC. 414. Section 5137 of the Revised Statutes (12 U.S.C. 29) is amended by striking out the last paragraph thereof and inserting in lieu thereof the following:

"Notwithstanding the five-year holding limitation of this section or any other provision of this title, any national banking association which on the date of enactment of this paragraph held, directly or indirectly, real estate, including any subsurface rights or interests therein, that since December 31, 1979, had not been valued on the books of such association for more than a nominal amount, may continue to hold such real estate, rights, or interests for such longer period of time as would be permitted a State chartered bank by the law of the State in which the association is located if the aggregate amount of earnings from such real estate, rights, or interests is separately disclosed in the annual financial statements of the association.".

PART B—FINANCIAL INSTITUTIONS REGULATORY ACT AMENDMENTS

LOAN LIMITS

SEC. 421. (a) Section 22(g) of the Federal Reserve Act (12 U.S.C. 375a) is amended by striking out "not exceeding $60,000" in paragraph (2), and by striking out ", not exceeding the aggregate amount of $20,000 outstanding at any one time," in paragraph (3).

(b) Paragraph (4) of section 22(g) of the Federal Reserve Act (12 U.S.C. 375a(4)) is amended by striking "not exceeding the aggregate amount of $10,000 outstanding at any one time" and inserting in lieu thereof "in an amount prescribed in a regulation of the member bank's appropriate Federal banking agency".

REPEAL OF REPORTING REQUIREMENT

SEC. 422. Section 22(g) of the Federal Reserve Act (12 U.S.C. 375a) is amended by striking out paragraph (9) and redesignating paragraph (10) as paragraph (9).

APPROVAL OF CERTAIN LOANS

SEC. 423. Paragraph (2) of section 22(h) of the Federal Reserve Act (12 U.S.C. 375b(2)) is amended—

(1) by striking out "$25,000" and inserting in lieu thereof "an amount prescribed in a regulation of the appropriate Federal banking agency"; and

(2) by striking out "a majority of the entire" and inserting in lieu thereof "the".

LOANS TO OFFICERS OF SUBSIDIARIES

SEC. 424. Subparagraphs (D) and (E) of section 22(h)(6) of the Federal Reserve Act (12 U.S.C. 375b(6) (D) and (E)) are amended by striking out ", or with any other subsidiary of such bank holding company" each place it appears therein.

EXCLUSION OF FOREIGN BANKS

SEC. 425. Section 18(j)(2) of the Federal Deposit Insurance Act (12 U.S.C. 1828(j)(2)) is amended by adding at the end thereof the following: "The provisions of this subsection shall not apply to any foreign bank, as defined in section 1(b)(7) of the International Banking Act of 1978 (12 U.S.C. 3101(7)), having an insured branch in the United States, but shall apply to the insured branch.".

CIVIL MONEY PENALTIES

SEC. 426. (a) Section 19(l)(1) of the Federal Reserve Act (12 U.S.C. 505(1)); section 5(d)(8)(B)(i) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)(8)(B)(i)); section 8(b)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1847(b)(1)); and section 206(j)(2)(A) of the Federal Credit Union Act (12 U.S.C. 1786(j)(2)(A)) are amended by inserting before the period at the end of the first sentence thereof the following: ": *Provided*, That the Board may, in its discretion, compromise, modify, or remit any civil money penalty which is subject to imposition or has been imposed under authority of this subsection".

(b) Section 407(k)(3)(A) of the National Housing Act (12 U.S.C. 1730(k)(3)(A)); section 408(j)(4)(A) of the National Housing Act (12 U.S.C. 1730a(j)(4)(A)); and section 18(j)(3)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1828(j)(3)(A)) are amended by inserting before the period at the end of the first sentence thereof the following: ": *Provided*, That the Corporation may, in its discretion, compromise, modify, or remit any civil money penalty which is subject to imposition or has been imposed under authority of this subsection".

(c) Section 29(a) of the Federal Reserve Act (12 U.S.C. 504(a)); section 8(i)(2)(i) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)(2)(i)); and section 106(b)(2)(F)(i) of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1972(2)(F)(i)) are amended by inserting before the period at the end of the first sentence thereof the following: ": *Provided*, That the agency having authority to impose a civil money penalty may, in its discretion, compromise, modify, or remit any civil money penalty which is subject to imposition or has been imposed under such authority".

(d) Each of the following provisions is amended by striking the term "shall" and inserting in lieu thereof the term "may";

(1) The second sentence of section 29(a) of the Federal Reserve Act (12 U.S.C. 504(a));

(2) The second sentence of section 19(l)(1) of the Federal Reserve Act (12 U.S.C. 505(l);

(3) The second sentence of section 5239(b)(1) of the Revised Statutes (12 U.S.C. 93(b)(1));

(4) The second sentence of section 8(b)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1847(b)(1));

(5) The second sentence of section 408(j)(4)(A) of the National Housing Act (12 U.S.C. 1730(j)(4)(A));

(6) The second sentence of section 8(i)(2)(i) of the Federal Deposit Insurance Act (12 U.S.C. 1818(i)(2)(i));

(7) The second sentence of section 407(k)(3)(A) of the National Housing Act (12 U.S.C. 1730(k)(3)(A));

(8) The second sentence of section 5(d)(8)(B)(i) of the Home Owners' Loan Act of 1933 (12 U.S.C.1464(d)(8)(B)(i));

(9) The second sentence of section 206(j)(2)(A) of the Federal Credit Union Act (12 U.S.C. 1786(j)(2)(A));

(10) The second sentence of section 18(j)(3)(A) of the Federal Deposit Insurance Act (12 U.S.C. 1828(j)(3)(A)); and

(11) The second sentence of section 106(b)(2)(F)(i) of the Bank Holding Company Act Amendments of 1970 (12 U.S.C.1972(2)(F)(i)).

(e) Sections 29(d) and 19(l)(4) of the Federal Reserve Act (12 U.S.C. 504(d) and 505(4)), 18(j)(3)(D) and 8(i)(2)(iv) of the Federal Deposit Insurance Act (12 U.S.C. 1828(j)(3)(D) and 1818(i)(2)(iv), 407(k)(3)(D) of the National Housing Act (12 U.S.C. 1730(k)(3)(D)), 5(d)(8)(B)(iv) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)(8)(B)(iv)), 206(j)(2)(D) of the Federal Credit Union Act (12 U.S.C. 1786(j)(2)(D)), and 106(b)(2)(F)(iv) of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1972(2)(F)(iv)) are amended by striking out "ten days from the date" in each section and inserting in lieu thereof "twenty days from the service".

(f) Section 5239(b)(1) of the Revised Statutes (12 U.S.C. 93(b)(1)) is amended by striking out the word "chapter" and inserting in lieu thereof "title".

(g) Section 5239(b)(1) of the Revised Statutes (12 U.S.C. 93(b)(1)) is amended by inserting before ", or any regulation issued pursuant thereto," the following: "or any of the provisions of the first section of the Act of September 28, 1962 (76 Stat. 688; 12 U.S.C. 92a)".

TECHNICAL AMENDMENTS

SEC. 427. (a) Section 407(h)(1) of the National Housing Act (12 U.S.C. 1730(h)(1)) is amended—

(1) by striking out "persons" in the first sentence and inserting in lieu thereof "person"; and

(2) by striking out "(3)" in the last sentence and inserting in lieu thereof "(2)".

(b) The first sentence of section 8(b)(3) of the Federal Deposit Insurance Act (12 U.S.C. 1818(b)(3)) is amended by striking out "25A" and inserting in lieu thereof "25(a)".

(c) Section 8(b) of the Federal Deposit Insurance Act (12 U.S.C. 1818(b)) is amended by adding at the end thereof the following:

"(4) This subsection and subsections (c), (d), (h), (i), (k), (l), (m), and (n) of this section shall apply to any foreign bank or company to which subsection (a) of section 8 of the International Banking Act of 1978 applies and to any subsidiary (other than a bank) of any such foreign bank or company in the same manner as they apply to a bank holding company and any subsidiary thereof (other than a bank) under subparagraph (3) of this subsection. For the purposes of this paragraph, the term 'subsidiary' shall have the meaning assigned to it in section 2 of the Bank Holding Company Act of 1956.".

(d) Section 205(2) of the Depository Institution Management Interlocks Act (12 U.S.C. 3204(2)) is amended by striking "25A" and inserting in lieu thereof "25(a)".

MANAGEMENT INTERLOCKS

SEC. 428. The Depository Institution Management Interlocks Act is amended by adding at the end thereof the following new section:

"SEC. 210. For the purpose of the exercise by the Attorney General of his enforcement functions under section 207(6) of this title, all of the functions and powers of the Attorney General under the Clayton Act are available to the Attorney General, irrespective of any jurisdictional tests in the Clayton Act, including the power to take enforcement actions in the same manner as if the violation had been a violation of the Clayton Act. All of the functions and powers of the Attorney General or the Assistant Attorney General in charge of the Antitrust Division of the Department of Justice are available to the Attorney General or to such Assistant Attorney General to investigate possible violations under section 207(6) of the title in the same manner as if such possible violations were possible violations of the Clayton Act.".

REMOVAL AUTHORITY

SEC. 429. (a) Section 5(d) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(d)) is amended—

(1) by redesignating paragraphs (4) (C) through (E) as paragraphs (4) (D) through (F), respectively, and by inserting after paragraph (4)(B) the following new paragraph:

"(C) Whenever, in the opinion of the Board, any director or officer of an association has committed a violation of the Depository Institution Management Interlocks Act (12 U.S.C. 3201 et seq.), the Board may serve upon such director or officer a written notice of its intention to remove him from office or to prohibit his further participation in any manner in the conduct of the affairs of the association.";

(2) by striking out "(A) or (B)" each place it appears in paragraphs (4)(D) and (4)(F), as redesignated, and inserting in lieu thereof "(A), (B), or (C)";

(3) by striking out "(E)" in the second sentence of paragraph (4)(D), as redesignated, and inserting in lieu thereof "(F)";

(4) by striking out "(C)" in paragraph (F), as redesignated, and inserting in lieu thereof "(D)";

(5) by striking out, in paragraph (5)(A), "or (C)" and inserting in lieu thereof "(C), or (D)"; and

(6) by striking out, in paragraph (12)(A), "(4)(C), (4)(D)" and inserting in lieu thereof "(4)(D), (4)(E)".

(b)(1) Section 407(g) of the National Housing Act (12 U.S.C. 1730(g)) is amended—

(A) by redesignating paragraphs (3) through (5) as paragraphs (4) through (6), respectively, and by inserting after paragraph (2) the following new paragraph:

"(3) Whenever, in the opinion of the Corporation, any director or officer of an insured institution has committed a violation of the Depository Institution Management Interlocks Act (12 U.S.C. 3201 et seq.), the Corporation may serve upon such director or officer a written notice of its intention to remove him from office or to prohibit his further participation in any manner in the conduct of the affairs of the institution.";

(B) by striking out "or (2)" each place it appears in paragraphs (4) and (6), as redesignated, and inserting in lieu thereof ", (2) or (3)";

(C) by striking out "(5)" in paragraph (4), as redesignated, and inserting in lieu thereof "(6)"; and

(D) by striking out "(3)" in paragraph (6), as redesignated, and inserting in lieu thereof "(4)".

(2) Section 407(h)(1) of the National Housing Act (12 U.S.C. 1730(h)(1)) is amended by striking out "or (3)" in the fourth sentence and inserting in lieu thereof "(3) or (4)".

(3) Section 407(p)(1) of the National Housing Act (12 U.S.C. 1730(p)(1)) is amended by striking out "(g)(3), (g)(4)," and inserting in lieu thereof "(g)(4), (g)(5),".

(c)(1) Section 206(g) of the Federal Credit Union Act (12 U.S.C. 1786(g)) is amended—

(A) by redesignating paragraphs (3) through (5) as paragraphs (4) through (6), respectively, and by inserting after paragraph (2) the following new paragraph:

"(3) Whenever, in the opinion of the Board, any director, officer, or committee member of an insured credit union has committed any violation of the Depository Institution Management Interlocks Act (12 U.S.C. 3201 et seq.), the Board may serve upon such director, officer, or committee member a written notice of its intention to remove him from office.";

(B) by striking out "or (2)" each place it appears in paragraphs (4) or (6), as redesignated, and inserting in lieu thereof ", (2), or (3)";

(C) by striking out "(5)" in paragraph (4), as redesignated, and inserting in lieu thereof "(6)"; and

(D) by striking out "(3)" in paragraph (6), as redesignated, and inserting in lieu thereof "(4)".

(2) Section 206(k) of the Federal Credit Union Act (12 U.S.C. 1786(k)) is amended by striking out "(3), (g)(4)" and inserting in lieu thereof "(4), (g)(5)".

(d)(1) Section 8(e) of the Federal Deposit Insurance Act (12 U.S.C. 1818(e)) is amended—

(A) by redesignating paragraphs (3) through (5) as paragraphs (4) through (6), respectively, and by inserting after paragraph (2) the following new paragraph:

"(3) Whenever, in the opinion of the appropriate Federal banking agency, any director or officer of an insured bank has committed any violation of the Depository Institution Management Interlocks Act (12 U.S.C. 3201 et seq.), the agency may serve upon such director or officer a written notice of its intention to remove him from office."; and

(B) by striking out "or (2)" each place it appears in paragraph (4), as redesignated, and inserting in lieu thereof ", (2), or (3)".

(2) Section 8(f) of the Federal Deposit Insurance Act (12 U.S.C. 1818(f)) is amended by striking out "(e)(5) or (e)(7)" and "(e)(1), (e)(3), or (e)(7)" and inserting in lieu thereof "(e)(4)" and "(e)(1), (e)(2), or (e)(3)", respectively.

(3) Section 8(g)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1818(g)(1)) is amended by striking out "or (3)" in the penultimate sentence and inserting in lieu thereof ", (3), or (4)".

(4) Section 8(j) of the Federal Deposit Insurance Act (12 U.S.C. 1818(j)) is amended by striking out "(e)(3), (e)(4)" and inserting in lieu thereof "(e)(4), (e)(5)".

CORRESPONDENT ACCOUNTS

SEC. 430. (a) Section 106(b)(2) of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1972(2)) is amended—

(1) by inserting in subparagraph (A) (12 U.S.C. 1972(2)(A)) after the phrase "such other bank" the phrase "or to any related interest of such person";

(2) by inserting in subparagraph (B) (12 U.S.C. 1972(2)(B)) after the phrase "desiring to open the account" the phrase "or to any related interest of such person";

(3) by inserting in subparagraph (C) (12 U.S.C. 1972(2)(C)) after the phrase "such other bank" the phrase "or to any related interest of such person"; and

(4) by inserting in subparagraph (D) (12 U.S.C. 1972(2)(D)) after the phrase "another bank" the phrase "or to any related interest of such person".

(b) Section 106(b)(2)(G) of the Bank Holding Company Act Amendments of 1970 (12 U.S.C. 1972(2)(G)) is amended to read as follows:

"(G) For the purpose of this paragraph—

"(i) the term 'bank' shall include any mutual savings bank;

"(ii) the term 'related interest of such person' means any company controlled by such executive officer, director, or person, or any political or campaign committee the funds or services of which will benefit such executive officer, director, or person or which is controlled by such executive officer, director, or person; and

"(iii) the terms 'control of a company' and 'company' shall have the same meaning as under section 22(h) of the Federal Reserve Act (12 U.S.C. 375b).".

DISCLOSURE OF MATERIAL FACTS

SEC. 431. Section 7(k) of the Federal Deposit Insurance Act (12 U.S.C. 1817(k)) is repealed.

TECHNICAL AMENDMENT

SEC. 432. Section 1006(b)(2) of the Federal Financial Institutions Examination Council Act of 1978 (12 U.S.C. 3305(b)(2)) is amended by striking out "unaccepted" and inserting in lieu thereof "unacceptable".

RIGHT TO FINANCIAL PRIVACY ACT AMENDMENTS

SEC. 433. (a) Section 1112 of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3412) is amended by adding at the end thereof the following new subsection:

"(e) Notwithstanding section 1101(6) or any other provision of this title, the exchange of financial records or other information with respect to a financial institution among and between the five member supervisory agencies of the Federal Financial Institutions Examination Council is permitted.".

(b) Section 1114(b)(2) of the Right to Financial Privacy Act of 1978 (12 U.S.C. 3414(b)(2)) is amended by striking out "of" following the term "institution".

MISCELLANEOUS AMENDMENT

SEC. 434. Section 8(q) of the Federal Deposit Insurance Act (12 U.S.C. 1818(q)) is amended by placing a period after the phrase "six-month period" in the first sentence and striking the remainder of that sentence.

MISCELLANEOUS AMENDMENT

SEC. 435. Section 4(a)(2) of the Bank Holding Company Act of 1956 (18 U.S.C. 1843(a)(2)), as amended, is further amended by striking the phrase "December 31, 1982" in the last paragraph and substituting therefor the phrase "December 31, 1984".

TITLE V—AMENDMENTS TO THE FEDERAL CREDIT UNION ACT

CUSTODIAL ACCOUNTS

SEC. 501. Section 101(5) of the Federal Credit Union Act (12 U.S.C. 1752(5)) is amended by inserting ", and such terms mean custodial accounts established for loans sold in whole or in part pursuant to section 107(13)" after "section 207 of this Act".

AUDIT OF NATIONAL CREDIT UNION ADMINISTRATION

SEC. 502. Section 102(f) of the Federal Credit Union Act (12 U.S.C. 1752a(f)) is amended by striking out "on a calendar year basis".

ORGANIZATIONAL PROCESS

SEC. 503. Section 103 of the Federal Credit Union Act (12 U.S.C. 1753) is amended by striking out "subscribe" and inserting in lieu thereof "each subscribe either individually or collectively".

PAR VALUE OF SHARES

SEC. 504. Section 103(4) of the Federal Credit Union Act (12 U.S.C. 1753(4)) is amended by inserting "initial" before "par value" and by striking out ", which shall be $5 each".

INVESTMENT OF FEES

SEC. 505. Section 10b of the Federal Credit Union Act (12 U.S.C. 1755) is amended by adding at the end thereof the following new subsection:

"(e)(1) Upon request of the Board, the Secretary of the Treasury shall invest and reinvest such portions of the annual operating fees deposited under subsection (d) as the Board determines are not needed for current operations.

"(2) Such investments may be made only in interest bearing securities of the United States with maturities requested by the Board bearing interest at rates determined by the Secretary of the Treasury, taking into consideration current market yields on outstanding marketable obligations of the United States of comparable maturities.

"(3) All income derived from such investments and reinvestments shall be deposited to the account of the Administration described in subsection (d).".

TECHNICAL AMENDMENT

SEC. 506. Section 107(5)(A) of the Federal Credit Union Act (12 U.S.C. 1757(5)) is amended by striking out the period at the end of clause (ix) and inserting in lieu thereof a semicolon and by adding at the end thereof the following:

"(x) loans must be approved by the credit committee or a loan officer, but no loan may be made to any member if, upon the

making of that loan, the member would be indebted to the Federal credit union upon loans made to him in an aggregate amount which would exceed 10 per centum of the credit union's unimpaired capital and surplus.".

REAL ESTATE LENDING—MAXIMUM MATURITY

SEC. 507. Section 107(5)(A)(i) of the Federal Credit Union Act (12 U.S.C. 1757(5)(A)(i)) is amended by inserting "or such other limits as shall be set by the National Credit Union Association Board" after "not exceeding thirty years".

REAL ESTATE LENDING—MEDIAN PRICE RULE

SEC. 508. Section 107(5)(A)(i) of the Federal Credit Union Act (12 U.S.C. 1757(5)(A)(i)) is amended by striking out "the sales price of which is not more than 150 per centum of the median sales price of residential real property situated in the geographical area (as determined by the board of directors) in which the property is located,".

REAL ESTATE LENDING—REFINANCING

SEC. 509. Section 107(5)(A)(i) of the Federal Credit Union Act (12 U.S.C. 1757(5)(A)(i)) is amended by striking out "which is made to finance the acquisition of" and inserting in lieu thereof "on" and by striking out "for" the first time it appears and inserting in lieu thereof "that is or will be".

REAL ESTATE LENDING—SECOND MORTGAGES

SEC. 510. Section 107(5)(A)(ii) of the Federal Credit Union Act (12 U.S.C. 1757(5)(A)(ii)) is amended to read as follows:

"(ii) a loan to finance the purchase of a mobile home, which shall be secured by a first lien on such mobile home, to be used by the credit union member as his residence, or a second mortgage loan secured by a residential dwelling which is the residence of a credit union member shall have a maturity not to exceed fifteen years unless such loan is insured or guaranteed as provided in subparagraph (iii);".

TERMS OF GUARANTEED LOANS

SEC. 511. Section 107(5)(A)(iii) of the Federal Credit Union Act (12 U.S.C. 1757(5)(A)(iii)) is amended to read as follows:

"(iii) a loan secured by the insurance or guarantee of, or with advance commitment to purchase the loan by, the Federal Government, a State government, or any agency of either may be made for the maturity and under the terms and conditions specified in the law under which such insurance, guarantee, or commitment is provided;".

LOANS TO DIRECTORS OR COMMITTEE MEMBERS

SEC. 512. Section 107(5)(A) (iv) and (v) of the Federal Credit Union Act (12 U.S.C. 1757(5)(A) (iv) and (v)) are amended by striking out "$5,000" and inserting in lieu thereof "$10,000".

REAL ESTATE LENDING—PARTIAL PAYMENTS

SEC. 513. Section 107(5)(A)(viii) of the Federal Credit Union Act (12 U.S.C. 1757(5)(A)(viii)) is amended by inserting before the semicolon at the end thereof the following: ", except that on a first or second mortgage loan a Federal credit union may require that any partial prepayments (I) be made on the date monthly installments are due, and (II) be in the amount of that part of one or more monthly installments which would be applicable to principal".

INVESTMENT IN STATE AND LOCAL GOVERNMENT OBLIGATIONS

SEC. 514. Section 107(7) of the Federal Credit Union Act (12 U.S.C. 1757(7)) is amended by adding at the end thereof the following "(L) investments in obligations of, or issued by, any State or political subdivision thereof (including any agency, corporation, or instrumentality of a State or political subdivision), except that no credit union may invest more than 10 per centum of its unimpaired capital and surplus in the obligations of any one issuer (exclusive of general obligations of the issuer); and."

USE OF SPACE AND FACILITIES

SEC. 515. Section 124 of the Federal Credit Union Act (12 U.S.C. 1770) is amended by adding at the end thereof the following: "For the purpose of this section, the term 'services' includes, but is not limited to, the providing of lighting, heating, cooling, electricity, office furniture, office machines and equipment, telephone service (including installation lines and equipment and other expenses associated with telephone service), and security systems (including installation and other expenses associated with security systems). Where there is an agreement for the payment of costs associated with the provision of rent or services, nothing in title 31, United States Code, or any other provision of law, shall be construed to prohibit or restrict payment by reimbursement to the miscellaneous receipts or other appropriate account of the Treasury.".

INVESTMENT IN SECONDARY MARKET INSTRUMENTS

SEC. 516. Section 107(7)(E) of the Federal Credit Union Act (12 U.S.C. 1757(7)(E)) is amended by inserting after the last semicolon the following: "or in obligations, participations, securities, or other instruments of, or issued by, or fully guaranteed as to principal and interest by any other agency of the United States and a Federal credit union may issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act;".

DEPOSIT IN OUT-OF-STATE INSURED STATE BANKS

SEC. 517. Section 107(8) of the Federal, Credit Union Act (12 U.S.C. 1757(8)) is amended by inserting after "in which the Federal credit union does business," the following: "or in banks or institutions the accounts of which are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation,".

MONEY TRANSFER SERVICES

SEC. 518. Section 107(12) of the Federal Credit Union Act (12 U.S.C. 1757(12)) is amended—

(1) by striking out "and money orders" and inserting in lieu thereof ", money orders, and other similar money transfer instruments"; and

(2) by striking out all after "for a fee" and inserting in lieu thereof a semicolon.

ANNUAL MEETINGS

SEC. 519. Section 110 of the Federal Credit Union Act (12 U.S.C. 1760) is amended to read as follows:

"MEMBERS' MEETINGS

"SEC. 110. The fiscal year of all Federal credit unions shall end December 31. The annual meeting of each Federal credit union shall be held at such place as its bylaws shall prescribe. Special meetings may be held in the manner indicated in the bylaws. No member shall be entitled to vote by proxy, but a member other than a natural person may vote through an agent designated for the purpose. Irrespective of the number of shares held, no member shall have more than one vote.".

TECHNICAL WORDING CHANGES IN MANAGEMENT AUTHORITY

"SEC. 520. Section 111 of the Federal Credit Union Act (12 U.S.C. 1761) is amended to read as follows:

"MANAGEMENT

"SEC. 111. The management of a Federal credit union shall be by a board of directors, a supervisory committee, and where the bylaws so provide, a credit committee. The board shall consist of an odd number of directors, at least five in number, to be elected annually by and from the members as the bylaws provide. Any vacancy occurring on the board shall be filled until the next annual election by appointment by the remainder of the directors. The supervisory committee shall be appointed by the board of directors and shall consist of not less than three members nor more than five members, one of whom may be a director other than the compensated officer of the board. A record of the names and addresses of the executive officers, members of the supervisory committee, credit committee, and loan officers, shall be filed with the Administration within ten days after their election or appointment. No member of the board or of any other committee shall, as such, be compensated, except that reasonable health, accident, similar insurance protection, and the reimbursement of reasonable expenses incurred in the execution of the duties of the position shall not be considered compensation.".

ELIMINATION OF SPECIFIC REFERENCE TO THE TITLES OF THE OFFICERS OF THE BOARD

"SEC. 521. Section 112 of the Federal Credit Union Act (12 U.S.C. 1761(a)) is amended to read as follows:

"OFFICERS OF THE BOARD

"SEC. 112. At their first meeting after the annual meeting of the members, the directors shall elect from their number the board officers specified in the bylaws. Only one board officer may be compensated as an officer of the board and the bylaws shall specify such position as well as the specific duties of each of the board officers. The board shall elect from their number a financial officer who shall give bond with good and sufficient surety, in an amount and character to be determined by the board of directors in compliance with regulations prescribed from time to time by the board conditioned upon the faithful performance of the officer's trust.".

CLARIFICATION OF BOARD OF DIRECTOR'S DUTIES

SEC. 522. Section 113 of the Federal Credit Union Act (12 U.S.C. 1761(b) is amended to read as follows:

"BOARD OF DIRECTORS; MEETINGS, POWERS AND DUTIES; EXECUTIVE COMMITTEE; MEMBERSHIP OFFICERS; MEMBERSHIP APPLICATIONS

"SEC. 113. The board of directors shall meet at least once a month and shall have the general directions and control of the affairs of the Federal credit union. Minutes of all meetings shall be kept. Among other things, the board of directors shall—

"(1) act upon applications for membership or appoint membership officers from among the members of the board of directors, other than the board member paid as an officer, the financial board officer, any assistant to the paid officer of the board or to the financial officer, or any loan officer;

"(2) require any officer or employee having custody of or handling funds to give bond with good and sufficient surety in an amount and character in compliance with

regulations of the board, and authorize the payment of the premium or premiums therefor from the funds of the Federal credit unions;

"(3) fill vacancies on the board of directors until successors elected at the next annual meeting have qualified;

"(4) if the bylaws provide for an elected credit committee, fill vacancies on the credit committee until successors elected at the next annual meeting have qualified;

"(5) appoint the members of the supervisory committee and, if the bylaws so provide, appoint the members of the credit committee;

"(6) have charge of investments including the right to designate an investment committee of not less than two to act on its behalf;

"(7) determine the maximum number of shares, share certificates, and share draft accounts, and the classes of shares, share certificates, and share draft accounts;

"(8) subject to any limitations of this subchapter, determine the interest rates on loans, the security, and the maximum amount which may be loaned and provided in lines of credit;

"(9) authorize interest refunds to members of record at the close of business on the last day of any dividend period from income earned and received in proportion to the interest paid them during the dividend period;

"(10) if the bylaws so provide, appoint one or more loan officers and delegate to these officers the power to approve or disapprove loans, lines of credit, or advances from lines of credit;

"(11) establish the par value of the share;

"(12) subject to the limitations of this title and the bylaws of the credit union, provide for the hiring and compensation of officers and employees;

"(13) if the bylaws so provide, appoint an executive committee of not less than three directors to act on its behalf and any other committees to which it can delegate specific functions;

"(14) prescribe conditions and limitations for any committee which it appoints;

"(15) review at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting together with such other related information as it or the bylaws require;

"(16) provide for the furnishing of the written reasons for any denial of a membership application to the applicant upon the written request of the applicant;

"(17) in the absence of a credit committee, and upon the written request of a member, review a loan application denied by a loan officer;

"(18) declare the dividend rate to be paid on shares, share certificates, and share draft accounts pursuant to the terms and conditions of section 117;

"(19) establish and maintain a system of internal controls consistent with the regulations of the Board;

"(20) establish lending policies; and

"(21) do all other things that are necessary and proper to carry out all the purposes and powers of the Federal credit union, subject to regulations issued by the Board.".

OPTIONAL CREDIT COMMITTEE

SEC. 523. Section 114 of the Federal Credit Union Act (12 U.S.C. 1761c) is amended to read as follows:

"CREDIT COMMITTEE

"SEC. 114. (a) If the bylaws provide for a credit committee, then pursuant to the provisions of the bylaws, the board of directors may appoint or the members may elect a credit committee which shall consist of an odd number of members of the credit union, but which shall not include more than one loan officer. The method used shall be set forth in the bylaws. The credit committee shall hold such meetings as the business of the Federal credit union may require, not less frequently than once a month, to consider applications for loans or lines of credit. Reasonable notice of such meetings shall be given to all members of the committee. Except for those loans or lines of credit required to be approved by the board of directors in section 107(5) of this Act, approval of an application shall be by majority of the committee who are present at the meeting at which it is considered provided that a majority of the full committee is present. The credit committee may appoint and delegate to loan officers the authority to approve applications.

"(b) If the bylaws provide for a credit committee, all applications not approved by the loan officer shall be reviewed by the credit committee, and the approval of a majority of the members who are present at the meeting when such review is undertaken shall be required to reverse the loan officer's decision provided a majority of the full committee is present. If there is no credit committee, a member shall have the right upon written request of review by the board of directors of a loan application which has been denied. No individual shall have authority to disburse funds of the Federal credit union with respect to any loan or line of credit for which the application has been approved by him in his capacity as a loan officer.".

REQUIREMENT THAT CREDIT UNION PAY ON ALL DOLLARS AFTER PURCHASE OF FULL SHARE

SEC. 524. Section 117 of the Federal Credit Union Act (12 U.S.C. 1763) is amended to read as follows:

"DIVIDENDS

"SEC. 117. At such intervals as the board of directors may authorize, and after provision for required reserves, the board of directors may declare, pursuant to such regulations as may be issued by the Board, a dividend to be paid at different rates on different types of share, at different rates and maturity dates in the case of share certificates, and at different rates on different types of share draft accounts. Dividends credit may be accrued on various types of shares, share certificates, and share draft accounts as authorized by the board of directors. If the par value of a share exceeds $5, dividends shall be paid on all funds in the regular share account once a full share has been purchased.".

NONPARTICIPATION

SEC. 525. Section 118 of the Federal Credit Union Act (12 U.S.C. 1764) is amended to read as follows:

"EXPULSION AND WITHDRAWAL

"SEC. 118. (a) Except for those circumstances set out in subsection (b) of this section, a member may be expelled by a two-thirds vote of the members of a Federal credit union present at a special meeting called for the purpose, but only after opportunity has been given him to be heard.

"(b) The board of directors of a Federal credit union may, by majority vote of a quorum of directors, adopt a policy with respect to expulsion from membership based on nonparticipation by a member in the affairs of the credit union. In establishing its policy, the board should consider a member's failure to vote in annual credit union elections or failure to purchase shares from, obtain a loan from, or lend to the Federal credit union. If such a policy is adopted, written notice of the policy as adopted and the effective date of such policy shall be mailed to each member of the credit union at the member's current address appearing on the records of the credit union not less than thirty days prior to the effective date of such policy. In addition, each new member shall be provided written notice of any such policy prior to or upon applying for membership.

"(c) Withdrawal or expulsion of a member pursuant to either subsection (a) or (b) of this section shall not operate to relieve him from liability to the Federal credit union. The amount to be paid a withdrawing or expelled member by an Federal credit union shall be determined and paid in a manner specified in the bylaws.".

NATIONAL CREDIT UNION ADMINISTRATION BOARD'S REGULATORY AUTHORITY

SEC. 526. Section 122(a) of the Federal Credit Union Act (12 U.S.C. 1766 (a)) is amended by adding at the end thereof the following: "Any central credit union chartered by the board shall be subject to such rules, regulations, and orders as the Board deems appropriate and, except as otherwise specifically provided in such rules, regulations, or orders, shall be vested with or subject to the same rights, privileges, duties, restrictions, penalties, liabilities, conditions, and limitations that would apply to all Federal credit unions under this Act.".

CHARTER CONVERSION

SEC. 527. Section 125(a)(1) of the Federal Credit Union Act (12 U.S.C. 1771(a)(1)) is amended by striking out the last sentence and inserting in lieu thereof the following: "Approval of the proposition for conversion shall be by the affirmative vote of a majority of the members of the credit union who vote on the proposal. The written notice of the proposition shall in bold face type state that the issue will be decided by a majority of the members who vote.".

ELIMINATION OF DISCRIMINATORY INSURANCE PREMIUM ASSESSMENT FOR DEPOSITS OF STATE CHARTERED CREDIT UNIONS

SEC. 528. Section 202(h)(3) of the Federal Credit Union Act (12 U.S.C. 1782(h)(3)) is amended to read as follows:

"(3) the term 'members accounts' when applied to the premium charge for insurance of accounts shall not include amounts received from other credit unions, the accounts of which are federally insured or insured or guaranteed by a fund established under State law or regulation for this purpose, in excess of the insured account limit set forth in section 207(c)(1);".

ELIMINATION OF PARTIAL INSURANCE PREMIUMS AND REBATES

SEC. 529. Section 202(c) of the Federal Credit Union Act (12 U.S.C. 1782(c)) is amended by striking out paragraphs (3) and (6) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

AUTHORIZATION FOR FUND TO BORROW FROM CENTRAL LIQUIDITY FACILITY

SEC. 530. Section 203 of the Federal Credit Union Act (12 U.S.C. 1783) is amended by adding at the end thereof the following:

"(f) In addition to the authority to borrow from the Secretary of the Treasury provided in subsection (d), if in the judgment of the Board, a loan to the fund is required at

any time for carrying out the purposes of this title, the fund is authorized to borrow from the National Credit Union Administration Central Liquidity Facility.".

CENTRAL LIQUIDITY FACILITY LENDING AND INVESTMENT AUTHORITY

SEC. 531. Section 307(a) of the Federal Credit Union Act (12 U.S.C. 1795f(a)) is amended—

(1) by striking out "and" at the end of paragraph (15);

(2) by striking out the period at the end of paragraph (16) and inserting in lieu thereof a semicolon; and

(3) by adding at the end thereof the following:

"(17) exercise such incidental powers as shall be necessary or requisite to enable it to carry out effectively the purposes for which the Facility is incorporated; and

"(18) advance funds to the National Credit Union Share Insurance Fund under such terms and conditions as may be established by the Board.".

CENTRAL LIQUIDITY FACILITY AS AGENT OF FEDERAL RESERVE SYSTEM

SEC. 532. Title III of the Federal Credit Union Act (12 U.S.C. 1795 through 1795i) is amended by adding at the end thereof the following:

AGENT OF THE FEDERAL RESERVE SYSTEM

"SEC. 311. The Facility is authorized to act upon the request of the Board of Governors of the Federal Reserve System as an agent of the Federal Reserve System in matters pertaining to credit unions under such terms and conditions as may be established by the Board of Governors of the Federal Reserve System.".

TITLE VI—PROPERTY, CASUALTY, LIFE INSURANCE ACTIVITIES OF BANK HOLDING COMPANIES

AMENDMENT TO THE BANK HOLDING COMPANY ACT OF 1956

SEC. 601. Section 4(c)(8) of the Bank Holding Company Act of 1956 (12 U.S.C. 1843(c)(8)) is amended by striking out the period at the end of the first sentence and inserting in lieu thereof the following. ", but for purposes of this subsection it is not closely related to banking or managing or controlling banks for a bank holding company to provide insurance as a principal, agent, or broker except (A) where the insurance is limited to assuring repayment of the outstanding balance due on a specific extension of credit by a bank holding company or its subsidiary in the event of the death, disability, or involuntary unemployment of the debtor; (B) in the case of a finance company which is a subsidiary of a bank holding company, where the insurance is also limited to assuring repayment of the outstanding balance on an extension of credit in the event of loss or damage to any property used as collateral on such extension of credit and, during the period beginning on the date of the enactment of this subparagraph and ending on December 31, 1982, such extension of credit is not more than $10,000 ($25,000 in the case of an extension of credit which is made to finance the purchase of a residential manufactured home and which is secured by such residential manufactured home) and for any given year after 1982, such extension of credit is not more than an amount equal to $10,000 ($25,000 in the case of an extension of credit which is made to finance the purchase of a residential manufactured home and which is secured by such residential manufactured home) increased by the percentage increase in the Consumer Price Index for urban wage earners and clerical workers published monthly by the Bureau of Labor Statistics for the period beginning on January 1, 1982, and ending on December 31 of the year preceding the year in which such extension of credit is made; (C) any insurance agency activity in a place that (i) has a population not exceeding five thousand (as shown by the last preceeding decennial census), or (ii) the bank holding company, after notice and opportunity for a hearing, demonstrates has inadequate insurance agency facilities; (D) any insurance agency activity which was engaged in by the bank holding company or any of its subsidiaries on May 1, 1982, or which the Board approved for such company or any of its subsidiaries on or before May 1, 1982, including (i) sales of insurance at new locations of the same bank holding company or the same subsidiary or subsidiaries with respect to which insurance was sold on May 1, 1982, or approved to be sold on or before May 1, 1982, if such new locations are confined to the State in which the principal place of business of the bank holding company is located, any State or States immediately adjacent to such State, and any State or States in which insurance activities were conducted by the bank holding company or any of its subsidiaries on May 1, 1982, or were approved to be conducted by the bank holding company or any of its subsidiaries on or before May 1, 1982, and (ii) sales of insurance coverages which may become available after May 1, 1982, so long as those coverages insure against the same types of risks as, or are otherwise functionally equivalent to, coverages sold on May 1, 1982, or approved to be sold on or before May 1, 1982, (for purposes of this subparagraph, activities engaged in or approved by the Board on May 1, 1982, shall include activities carried on subsequent to that date as the result of an application to engage in such activities pending on May 1, 1982, and approved subsequent to that date or of the acquisition by such company pursuant to a binding written contract entered into on or before May 1, 1982, of another company engaged in such activities at the time of the acquisition); (E) any insurance activity where the activity is limited solely to supervising on behalf of insurance underwriters the activities of retail insurance agents who sell (i) fidelity insurance and property and casualty insurance on the real and personal property used in the operations of the bank holding company or any of its subsidiaries, and (ii) group insurance that protects the employees of the bank holding company or any of its subsidiaries; or (F) any insurance agency activity engaged in by a bank holding company, or any of its subsidiaries, which bank holding company has total assets of $50,000,000 or less: *Provided, however,* That such bank holding company and its subsidiaries may not engage in the sale of life insurance or annuities except as provided in subparagraph (A), (B), or (C).".

TITLE VII—MISCELLANEOUS

AMENDMENT TO THE TRUTH IN LENDING ACT

SEC. 701. (a) Section 104 of the Truth in Lending Act (15 U.S.C. 1601) is amended by adding at the end thereof the following:

"(6) Loans made, insured, or guaranteed pursuant to a program authorized by title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.).".

(b) Loans made, insured, or guaranteed pursuant to a program authorized by title IV of the Higher Education Act of 1965 (20 U.S.C. 1070 et seq.) shall not be subject to any disclosure requirements of any State law.

(c) The amendment made by subsection (a) and subsection (b) shall be effective both with respect to loans made prior to and after the date of enactment of this Act.

DEFINITION OF CREDITOR

SEC. 702. Section 103(f) of the Truth in Lending Act (15 U.S.C. 1602(f)) is amended to read as follows:

"(f) The term 'creditor' refers only to a person who both (1) regularly extends, whether in connection with loans, sales of property or services, or otherwise, consumer credit which is payable by agreement in more than four installments or for which the payment of a finance charge is or may be required, and (2) is the person to whom the debt arising from the consumer credit transaction is initially payable on the face of the evidence of indebtedness or, if there is no such evidence of indebtedness, by agreement. Notwithstanding the preceding sentence, in the case of an open-end credit plan involving a credit card, the card issuer and any person who honors the credit card and offers a discount which is a finance charge are creditors. For the purpose of the requirements imposed under chapter 4 and sections 127(a)(5), 127(a)(6), 127(a)(7), 127(b)(1), 127(b)(2), 127(b)(3), 127(b)(8), and 127(b)(10) of chapter 2 of this title, the term 'creditor' shall also include card issuers whether or not the amount due is payable by agreement in more than four installments or the payment of a finance charge is or may be required, and the Board shall, by regulation, apply these requirements to such card issuers, to the extent appropriate, even though the requirements are by their terms applicable only to creditors offering open-end credit plans.".

EFFECTIVE DATE

SEC. 703. The amendment made by section 702 shall take effect on the effective date of title VI of the Depository Institutions Deregulation and Monetary Control Act of 1980.

INDUSTRIAL BANKS ELIGIBILITY FOR FDIC INSURANCE

SEC. 704. (a) Section 3(a) of the Federal Deposit Insurance Act (12 U.S.C. 1813(a)) is amended by inserting "industrial bank or similar financial institution which the Board of Directors finds to be operating substantially in the same manner as an industrial bank," before "or other banking institution".

(b) Section 3(l)(1) of such Act (12 U.S.C. 1813(l)(1)) is amended by inserting "thrift certificate, investment certificate, certificate of indebtedness, or other similar name," before "or a check or draft drawn against a deposit account".

(c) Section 5(a) of such Act (12 U.S.C. 1815(a)) is amended by adding at the end thereof the following: "Before approving the application of any industrial bank or similar financial institution, the Board of Directors shall determine that it is chartered and operating under laws providing for examination, supervision, and liquidation substantially comparable to those applicable to banks operating in the same State.".

(d) Section 109(b)(2) of title 11, United States Code, is amended by striking out "or" before "credit union", and by inserting ", or industrial bank or similar institution which is an insured bank as defined in section 3(h) of the Federal Deposit Insurance Act (12 U.S.C. 1813(h))" after "credit union".

AMENDMENT TO THE BANK HOLDING COMPANY ACT OF 1956

SEC. 705. Section 4(a)(2) of the Bank Holding Company Act of 1956 (18 U.S.C. 1843(a)(2)) is amended by inserting before the period at the end thereof the following: ": *Provided further*, That a company covered in 1970 may, until December 31, 1983, engage in activities in which it has been continuously and lawfully engaged since December 31, 1970 but which would otherwise be prohibited by this paragraph if (i) its bank subsidiary is not one of the one-hundred largest banks in the United States (based on deposits) or one of the five largest in its State of operations (based on deposits); (ii) its banking and nonbanking activities each constitute at least 10 per centum of its consolidated assets and of its gross revenues; and (iii) it has not filed an irrevocable commitment to divest pursuant to subsection (c)(12) of this section".

APPLICABILITY OF THE INTERNATIONAL BANKING ACT OF 1978

SEC. 706. Section 8(c) of the International Banking Act of 1978 (12 U.S.C. 3106(c)) is amended by inserting in the first sentence immediately after the words "on the date of enactment of this Act" the following: "or on the date of the establishment of a branch in a State an application for which was filed on or before July 26, 1978".

SECURITIES ACTIVITIES UNDER THE INTERNATIONAL BANKING ACT OF 1978

SEC. 707. (a). The last sentence of section 8(c) of the International Banking Act of 1978 (12 U.S.C. 3106(c)) is amended by striking out all after "company, and" and inserting in lieu therof the following: "the term 'domestically-controlled affiliate covered in 1978' shall mean an affiliate organized under the laws of the United States or any State thereof if (i) no foreign bank or group of foreign banks acting in concert owns or controls, directly or indirectly, 45 per centum or more of its voting shares, and (ii) no more than 20 per centum of the number of directors as established from time to time to constitute the whole board of directors and 20 per centum of the executive officers of such affiliate are persons affiliated with any such foreign bank. For the purpose of the preceding sentence, the term 'persons affiliated with any such foreign bank' shall mean (A) any person who is or has been an employee, officer, agent, or director of such foreign bank or who otherwise has or has had such a relationship with such foreign bank that would lead such person to represent the interests of such foreign bank, and (B) in the case of any director of such domestically controlled affiliate covered in 1978, any person in favor of whose election as a director votes were cast by less than two-thirds of all shares voting in connection with such election other than shares owned or controlled, directly or indirectly, by any such foreign bank.".

(b) The second sentence of section 8(c) of such Act is amended to read as follows: "Notwithstanding subsection (a) of this section, a foreign bank or company referred to in this subsection may retain ownership or control of any voting shares (or, where necessary to prevent dilution of its voting interest, acquire additional voting shares) of any domestically-controlled affiliate covered in 1978 which since July 26, 1978, has engaged in the business of underwriting, distributing, or otherwise buying or selling stocks, bonds, and other securities in the United States, notwithstanding that such affiliate acquires after July 26, 1978, an interest in, or any or all of the assets of, a going concern, or commences to engage in any new activity or activities.".

NOW ACCOUNTS FOR PUBLIC FUNDS

SEC. 708 (a). Section 2(a)(2) of Public Law 93-100 (12 U.S.C. 1832(a)(2)) is amended by inserting before the period at the end thereof the following ", and with respect to deposits of public funds by an officer, employee, or agent of the United States, any State, county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, any territory or possession of the United States, or any political subdivision thereof".

(b) Section 205(f)(2) of the Federal Credit Union Act (12 U.S.C. 1785(f)(2)) is amended by inserting before the period at the end thereof the following: ", and with respect to deposits of public funds by an officer, employee, or agent of the United States, any State, county, municipality, or political subdivision thereof, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, any territory or possession of the United States, or any political subdivision thereof".

FEDERAL NATIONAL MORTGAGE ASSOCIATION

SEC. 709. (a) Section 303(a) of the Federal National Mortgage Association Charter Act is amended—

(1) by inserting after the first sentence the following: "The corporation may have preferred stock on such terms and conditions as the board of directors shall prescribe."; and

(2) by striking out "common" in the last sentence thereof.

(b) Section 304(e) of such Act is amended by striking out the fourth sentence.

BANK SERVICE CORPORATIONS

SEC. 710. Section 4 of the Bank Service Corporation Act (12 U.S.C. 1864) is amended by striking out the period following the word "banks" and inserting in lieu thereof the following: "or for financial institutions subject to examination by the Federal Home Loan Bank Board or the National Credit Union Administration Board.".

RESERVE REQUIREMENT PHASE-IN

SEC. 711. Section 19(b)(8)(D) of the Federal Reserve Act (12 U.S.C. 461(b)(8)(D)) is amended—

(1) in clause (i), by striking out "July 1, 1979" each place it appears and inserting in lieu thereof "March 21, 1980"; and

(2) by adding at the end thereof the following:

"(iii) Any bank which was a member bank on July 1, 1979, and which withdrew from membership in the Federal Reserve System during the period beginning on July 1, 1979, and ending on March 20, 1980, shall maintain reserves beginning on the date of enactment of this clause in an amount equal to the amount of reserves required to be maintained by depository institutions under subparagraph (A).".

USURY AMENDMENTS

SEC. 712. (a) Section 512(a) of the Depository Institutions Deregulation and Monetary Control Act of 1980 is amended by striking out "April 1, 1983" in clause (1) and inserting in lieu thereof "April 1, 1984".

(b) Section 511(b) of such Act is amended—

(1) by striking out "and" at the end of clause (3);

(2) by striking out the period at the end of clause (4) and inserting in lieu thereof a semicolon; and

(3) by adding at the end thereof the following:

"(5) the term 'agricultural loan' means a loan extended primarily for agricultural purposes to a person who cultivates, plants, propagates, or nurtures an agricultural product;

"(6) the term 'agricultural purposes' includes the production, harvest, exhibition, marketing, transportation, processing, or manufacturing of an agricultural product and the acquisition of farmland, real property with a farm residence, and personal property and services used primarily in farming;

"(7) the term 'agricultural product' includes agricultural, horticultural, viticultural, and dairy products, livestock, wildlife, poultry, bees, forest products, fish and shellfish and any products thereof, including processed and manufactured products and any and all products raised or produced on farms and any processed or manufactured products thereof;

"(8) the term 'business loan' means a loan extended primarily for business or commercial purposes, including investment, and any credit extended to a person other than a natural person; and

"(9) the term 'loans' includes any secured or unsecured loan, credit sale, forbearance, advance, renewal, or other extension of credit.".

BANK SERVICE CORPORATIONS

SEC. 713. The Bank Service Corporation Act (12 U.S.C. 1861 et seq.) is amended to read as follows:

"SHORT TITLE AND DEFINITIONS

"SECTION 1. (a) This Act may be cited as the 'Bank Service Corporation Act'.

"(b) For the purpose of this Act—

"(1) the term 'appropriate Federal banking agency' shall have the meaning provided in section 3(g) of the Federal Deposit Insurance Act (12 U.S.C. 1813(g));

"(2) the term 'bank service corporation' means a corporation organized to perform services authorized by this Act, all of the capital stock of which is owned by one or more insured banks;

"(3) the term 'Board' means the Board of Governors of the Federal Reserve System;

"(4) the term 'depository institution' means an insured bank, or another financial institution subject to examination by the Federal Home Loan Bank Board or the National Credit Union Administration Board;

"(5) the term 'insured bank' shall have the meaning provided in section 3(h) of the Federal Deposit Insurance Act (12 U.S.C. 1813(h));

"(6) the term 'invest' includes any advance of funds to a bank service corporation, whether by the purchase of stock, the making of a loan, or otherwise, except a payment for rent earned, goods sold and delivered, or services rendered prior to the making of such payment; and

"(7) the term 'principal investor' means the insured bank that has the largest dollar amount invest invested in the capital stock of a bank service corporation. In any case where two or more insured banks have equal dollar amounts invested in a bank service corporation, the corporation shall, prior to commencing operations, select one of the insured banks as its principal invester and shall notify the bank's appropriate Federal banking agency of that choice within 5 business days of its selection.

"AMOUNT OF INVESTMENT IN BANK SERVICE CORPORATION

"SEC. 2. Notwithstanding any limitation or prohibition otherwise imposed by any provision of law exclusively relating to banks, an insured bank may invest not more than 10 per centum of paid-in and unimpaired capital and unimpaired surplus in a bank service corporation. No insured bank shall invest more than 5 per centum of its total assets in bank service corporations.

"PERMISSIBLE BANK SERVICE CORPORATION ACTIVITIES FOR DEPOSITORY INSTITUTIONS

"SEC. 3. Without regard to the provisions of sections 4 and 5 of this Act, an insured bank may invest in a bank service corporation that performs, and a bank service corporation may perform, the following services only for depository institutions: check and deposit sorting and posting, computation and posting of interest and other credits and charges, preparation and mailing of checks, statements, notices, and similar items, or any other clerical, bookkeeping, accounting, statistical, or similar functions performed for a depository institution.

"PERMISSIBLE BANK SERVICE CORPORATION ACTIVITIES FOR OTHER PERSONS

"SEC. 4. (a) A bank service corporation may provide to any person any service authorized by this section, except that a bank service corporation shall not take deposits.

"(b) Except with the prior approval of the board under section 5(b) of this Act in accordance with subsection (f) of this section—

"(1) a bank service corporation shall not perform the services authorized by this section in any State other than that State in which its shareholders are located; and

"(2) all insured bank shareholders of a bank service corporation shall be located in the same State.

"(c) A bank service corporation in which a State bank is a shareholder shall perform only those services that such State bank shareholder is authorized to perform under the law of the State in which such State bank operates and shall perform such services only at locations in the State in which such State bank shareholder could be authorized to perform such services.

(d) A bank service corporation in which a national bank is a shareholder shall perform only those services that such national bank shareholder is authorized to perform under this Act and shall perform such services only at locations in the State at which such national bank shareholder could be authorized to perform such services.

"(e) A bank service corporation that has both national bank and State bank shareholders shall perform only those services that may lawfully be performed by both its national bank shareholder or shareholders under this Act and its State bank shareholder or shareholders under the law of the State in which such State bank or banks operate and shall perform such services only at locations in the State at which both its State bank and national bank shareholders could be authorized to perform such services.

"(f) Notwithstanding the other provisions of this section or any other provision of law, other than the provisions of Federal and State branching law regulating the geographic location of banks to the extent that those laws are applicable to an activity authorized by this subsection, a bank service corporation may perform at any geographic location any service, other than deposit taking, that the Board has determined, by regulation, to be permissible for a bank holding company under section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843 (c)(8)).

"PRIOR APPROVAL FOR INVESTMENTS IN BANK SERVICE CORPORATIONS

"SEC. 5. (a) No insured bank shall invest in the capital stock of a bank service corporation that performs any service under authority of subsection (c), (d), or (e) of section 4 of this Act without the prior approval of the bank's appropriate Federal banking agency.

"(b) No insured bank shall invest in the capital stock of a bank service corporation that performs any service under authority of section 4(f) of this Act and no bank service corporation shall perform any activity under section "(f) of this Act without the prior approval of the Board.

"(c) In determining whether to approve or deny any application for prior approval under this section, the Board or the appropriate Federal banking agency, as the case may be, is authorized to consider the financial and managerial resources and future prospects of the bank or banks and bank service corporation involved, including the financial capability of the bank to make a proposed investment under this Act, and possible adverse effects such as undue concentration of resources, unfair or decreased competition, conflicts of interest, or unsafe or unsound banking practices.

"(d) In the event the Board or the appropriate Federal banking agency, as the case may be, fails to act on any application under this section within 97 days of the submission of a complete application to the agency, the application shall be deemed approved.

"SERVICES TO NONSTOCKHOLDERS

"SEC. 6. No bank service corporation shall unreasonably discriminate in the provision of any services authorized under this Act to any depository institution that does not own stock in the service corporation on the basis of the fact that the nonstockholding institution is in competition with an institution that owns stock in the bank service corporation, except that—

"(1) it shall not be considered unreasonable discrimination for a bank service corporation to provide services to a nonstockholding institution only at a price that fully reflects all of the costs of offering those services, including the cost of capital and reasonable return thereof; and

"(2) a bank service corporation may refuse to provide services to a nonstockholding institution if comparable services are available from another source at competitive overall costs, or if the providing of services would be beyond the practical capacity of the service corporation.

"REGULATION AND EXAMINATION OF BANK SERVICE CORPORATIONS

"SEC. 7. (a) A bank service corporation shall be subject to examination and regulation by the appropriate Federal banking agency of its principal investor to the same extent as its principal investor. The appropriate Federal banking agency that supervises any other shareholder of the bank service corporation to make such an examination.

"(b) A bank service corporation shall be subject to the provisions of the Financial Institutions Supervisory Act of 1966 (12 U.S.C. 1818(b) et seq.) as if the bank service corporation were an insured bank. For this purpose, the appropriate Federal banking agency shall be the appropriate Federal banking agency of the principal investor of the bank service corporation.

"(c) Notwithstanding subsection (a) of this section, whenever a bank that is regularly examined by an appropriate Federal banking agency, or any subsidiary or affiliate of such a bank that is subject to examination by that agency, causes to be performed for itself, by contract or otherwise, any services authorized under this Act, whether on or off its premises—

"(10) such performance shall be subject to regulation and examination by such agency to the same extent as if such services were being performed by the bank itself on its own premises, and

"(2) the bank shall notify such agency of the existence of the service relationship within 30 days after the making of such service contract or the performance of the service, whichever occurs first.

"(d) The Board and the appropriate Federal banking agencies are authorized to issue such regulations and orders as may be necessary to enable them to administer and to carry out the purposes of this Act and to prevent evasions thereof.".

NEIGHBORHOOD REINVESTMENT CORPORATION

SEC. 714. (a) Section 634 of the Neighborhood Reinvestment Corporation Act (Public Law 95-557) is amended—

(1) by redesignating subsections (f), (g), and (h) as subsections (g), (h), and (i), respectively, and by inserting after subsection (e) the following:

"(f) A director who is necessarily absent from a meeting of the board, or of a committee of the board, may participate in such meeting through a duly designated representative who is serving, pursuant to appointment by the President of the United States, by and with the advice and consent of the Senate, in the same department, agency, corporation, or instrumentality as the absent director, or in the case of the Comptroller of the Currency, through a duly designated Deputy Comptroller."; and

(2) by inserting in section 604(g), as redesignated, after "members" a comma and the words "or their representatives as provided in subsection (f),".

(b) Section 606(c)(3) of such Act is amended by inserting "funds," after "provide".

STUDY OF OPTIONAL INSURANCE OF LARGE DEPOSITS

SEC. 715. The Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration Board shall jointly conduct a study of the feasbility of providing depositors of funds in institutions the deposits of which are insured by any such agency the option to purchase additional deposit insurance covering deposits in excess of the general limit provided by law. Such study shall include a consideration of the private insurance or reinsurance of any risk in excess of the general statutory limit. A report containing the results of such study shall be transmitted to the Congress not later than six months after the date of enactment of this Act.

MARRINER S. ECCLES FEDERAL RESERVE BOARD BUILDING

SEC. 716. The building at 20th and Constitution Avenue, Northwest, in Washington, District of Columbia (commonly known as the Federal Reserve Board Main Building) shall hereafter be known and designated as the "Marriner S. Eccles Federal Reserve Board Building". Any reference in a law, map, regulation, document, record, or other

paper of the United States to that building shall be held to be a reference to the "Marriner S. Eccles Federal Reserve Board Building".

TITLE VIII—ALTERNATIVE MORTGAGE TRANSACTIONS

SHORT TITLE

SEC. 801. This title may be cited as the "Alternative Mortgage Transaction Parity Act of 1982".

FINDINGS AND PURPOSE

SEC. 802. (a) The Congress hereby finds that—

(1) increasingly volatile and dynamic changes in interest rates have seriously impaired the ability of housing creditors to provide consumers with fixed-term, fixed-rate credit secured by interests in real property, cooperative housing, manufactured homes, and other dwellings;

(2) alternative mortgage transactions are essential to the provision of an adequate supply of credit secured by residential property necessary to meet the demand expected during the 1980's; and

(3) the Comptroller of the Currency, the National Credit Union Administration, and the Federal Home Loan Bank Board have recognized the importance of alternative mortgage transactions and have adopted regulations authorizing federally chartered depository institutions to engage in alternative mortgage financing.

(b) It is the purpose of this title to eliminate the discriminatory impact that those regulations have upon nonfederally chartered housing creditors and provide them with parity with federally chartered institutions by authorizing all housing creditors to make, purchase, and enforce alternative mortgage transactions so long as the transactions are in conformity with the regulations issued by the Federal agencies.

DEFINITIONS

SEC. 803. As used in this title—

(1) the term "alternative mortgage transaction" means a loan or credit sale secured by an interest in residential real property, a dwelling, all stock allocated to a dewlling unit in a residential cooperative housing corporation, or a residential manufactured home (as that term is defined in section 603(6) of the National Manufactured Home Construction and Safety Standards Act of 1974)—

(A) in which the interest rate or finance charge may be adjusted or renegotiated;

(B) involving a fixed-rate, but which implicitly permits rate adjustments by having the debt mature at the end of an interval shorter than the term of the amortization schedule; or

(C) involving any similar type of rate, method of determining return, term, repayment, or other variation not common to traditional fixed-rate, fixed-term transactions, including without limitation, transactions that involve the sharing of equity or appreciation;

described and defined by applicable regulation; and

(2) the term "housing creditor" means—

(A) a depository institution, as defined in section 504(a)(2) of the Depository Institutions Deregulation and Monetary Control Act of 1980;

(B) a lender approved by the Secretary of Housing and Urban Development for participatioin in any mortgage insurance program under the National Housing Act;

(C) any person who regularly makes loans, credit sales, or advances secured by interests in properties referred to in paragraph (1); or

(D) any transferee of any of them.

A person is not a "housing creditor" with respect to a specific alternative mortgage transaction if, except for this title, in order to enter into that transaction, the person would be required to comply with licensing requirements imposed under State law, unless such person is licensed under applicable State law and such person remains, or becomes, subject to the applicable regulatory requirements and enforcement mechanisms provided by State law.

ALTERNATIVE MORTGAGE AUTHORITY

SEC. 804. (a) In order to prevent discrimination against State-chartered depository institutions, and other nonfederally chartered housing creditors, with respect to making, purchasing, and enforcing alternative mortgage transactions, housing creditors may make, purchase, and enforce alternative mortgage transactions, except that this section shall apply—

(1) with respect to banks, only to transactions made in accordance with regulations governing alternative mortgage transactions as issued by the Comptroller of the Currency for national banks, to the extent that such regulations are authorized by rulemaking authority granted to the Comptroller of the Currency with regard to national banks under laws other than this section;

(2) with respect to credit unions, only to transactions made in accordance with regulations governing alternative mortgage transactions as issued by the National Credit Union Administration Board for Federal credit unions, to the extent that such regulations are authorized by rulemaking authority granted to the National Credit Union Administration with regard to Federal credit unions under laws other than this section; and

(3) with respect to all other housing creditors, including without limitation, savings and loan associations, mutual savings banks, and savings banks, only to transactions made in accordance with regulations governing alternative mortgage transactions as issued by the Federal Home Loan Bank Board for federally chartered savings and loan associations, to the extent that such regulations are authorized by rulemaking authority granted to the Federal Home Loan Bank Board with regard to federally chartered savings and loan associations under laws other than this section.

(b) For the purpose of determining the applicability of this section, an alternative mortgage transaction shall be deemed to be made in accordance with the applicable regulation notwithstanding the housing creditor's failure to comply with the regulation, if—

(1) the transaction is in substantial compliance with the regulation; and

(2) within sixty days of discovering any error, the housing creditor corrects such error, including making appropriate adjustments, if any, to the account.

(c) An alternative mortgage transaction may be made by a housing creditor in accordance with this section, notwithstanding any State constitution, law, or regulation.

APPLICABILITY

SEC. 805. (a) The provisions of section 804 shall not apply to any alternative mortgage transaction in any State made on or after the effective date (if such effective date occurs on or after the effective date of this title and prior to a date three years after the effective date of this title) of a State law or a certification that the voters of such State have voted in favor of any provision, constitutional or otherwise, which states explicitly and by its terms that such State does not want the preemption provided in section 804 to apply with respect to alternative mortgage transactions subject to the laws of such State, except that section 804 shall continue to apply to—

(1) any alternative mortgage transaction undertaken on or after such date pursuant to an agreement to undertake such alternative mortgage transaction which was entered into on or after the effective date of this title and prior to such later date (the "preemption period"); and

(2) any renewal, extension, refinancing, or other modification of an alternative mortgage transaction that was entered into during the preemption period.

(b) An alternative mortgage transaction shall be deemed to have been undertaken during the preemption period to which this section applies if it—

(1) is funded or extended in whole or in part during the preemption period, regardless of whether pursuant to a commitment or other agreement therefor made prior to that period; or

(2) is a renewal, extension, refinancing, or other modification of an alternative mortgage transaction entered into before the preemption period and such renewal, extension, or other modification is made during such period with the written consent of any person obligated to repay such credit.

RELATION TO OTHER LAW

SEC. 806. Section 501(c)(1) of the Depository Institutions Deregulation and Monetary Control Act of 1980 shall not apply to transactions which are subject to this title.

EFFECTIVE DATE

SEC. 807. (a) This title shall be effective upon enactment

(b) Within sixty days of the enactment of this title, the Comptroller of the Currency, the National Credit Union Administration, and the Federal Home Loan Bank Board shall identify, describe, and publish those portions or provisions of their respective regulations that are inappropriate for (and thus inapplicable to), or that need to be conformed for the use of, the nonfederally chartered housing creditors to which their respective regulations apply, including without limitation, making necessary changes in terminology to conform the regulatory and disclosure provisions to those more typically associated with various types of transactions including credit sales.

Mr. GARN. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. RIEGLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. GARN. Mr. President, I move that the Senate insist upon its amendments and request a conference with the House and that the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer (Mr. MURKOWSKI) appointed Mr. GARN, Mr. TOWER, Mr. LUGAR, Mr. D'AMATO, Mr. SCHMITT, Mr. RIEGLE, Mr. PROXMIRE, and Mr. CRANSTON, conferees on the part of the Senate.

Mr. GARN. Mr. President, I ask unanimous consent to indefinitely

postpone further consideration of S. 2879.

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

(Later the following occurred:)

Mr. RIEGLE. Mr. President, I commend the chairman of the committee, Chairman GARN, for his leadership on this issue. The many months of work by him and others on the committee and the staff on his side of the aisle were essential ingredients in this legislation coming forward and not only passing today, but to be done on a voice vote here in the Senate. I think that says a great deal about the care and the sophistication in which this legislation was developed and the balance which it represented as it came to a final passage vote.

I also particularly wish to acknowledge the outstanding staff work of people on the professional staff of the minority side. I wish to especially acknowledge Bob Russell, Steve Harris, Lindy Marinaccio, Carolyn Jordan, Don Campbell, Tambrey Matthews, and others on the minority staff for really an outstanding job and many hundreds of hours of work over a long period of time.

The professionalism and the excellence with which they have discharged these responsibilities under difficult circumstances are of the highest order. I am very pleased and honored that they serve on the staff and are there for all of us to work with. To them and to everyone else who has been involved in this effort, the outside interest groups that we have worked with, and everyone else who has had a role to play in terms of offering ideas and constructive suggestions and effort are to be thanked and congratulated for their contribution to this legislation.

I did not want the moment to pass without expressing those sentiments, and to say that it is on moments such as these when difficult issues are brought to resolution and conclusion by hard work, good will, and good faith, that really is the measure of the quality of our democratic system. I think this legislation is such an example. I believe it is a work product of which the Senate can be proud.

Mr. GARN addressed the Chair.

The PRESIDING OFFICER. The Senator from Utah.

Mr. GARN. Mr. President, I thank the distinguished Senator from Michigan for his remarks. May I repeat what I said at the beginning of this bill today, and thank him for his help. He came up and took this responsibility in the middle of this process, making it much more difficult than had he had the position to begin with. In the last couple of weeks, without his aid and assistance and that of his staff, we simply would not have been able to put the bill together today.

I also wish to thank a lot of people out there in various industries who started out poles apart on this bill last October—and I do mean poles—and, although many of them will still not like parts of its, they were willing to give up some of their self-interest to make it possible to compromise, to give up things they did not want to in order to make it possible.

I also wish to thank the staff. Certainly, Senator RIEGLE has mentioned the minority staff, and they deserve every word of credit he gave them. But, on the majority side, I want to thank Danny Wall, who spent untold hours, John Collins, John Daniels, Beth Climo, Linda Zemke, Jim Boland, Lamar Smith, Peter Harkins, Phil Sampson, Paul Freedenberg, Stephen Beck, and the committee's support staff, as well as the diligent and hard-working staff members of each of the members of the committee who served on their personal staffs.

I cannot emphasize enough that this is an unusual piece of legislation. It literally took months and months and daily efforts by a lot of people to make it possible to come to this point.

I thank the leadership on both sides of the aisle for making it possible for us to bring it up today, as we are rushing for adjournment next week. I wish to thank them and their staffs, as well.

I yield the floor.

COMMENDATIONS

Mr. THURMOND. Mr. President, I just want to take this opportunity to commend the able Senator from Utah, Senator GARN, for the outstanding leadership he has provided on the bill we have just passed. There is no question about it. With the bankers, the savings and loans, the insurance people, he had a most difficult task. It almost took a Solomon to bring these people together with a consensus. He has done that.

I just want to commend him. I think he has done the best service to the Senate, the best service to his country, and to all of these groups under consideration in bringing this bill to fruition and getting it passed today.

I also commend the able Senator from Michigan for the find assistance and cooperation he gave in the passage of this bill in assisting Senator GARN with it.

Mr. ROBERT C. BYRD. Mr. President, may I ask the distinguished acting Republican leader whether or not there will be any more rollcall votes today?

Mr. STEVENS. I am pleased to respond that there will be no more rollcall votes today. When this bill is finished we do have a series of matters, routine details, that I have discussed with the distinguished minority leader that we will handle on a unanimous-consent basis. There will be no more rollcall votes today.

Mr. ROBERT C. BYRD. I thank the Senator.

NO ROLLCALL VOTES BEFORE 2 P.M. TUESDAY

Mr. STEVENS. Mr. President, the majority leader stated that any votes ordered on Monday would occur at 2 p.m. on Tuesday. There still is a chance there will be a vote ordered on the agricultural appropriations bill on Tuesday morning that will not be subject to the prior statement of the majority leader. Senators should be on notice that it is possible there could be a vote on Tuesday in the morning on the appropriations bill.

ORDER FOR THE RECOGNITION OF SENATOR NUNN ON MONDAY

Mr. STEVENS. Mr. President, I ask unanimous consent that on Monday, September 27, 1982, after the time under the standing order for the two leaders, the Senator from Georgia (Mr. NUNN) be granted a special order not to exceed 15 minutes.

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

THE EXECUTIVE CALENDAR

Mr. STEVENS. Mr. President, the items that I am about to raise have been discussed with the distinguished minority leader and cleared by him.

EXECUTIVE SESSION

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate go into executive session for the purpose of considering items on the Executive Calendar commencing with new reports. That would include just the two nominations, Calendar Nos. 971 and 972.

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

Mr. STEVENS. Mr. President, I ask that the two nominations on the Executive Calendar under new reports be considered and confirmed en bloc.

The PRESIDING OFFICER. Without objection, the nominations are considered and confirmed en bloc.

The nominations considered and confirmed en bloc are as follows:

APPALACHIAN REGIONAL COMMISSION

Winifred Ann Pizzano, of Virginia, to be Federal Cochairman of the Appalachian Regional Commission.

Jacqueline L. Phillips, of Maryland, to be Alternate Federal Cochairman of the Appalachian Regional Commission.

Mr. STEVENS. Mr. President, I move to reconsider the vote by which the nominations were confirmed.

Mr. RIEGLE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. STEVENS. Mr. President, I ask that the President be immediately notified of the confirmation of the two nominees.

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

LEGISLATIVE SESSION

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate return to legislative session.

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

ORDER FOR THE CONSIDERATION OF H.R. 6968 ON MONDAY, SEPTEMBER 27, 1982 UNDER A TIME AGREEMENT

Mr. STEVENS. Mr. President, I ask unanimous consent that at 12 noon Monday, September 27, 1982, the Senate turn to the consideration of the military construction appropriations bill, H.R. 6968, and that it be considered under the following time agreement:

One hour on the bill to be equally divided between the Senator from Nevada (Mr. LAXALT) and the Senator from Tennessee (Mr. SASSER), or their designees; 30 minutes on first-degree amendments; 20 minutes on second-degree amendments; 10 minutes on any debatable motions, appeals, or points of order, if so submitted to the Senate, and that the agreement be in the usual form with respect to the division and control of time.

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

The text of the agreement follows:

Ordered, That at 12:00 noon on Monday, September 27, 1982, the Senate proceed to the consideration of H.R. 6968, the military construction appropriations bill, and that debate on any amendment in the first degree shall be limited to 30 minutes, to be equally divided and controlled by the mover of such and the manager of the bill, that debate on any amendment in the second degree shall be limited to 20 minutes, to be equally divided and controlled by the mover of such and the manager of the bill, and the debate on any debatable motion, appeal, or point of order which is submitted or on which the Chair entertains debate shall be limited to 10 minutes: *Provided*, That in the event the manager of the bill is in favor of any such amendment or motion, the time in opposition thereto shall be controlled by the minority leader or his designee.

Ordered further, That on the question of final passage of the said bill, debate shall be limited to 1 hour, to be equally divided and controlled, respectively, by the Senator from Nevada (Mr. Laxalt) and the Senator from Tennessee (Mr. Sasser), or their designees: *Provided*, That the said Senators, or either of them, may, from the time under their control on the passage of the said bill, allot additional time to any Senator during the consideration of any amendment, debatable motion, appeal or point of order.

ORDER FOR THE CONSIDERATION OF H.R. 4613 UNDER A TIME AGREEMENT

Mr. STEVENS. Mr. President, I ask unanimous consent that on Monday following the military construction bill, the Senate proceed to the consideration of Calendar No. 545, H.R. 4613, a bill to increase the efficiency of Government-wide efforts to collect debts owed the United States, and to provide additional procedures for the collections of debts owed the United States, and to provide additional procedures for the collections of debts owed the United States, and that it be considered under the following time agreement:

Thirty minutes on the bill to be equally divided between the chairman of the Governmental Affairs Committee and the ranking minority member, or their designees; that the only amendment be in order to be an amendment to substitute S. 1249 as reported on H.R. 4613, and that the agreement be in the usual form.

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

ORDER FOR THE CONSIDERATION OF H.R. 7072 ON TUESDAY, SEPTEMBER 28, 1982, UNDER A TIME AGREEMENT

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate turn to the consideration of the agricultural appropriations bill, H.R. 7072, at 10 a.m. on Tuesday, September 28, 1982, and that it be considered under the following time agreement:

One hour on the bill to be equally divided between the Senator from Mississippi (Mr. COCHRAN) and the Senator from Missouri (Mr. EAGLETON), or their designees; 30 minutes on first-degree amendments; 20 minutes on second-degree amendments; 10 minutes on any motions, appeals, or points of order, if so submitted to the Senate; that the agreement be in the usual form with respect to the division and control of time; and that if the bill can be advanced to third reading prior to 2 p.m., the Senator from Oklahoma (Mr. BOREN) be permitted to offer an amendment under the stipulations of the time agreement after the hour of 2 p.m. but prior to the close of business on Tuesday.

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

COMMUNITY SERVICES BLOCK GRANT ACT

Mr. STEVENS. Mr. President, I ask unanimous consent that the Chair lay before the Senate H.R. 7065, the Community Services Block Grant Act, and I ask for its immediate consideration.

The PRESIDING OFFICER. The bill will be stated by title.

The assistant legislative clerk read as follows:

A bill (H.R. 7065) to amend the Community Services Block Grant Act to clarify the authority of the Secretary of Health and Human Services to designate community action agencies for certain community action programs administered by the Secretary for fiscal year 1982, and for other purposes.

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to its immediate consideration.

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

The Senate proceeded to consider the bill.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be proposed, the question is on the third reading of the bill.

The bill was ordered to a third reading, read the third time, and passed.

Mr. STEVENS. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. RIEGLE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

U.S. CODE AMENDMENTS REQUIRED BY PASSAGE OF MILITARY CONSTRUCTION CODIFICATION ACT AND DOD AUTHORIZATIONS

Mr. STEVENS. Mr. President, I ask unanimous consent that the Judiciary Committee be discharged from further consideration of H.R. 4623, and I ask for its immediate consideration.

The PRESIDING OFFICER. Without objection, it is so ordered. The bill will be stated by title.

The assistant legislative clerk read as follows:

A bill (H.R. 4623) to amend titles 10, 14, 37, and 38, United States Code, to codify recent law and to improve the code.

There being no objection, the Senate proceeded to consider the bill.

UP AMENDMENT NO. 1298

Mr. STEVENS. Mr. President, on behalf of the distinguished Senator from South Carolina, the chairman of the Judiciary Committee, I send to the desk technical amendments and ask that they be considered en bloc.

The PRESIDING OFFICER. The amendments will be stated.

The assistant legislative clerk read as follows:

The Senator from Alaska (Mr. STEVENS), in behalf of Mr. THURMOND, proposes unprinted amendment No. 1298.

Mr. STEVENS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

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

The amendment is as follows:

SENATE AMENDMENTS TO H.R. 4623

(1) Page 1, beginning on line 6, strike out through line 8 on page 2.

(2) Page 2, line 9, strike out "(f)" and substitute "(e)".

(3) Page 2, on lines 20–21, and 27, strike out "related to" and substitute "with respect to".

(4) Page 3, line 8, strike out "assaults" and substitute "assets".

(5) Page 3, line 25, strike out "weapons" and substitute "weapons".

(6) Page 3, line 25, strike out the closing quotation marks and the 2d period.

(7) Page 3, strike out lines 26–32 and substitute the following:

"§ 113b. Sale or transfer of defense articles: reports to Congress

"When there is a letter of offer to sell or a proposal to transfer defense articles that are valued at $50,000,000 or more from the inventories of a regular component of the armed forces or from current production, the Secretary of Defense shall submit a report to Congress stating—

"(1) the impact of the sale or transfer on the current readiness of the armed forces;

"(2) the adequacy of reimbursements to cover, at the time of replenishment of United States inventories, the replacement costs of those items sold or transferred; and

"(3) for each article to be sold—

"(A) the initial issue quantity requirement for the armed forces for that article;

"(B) the percentage of that requirement already delivered to the armed forces or contracted for at the time of the report;

"(C) the timetable for meeting that requirement absent the proposed sale; and

"(D) the timetable for meeting that requirement if the sale is approved.".

(B) The analysis of chapter 4 is amended by inserting the following items immediately below item 133:

"133a. Secretary of Defense: annual report on North Atlantic Treaty Organization readiness.

"133b. Sale or transfer of defense articles: reports to Congress.".

(8) Page 3, line 33, strike out "(4)" and substitute "(3)".

(9) Page 3, lines 35, 37, and 38, and page 4, lines 2 and 5–6, strike out "manpower" and substitute "personnel".

(10) Page 4, between lines 6 and 7, insert the following:

(4) Section 138 is amended by adding at the end thereof the following:

"(i) Funds may be appropriated for the armed forces for use as an emergency fund for research, development, test, and evaluation, or related procurement or production, only if the appropriation of the funds is authorized by law after June 30, 1966.".

(11) Page 4, strike out lines 7–27.

(12) Page 4, line 28, strike out "(6)" and substitute "(5)".

(13) Page 4, line 34, strike out "(7)" and substitute "(6)".

(14) Page 4, between lines 35 and 36, insert the following:

(7) The catchline for section 532 is amended by inserting "a" after "original appointment as".

(15) Page 4, after line 41, insert the following:

(11) Section 741(c) is amended by striking out "the the" and substituting "the".

(16) Page 5, line 1, strike out "(11)" and substitute "(12)".

(17) Page 5, between lines 5 and 6, insert the following:

(13) Section 931 is amended by striking out "United States Code,".

(14)(A) Chapter 49 is amended by adding at the end thereof the following:

"§ 978. Denial of entrance into the armed forces of persons dependent on drugs or alcohol

"(a) The Secretary of Defense shall prescribe regulations, implement procedures using each practical and available method, and provide necessary facilities to identify each person examined at an armed forces examining and entrance station who is dependent on drugs or alcohol.

"(b) Each person identified under subsection (a) as dependent on drugs or alcohol shall be—

"(1) denied entrance into the armed forces; and

"(2) referred to a civilian treatment facility.".

(B) The analysis of chapter 49 is amended by adding at the end thereof the following item:

"§ 978. Denial of entrance into the armed forces of persons dependent on drugs or alcohol.".

(18) Page 5, line 6, strike out "(12)" and substitute "(15)".

(19) Page 5, strike out lines 11–19 and substitute the following:

to identify, treat, and rehabilitate members of the armed forces who are dependent on drugs or alcohol.".

(20) Page 5, lines 22 and 24, strike out "(13)" and "(14)" and substitute "(16)" and "(17)", respectively.

(21) Page 5, strike out line 25 and substitute the following:

(A) by striking out "3991 (formula B)" and substituting "3991 (formula A), 3992 (formula B)".

(22) Page 5, strike out line 27 and substitute the following:

(C) by striking out "8991 (formula B)" and substituting "8991 (formula A), or 8992 (formula B)".

(23) Page 5, between lines 27 and 28, insert the following:

(18) The catchline for section 1448 is amended by striking out "plan" and substituting "Plan".

(24) Page 5, lines 28, 31, and 37, strike out "(15)", "(16)", and "(17)" and substitute "(19)", "(20)", and "(21)", respectively.

(25)Page 6, line 3, strike out "(18)" and substitute "(22)".

(26) Page 6, strike out lines 7–15 and substitute the following:

(23) Section 2239 is amended by striking out "section 3648 of the Revised Statutes (31 U.S.C. 529)" and substituting "section 3324(a) and (b) of title 31".

(27) Page 6, line 16, strike out "(20)" and substitute "(24)".

(28) Page 6, between lines 33 and 34, insert the following:

(25) Section 2315 is amended by striking out "(40 U.S.C. 795)" and substituting "(40 U.S.C. 759)".

(29) Page 6, line 34, strike out "(21)" and substitute "(26)".

(30) Page 7, immediately below the matter between lines 4 and 5, insert the following:

(27) Section 2388(c) is amended by striking out "section 3648 of the Revised Statutes (31 U.S.C. 529)" and substituting "section 3324(a) and (b) of title 31".

(28)(A) Section 2394 (as enacted by section 2(b)(4) of Public Law 97–258) is redesignated as section 2395 and is amended to read as follows:

"§ 2395. Availability of appropriations for procurement of technical military equipment and supplies

"Funds appropriated to the Department of Defense for the procurement of technical military equipment and supplies remain available until spent.".

(B) Section 2395 (as enacted by section 2(b)(4) of Public Law 97–258) is redesignated as section 2396 and is amended by striking out "another" in subsection (b)(2)(C) and substituting "any other".

(31) Page 7, line 5, strike out "(22)" and substitute "(29)".

(32) Page 7, line 7, strike out "§ 2395" and substitute "§ 2397".

(33) Page 9, Line 11, strike out "§ 2396" and substitute "§ 2398".

(34) Page 9, strike out lines 18–28 and the matter between lines 28 and 29 and substitute the following:

"§ 2399. Limitation on availability of appropriations to reimburse a contractor for the cost of commercial insurance

"None of the funds appropriated to the Department of Defense is available for obligation to reimburse a contractor for the cost of commercial insurance that protects against the costs of the contractor for correction of the contractor's own defects in materials or workmanship.

"§ 2400. Limitation on procurement of buses

"Funds appropriated for use by the armed forces are available to acquire a multipassenger motor vehicle (bus) only if the vehicle is manufactured in the United States. However, the Secretary of Defense may prescribe regulations authorizing the acquisition of a multipassenger motor vehicle (bus) not manufactured in the United States, but only to ensure that compliance with this section will not result in an uneconomical procurement action or adversely affected the national interest.".

(B) The analysis of chapter 141 is amended by striking out items 2394 and 2395 (as enacted by section 2(b)(4) of Public Law 97–258) and substituting the following:

"2395. Availability of appropriations for procurement of technical military equipment and supplies.

"2396. Advances for payments for compliance with foreign laws, rent in foreign countries, tuition, and pay and supplies of armed forces of friendly foreign countries.

"2397. Employees or former employees of defense contractors: reports.

"2398. Procurement of gasohol as motor vehicle fuel.

"2399. Limitation on availability of appropriations to reimburse a contractor for the cost of commercial insurance.

"2400. Limitation on procurement of buses.".

(35) Page 9, line 29, strike out "(23)" and substitute "(30)".

(36) Page 10, between lines 24 and 25, insert the following:

"(c)(1) It is the sense of Congress that weapons systems being developed wholly or primarily for employment in the North Atlantic Treaty Organization theater should conform to a common Organization requirement in order to proceed toward joint doctrine and planning and to facilitate maximum feasible standardization and interoperability of equipment, and that a common Organization requirement should be understood to include a common definition of the military threat to the members of the Organization.

"(2) It is further the sense of Congress that standardization of weapons and equipment within the Organization on the basis of a 'two-way street' concept of cooperation in defense procurement between Europe and North America can only work in a realistic sense if the European nations operate

on a united and collective basis. Therefore, the governments of Europe are encouraged to accelerate their present efforts to achieve European armaments collaboration among all European members of the Organization.

(37) Page 10, line 25, strike out "(c)" and substitute "(d)".

(38) Page 10, line 29, strike out "Organization" and substitute "North Atlantic Treaty Organization".

(39) Page 10, beginning with line 36, strike out through line 2 on page 11 and substitute the following:

"(4) the identity of—

"(A) each program of research and development for the armed forces of the United States stationed in Europe that supports, conforms, or both, to common Organization requirements of developing weapon systems for use by the Organization, including a common definition of the military threat to the Organization; and

"(B) the common requirements of the Organization to which those programs conform or which they support;

(40) Page 11, line 4, strike out "and".

(41) Page 11, line 6, strike out "requirements." and substitute "requirements;".

(42) Page 11, between lines 6 and 7, insert the following:

"(7) a description of each existing and planned program of the Department of Defense that supports the development or procurement of a weapon system or other military equipment originally developed or procured by members of the Organization other than the United States and for which funds have been authorized to be appropriated for the fiscal year in which the report is submitted, including a summary listing of the amount of funds—

"(A) appropriated for those programs for the fiscal year in which the report is submitted; and

"(B) requested, or proposed to be requested, for those programs for each of the 2 fiscal years following the fiscal year for which the report is submitted; and

"(8) a description of each weapon system or other military equipment originally developed or procured in the United States and that is being developed or procured by members of the Organization other than the United States during the fiscal year for which the report is submitted.

(43) Page 11, line 7, strike out "(d)" and substitute "(e)".

(44) Page 11, line 10, insert "that" before "equipment".

(45) Page 11, line 12, strike out "(e)" and substitute "(f)".

(46) Page 11, immediately below the matter between lines 17 and 18, insert the following:

(31)(A) Section 2661a is repealed.

(B) The analysis of chapter 159 is amended by striking out item 2661a.

(32) Section 2664(a) is amended—

(A) by striking out "military department" in the matter before paragraph (1) and all that follows through "or any" and substituting "military department, the Secretary of Transportation, or any"; and

(B) by striking out "transferred to the" in paragraph (3) and all that follows and substituting "transferred to the Secretary of Transportation under section 3 of the Maritime Act of 1981 (46 U.S.C. 1602).".

(33) Section 2665 is amended—

(A) by striking out "executive department" and all that follows through "may sell" in subsections (a) and (b) and substituting "executive department, may sell"; and

(B) by striking out "Air Force" and all that follows in subsection (b) and substituting "Air Force, or Department of Transportation.".

(47) Page 11, line 18, strike out "(24)" and substitute "(34)".

(48) Page 11, between lines 20 and 21, insert the following:

(35) Section 2852(a) is amended by striking out "section 3648 of the Revised Statutes (31 U.S.C. 529)" and substituting "section 3324(a) and (b) title 31".

(36) Section 2859 is amended by striking out "section 201 of the Budget and Accounting Act, 1921 (31 U.S.C. 11)" and substituting "section 1105 of title 31".

(37) Section 3068(5) is amended by striking out "(a)", "(b)", "(c)", "(d)", and "(e)" and substituting "(A)", "(B)", "(C)", "(D)", and "(E)", respectively.

(49) Page 11, lines 21, 27, and 29, strike out "(25)", "(26)", and "(27)" and substitute "(38)", "(39)", and "(40)", respectively.

(50) Page 11, line 34, strike out "of this section" and substitute "of the following table".

(51) Page 11, line 35, strike out "of this section" and substitute "of that table".

(52) Page 12, immediately below the matter before line 1, insert the following:

(41)(A) Chapter 403 is amended by adding at the end thereof the following:

§ 4356. Use of certain gifts

"Under regulation prescribed by the Secretary of the Army, the Superintendent of the Academy may (without regard to section 2601 of this title) accept, hold, administer, invest, and spend any gift, devise, or bequest of personal property of a value of $20,000 or less made to the United States on the condition that such gift, devise, or bequest be used for the benefit of the Academy or any entity thereof. The Secretary may pay or authorize the payment of all reasonable and necessary expenses in connection with the conveyance or transfer of a gift, devise, or bequest under this section.".

(B) The analysis of chapter 403 is amended by adding at the end thereof the following item:

"4356. Use of certain gifts.".

(53) Page 12, lines 1, 4, 6, 9, 11, 12, and 14, strike out "(28)", "(29)", "(30)", "(31)", "(32)", "(33)", and "(34)" and substitute "(42)", "(43)", "(44)", "(45)", "(46)", "(47)", and "(48)", respectively.

(54) Page 13, line 3, strike out "(35)" and substitute "(49)".

(55) Page 13, line 5, strike out "§ 7309" and substitute "§ 7310".

(56) Page 13, between lines 23 and 24, strike out "7309" and substitute "7310".

(57) Page 13, line 24, strike out "(36)" and substitute "(50)".

(58) Page 14, on lines 24–25 and 26–27, strike out "adding at the end thereof the following item" and substitute "inserting the following item immediately below item 165".

(59) Page 14, immediately below the matter between lines 32 and 33, insert the following:

(51)(A) Item 659 in the analysis of subtitle C is amended by striking out "responsibility" and substituting "Responsibility".

(B) The analysis of part IV of subtitle C is amended by adding at the end thereof the following item: "661. Accountability and Responsibility 7861".

(C) The catchline for section 7861 is amended by striking out "public" and substituting "naval".

(D) Item 7861 in the analysis of chapter 661 is amended by striking out "public" and substituting "naval".

(60) Page 14, line 33, strike out "(37)" and substitute "(52)".

(61) Page 15, line 1, strike out "of this section" and substitute "of the following table".

(62) Page 15, line 2, strike out "of this section" and substitute "of that table".

(63) Page 15, line 3, strike out "(38)" and substitute "(53)".

(64) Page 17, strike out line 12 and substitute the following:

"§ 661. Authorization of personnel end strengths".

(65) Page 17, line 13, strike out "end".

(66) Page 17, line 21, strike out "recruit" and substitute "Recruit".

(67) Page 17, line 22, strike out "flight" and substitute "Flight".

(68) Page 17, line 23, strike out "professional" and substitute "Professional".

(69) Page 17, line 24, strike out "officer" and substitute "Officer".

(70) Page 17, line 31, strike out "enacted".

(71) Page 17, strike out lines 33 and 34 and substitute the following:

"(1) For the operation and maintenance of the Coast Guard.

"(2) For the acquisition, construction, rebuilding, and improvement of".

(72) Page 17, lines 37 and 38, strike out "for" and substitute "For".

(73) Page 17, line 38, strike out "tests" and substitute "test".

(74) Page 18, strike out item 661 in the matter between lines 6 and 7 and substitute the following:

"661. Authorization of personnel end strengths.".

(75) Page 18, between lines 15 and 16, insert the following:

(1) Section 305a(d) is amended by striking out "clause (B)" in the 2d sentence and substituting "clause (2)".

(2) Section 308b(a)(1) is amended by striking out "services" and substituting "service".

(76) Page 18, lines 16 and 19, strike out "(1)" and "(2)" and substitute "(3)" and "(4)," respectively.

(77) Page 18, line 20, strike out "(j)" and substitute "(k)".

(78) Page 18, line 30, strike out "(3)" and substitute "(5)".

(79) Page 18, beginning on line 36, strike out through the matter after line 39 on page 19 and substitute the following:

(6)(A) Chapter 17 is amended by adding at the end thereof the following:

"§ 908. Employment of reserves and retired members by foreign governments

"(a) Subject to subsection (b) of this section, Congress consents to the following persons accepting civil employment (and compensation for that employment) for which the consent of Congress is required by the last paragraph of section 9 of article I of the Constitution, related to acceptance of emoluments, offices, or titles from a foreign government:

"(1) Retired members of the uniformed services.

"(2) Members of a reserve component of the armed forces.

"(3) Members of the Commissioned Reserve Corps of the Public Health Service.

"(b) A person described in subsection (a) of this section may accept employment or compensation described in that subsection only if the Secretary concerned and the Secretary of State approve the employment.".

(B) The analysis of chapter 17 is amended by adding at the end thereof the following:

"908. Employment of reserves and retired members by foreign governments.".

(80) Page 22, strike out lines 21 and 22 and substitute the following:

(21) Section 704(e) is amended—

(A) in the first sentence, by striking out "On and after the effective date of this subsection" and substituting "After June 30, 1972,"; and

(B) in the 3d sentence, by striking out "subsections" and substituting "subsection".

(81) Page 23, strike out lines 33-35 and substitute the following:

(A) in subsection (a)(2)(B), by striking out "the date of enactment of this paragraph" and substituting "November 23, 1977,"; and

(82) Page 28, strike out lines 1 and 2 and substitute the following:

(C) in subsection (b)(1), by striking out "subsection (h), of section 415 of such title" and substituting "subsection (g), of section 415 of this title"; and

(83) Page 29, line 18, strike out "those" and substitute "such".

(84) Page 30, strike out lines 11-13 and substitute the following:

(89) Section 4207 is amended by striking out "the Accounting and Auditing Act of 1950" and substituting "section 3523 of title 31".

(85) Page 32, in the item related to "Oct. 7" under "1975", strike out "811" and "539" and substitute "812" and "540", respectively.

(86) Page 32, in the item related to "Nov. 9" under "1979", strike out "809," in the "Section" column and "815," in the "Page" column.

(87) Page 32, strike out the item related to "Dec. 1" under "1981" and substitute the following:

Dec. 29	97-114	770	95	1590
1982 Sept. 8	97-252	1104, 1121, 1133(a).	96	739, 754, 761

The PRESIDING OFFICER. Without objection, the amendments will be considered en bloc.

Mr. STEVENS. Mr. President, on behalf of Mr. THURMOND, I ask unanimous consent that an explanation of the amendments be printed at this point in the RECORD.

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

EXPLANATION OF AMENDMENTS TO H.R. 4623

The amendments being offered to H.R. 4623 are technical in nature. The amendments make changes in titles 10, 14, 37, and 38, United States Code, required by passage of the Military Construction Codification Act (Public Law 97-214), the Department of Defense Authorization Act, 1983 (Public Law 97-252), and the codification of title 31 (Public Law 97-258), and to correct grammatical and printing errors and to maintain consistency of style in titles 10, 14, 37, and 38.

DETAILED EXPLANATION OF SENATE AMENDMENTS TO H.R. 4623

Amendments 1, 2, 6, 7, and 8 are necessary because of the restatement of section 813 of the Department of Defense Appropriation Authorization Act, 1976 (Public Law 94-106), as amended by section 1104 of the Department of Defense Authorization Act, 1983, as a separate section 133b of title 10.

Amendments 3-5 and 9 make changes to sections 133a and 138(c)(5) of title 10 for consistency of style in title 10.

Amendment 10 transfers the restatement of section 305 of the Act of June 11, 1965 (Public Law 89-37), from section 135(d) of title 10 to section 138(i) of title 10 to provide a more appropriate classification.

Amendments 11-13 are necessary because of the repeal of section 811 of the Department of Defense Appropriation Authorization Act, 1976 (Public Law 94-106), by section 1107(b) of the Department of Defense Authorization Act, 1983.

Amendments 14-16 and amendment 17, as it amends section 931 of title 10, make technical changes to maintain consistency of style in title 10.

Amendment 17, as it amends chapter 49 of title 10, and amendments 18 and 19 restate part of section 501 of the Act of September 28, 1971 (Public Law 92-129), as section 978 of title 10 and part as section 1090 of title 10 to provide more appropriate classifications.

Amendments 20-22 are necessary to correct an erroneous cross-reference in section 1405 of title 10.

Amendments 23 makes a technical and conforming change in section 1448 of title 10 for consistency of style in title 10.

Amendments 24-27 and amendment 30, as it amends section 2388(c) of title 10, make conforming cross-references in section 2239 and 2388(c) of title 10 required because of the codification of title 31.

Amendments 28 and 29 correct an erroneous cross-reference in section 2315 of title 10.

Amendment 30, as it amends section 2394 and 2395 (as enacted by section 2(b)(4) of Public Law 97-258), and amendments 31-33 make renumbering changes and other conforming changes required by sections 6(a)(1) and 10(b)(5) of the Military Construction Codification Act.

Amendment 34, as it adds new section 2399 of title 10, is necessary because section 770 of the Department of Defense Appropriation Act, 1982 (Public Law 97-114), superseded section 100 (last paragraph under heading "General Provisions") of the Supplemental Appropriations and Rescission Act, 1981 (Public Law 97-12), restated in the bill as new section 2397 of title 10. The section is added as a new section 2399 because of the renumbering required because of amendments 31-33. Amendment 34, as it adds new section 2400 of title 10, transfers the restatement of section 404 of the Act of September 20, 1968 (Public Law 90-500), from section 2303(d) of title 10 to section 2400 of title 10 to provide a more appropriate classification. Amendment 34 also makes a technical and conforming change in the analysis of chapter 141 of title 10.

Amendments 35-37, 39, 43, and 45 are necessary to revise the restatement of section 803 (a) and (c) of the Department of Defense Appropriation Authorization Act, 1977 (Public Law 94-361), as part of section 2457 of title 10 for clarity and consistency of style in title 10.

Amendment 38 is necessary to maintain consistency of style in revised section 2457(d) of title 10.

Amendments 40-42 are necessary because section 1121 of the Department of Defense Authorization Act, 1983, added a new sentence to section 302(c) of the Department of Defense Appropriation Authorization Act, 1975 (Public Law 93-365), restated in the bill as part of section 2457 of title 10.

Amendment 44 is necessary to maintain consistency of style in title 10.

Amendment 46 repeals section 2661a of title 10 because section 7(2) and (8) of the Military Construction Codification Act repealed provisions of law restated as section 2661a by the codification of title 31. Amendment 46 also amends section 2664(a) and 2665 to correct errors in amendments to those sections made by section 12(3)(A) and (B) of the Maritime Act of 1981 (Public Law 97-31).

Amendments 47 and 48 make conforming cross-references in sections 2852(a) and 2859 of title 10 required because of the codification of title 31 and also make a technical change in section 3068 of title 10 for consistency of style in title 10.

Amendments 49-51 make changes in section 3992 of title 10 for consistency of style in title 10.

Amendment 52 restates section 1133(a) of the Military Construction Codification Act as section 4356 of title 10.

Amendments 53-58 make technical changes required because the Military Construction Codification Act added a new section 7309 of title 10 and a new chapter 169 to title 10.

Amendments 59-62 make changes in the analysis of subtitle C and sections 7861 and 8992 of title 10 for consistency of style in title 10.

Amendments 63-74 make technical changes in the restatement of sections 5 and 6 of the Act of September 10, 1976 (Public Law 94-406), as sections 662 and 661 of title 14, respectively, for consistency in the military titles.

Amendments 75 and 76 are necessary to correct an erroneous cross-reference in section 305a of title 37 and to correct a grammatical error in section 308b of title 37.

Amendment 77 is necessary because section 2(i) of Public Law 97-258 added a subsection "(j)" to section 406 of title 37.

Amendments 78 and 79 transfer the restatement of section 509 of the Foreign Relations Authorization Act, Fiscal year 1978 (Public Law 95-105), from section 801a of title 37 to section 908 of title 37 to provide a more appropriate classification.

Amendment 80 corrects an erroneous cross-reference in section 704(e) of title 38.

Amendment 81 corrects an amendment to section 1662 of title 38.

Amendment 82 corrects an erroneous cross-reference in section 3112 of title 38.

Amendment 83 is necessary to maintain consistency of style in section 4118 of title 38.

Amendment 84 makes a conforming cross-reference in section 4207 of title 38 required because of the codification of title 31.

Amendments 85-87 make changes in the Schedule of Laws Repealed required by these amendments.

The PRESIDING OFFICER. Without objection, the amendments are agreed to en bloc.

The amendment (UP No. 1298) was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment to be proposed the question is on the engrossment of the amendment and third reading of the bill.

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

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

So the bill (H.R. 4623) was passed.

Mr. STEVENS. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. RIEGLE. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

EXPRESSION OF THANKS TO FORMER FIRST LADY BETTY FORD

Mr. STEVENS. Mr. President, I ask unanimous consent that the Judiciary Committee be discharged from further consideration of House Concurrent Resolution 407, and ask for its immediate consideration.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The concurrent resolution will be stated by title.

The assistant legislative clerk read as follows:

A concurrent resolution (H. Con. Res. 407) to express thanks to former First Lady Betty Ford.

The PRESIDING OFFICER Is there objection to the present consideration of the concurrent resolution?

There being no objection, the Senate proceeded to consider the concurrent resolution.

Mr. STEVENS. Mr. President, in behalf of Senator BAKER, I would like to take this opportunity to join with my colleagues in paying tribute to a remarkable woman and a former First Lady, Betty Ford. Mrs. Ford's courage in facing up to personal travails serves as an inspiration to millions, and I am pleased to learn that her unflagging efforts are soon to be commended by the establishment of the Betty Ford Center at the Eisenhower Medical Center in Rancho Mirage, Calif. But, Mr. President, Mrs. Ford's contribution to the national effort to combat chemical addiction extend beyond her own unselfish revelations that have provided hope and incentive to numerous afflicted individuals. She has dedicated herself to the legislative arena in California and provided impetus to fundraising endeavors for treatment facilities. Coming, as it does, in the wake of medical difficulties stemming from her battle with cancer, her efforts are all the more noteworthy and heartening.

Mr. President, I move the adoption of the resolution.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution (H. Con. Res. 407) was agreed to.

The preamble was agreed to.

Mr. STEVENS. I move to reconsider the vote by which the resolution passed.

Mr. RIEGLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

NATIONAL ALZHEIMER'S DISEASE WEEK

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 826, Senate Joint Resolution 225.

The PRESIDING OFFICER. Without objection, the resolution will be stated by title.

The assistant legislative clerk read as follows:

A joint resolution (S. J. Res. 225) to provide for the designation of the week beginning on November 21, 1982, as "National Alzheimer's Disease Week".

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate indefinitely postpone consideration of Senate Joint Resolution 826 and in lieu thereof call up Calendar No. 846, House Joint Resolution 496, which deals with the same subject matter.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

The clerk will state the House joint resolution by title.

The assistant legislative clerk read as follows:

A House joint resolution (H.J. Res. 496) to provide for the designation of the week beginning November 21, 1982, as "National Alzheimer's Disease Week."

The PRESIDING OFFICER. Without objection, the joint resolution will be considered as having been read the second time by title.

● Mr. EAGLETON. Mr. President, on August 3, I introduced Senate Joint Resolution 225, which we are considering today, declaring the week of November 21 of this year as "National Alzheimer's Disease Week." In the time since the resolution was introduced, 53 of my colleagues have joined with me in sponsoring this resolution. I believe the fact that a majority of Senators have jointed in sponsoring this resolution indicates the vast number of middle-aged and older Americans across this country who suffer from the silent epidemic of Alzheimer's disease.

Mr. President, although Alzheimer's disease is little known, it is a surprisingly common disorder which affects over 1½ million American adults. It is an insidious and relentless deterioration of the mind which often occurs in middle age and which is now recognized as the most common cause of severe intellectual impairment in older individuals.

At the present time, medical science does not know how to prevent or how to cure Alzheimer's disease. However, it is now known that Alzheimer's disease and the dementias of aging are not the inevitable consequence of growing old; they represent pathological disease states subject to investigation and treatment. At present, the National Institute on Aging, as well as the National Institute of Neurological and Communicative Disorders and Stroke, the National Institute of Allergy and Infectious Diseases, and the National Institute of Mental Health are pursuing a cooperative research effort to increase the science base of fundamental knowledge about Alzheimer's disease, and to translate basic research findings pertaining to treatment into clinical studies and ultimately into improved health and social services structure and delivery.

It is my hope, Mr. President, that passage of this resolution today, declaring the week of Novemer 21, 1982, as "National Alzheimer's Disease Week," will lead to better understanding of the needs of Alzheimer's patients and their families, to a heightened awareness of our entire health care delivery system of the nature of this disease, to more intensive continuing education of physicians and nurses in the management of the disease, to bolstering families who too often are struggling alone to cope with the day-to-day vigil over the deterioration of loved ones, and to a systematic investment of additional resources in basic and clinical research into the cause of and treatment for this dreaded affliction.●

Mr. STEVENS. Mr. President, I urge adoption of the resolution.

The PRESIDING OFFICER. The question is on the third reading and passage of the joint resolution.

The joint resolution (H.J. Res. 496) was ordered to a third reading, was read the third time, and passed.

Mr. STEVENS. I move to reconsider the vote.

Mr. RIEGLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

NATIONAL PRODUCTIVITY IMPROVEMENT WEEK

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 827.

The PRESIDING OFFICER. The clerk will state it.

The assistant legislative clerk read as follows:

A resolution (S. Res. 453) designating the week of October 3 through October 8, 1982, as "National Productivity Improvement Week."

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was considered, and agreed to.

The preamble was agreed to.

The resolution, and the preamble, are as follows:

S. RES. 453

Whereas the economic stability and growth of this Nation relies largely on the collective industry and endeavor of its working citizens;

Whereas the time-honored tradition of American leadership in work related ingenuity and know-how brought about great strides in productivity;

Whereas growth in productivity in turn improves the standard of living of United States citizens;

Whereas public awareness of the economic importance of productivity will promote individual and collective ideas and innovations for productivity improvement; and

Whereas a conscientious effort to improve productivity will foster a better standard of living for all citizens and reduce the level of inflation: Now, therefore, be it

Resolved, That, for the purposes of providing for a better understanding of the need for productivity growth and of encouraging the development of methods to improve individual and collective productivity in the public and private sectors, the week of October 3 through October 9, 1982, is designated "National Productivity Improvement Week". The President is requested to issue a proclamation calling upon the people of the United States to observe such week with appropriate ceremonies and activities.

Mr. STEVENS. I move to reconsider the vote by which the resolution was agreed to.

Mr. RIEGLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

NATIONAL MEDICAL LABORATORY WEEK

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of Calendar No. 828, Senate Joint Resolution 178.

The PRESIDING OFFICER. The resolution will be stated by title.

The assistant legislative clerk read as follows:

A joint resolution (S.J. Res. 178) to authorize and request the President to proclaim the second week in April as "National Medical Laboratory Week."

The PRESIDING OFFICER. Is there objection to the present consideration of the joint resolution?

There being no objection, the joint resolution (S.J. Res. 178) was considered, ordered to be engrossed for a third reading, read the third time, and passed.

The preamble was agreed to,

The title was amended to as to read "Joint resolution to authorize and request the President to proclaim the second week in April of 1983 as 'National Medical Laboratory Week' ".

The joint resolution, and the preamble, are as follows:

S.J. RES. 178

Whereas the health of all Americans depends upon educated minds and trained hands; and

Whereas laboratory tests are of the utmost importance in the diagnostic process of detecting disease in man; and

Whereas the practice of modern medicine of the life-conserving standards we now enjoy would be impossible without scientific tests performed daily in the medical laboratory; and

Whereas maintenance of these standards and progress toward improvement in the quality of laboratory services depends on the dedicated efforts of professional practitioners of laboratory sciences; and

Whereas through this dedication the medical laboratories of the United States have made a vital contribution to both the quality of patient care and to the preservation of human life itself; and

Whereas many Governors and mayors have through the years issued proclamations calling upon their citizens to give special attention to the pivotal role played by laboratory services in patient care; and

Whereas the Government of the United States has supported signficant research to improve laboratory procedures and developed standards for laboratory services provided within Federal health programs: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the President of the United States is authorized and requested to issue a proclamation (1) designating the second week of April of 1983 as "National Medical Laboratory Week", (2) inviting the Governors and mayors of State and local governments of the United States to issue similar proclamations. The President is further requested to (3) consider including in such proclamation an invitation calling upon the press, radio, television, and other communications media, the health care professions, and all other agencies and individuals concerned with programs for the improvement of laboratory services to unite during such week in public activities to impress upon the people of the United States the importance of laboratory services to their own welfare and that of our country, and to urge their support of programs to improve such services for all Americans.

Amend the title so as to read: "Joint resolution to authorize and request the President to proclaim the second week in April of 1983 as 'National Medical Laboratory Week'.".

Mr. STEVENS. Mr. President, I move to reconsider the vote.

Mr. RIEGLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

EMIGRATION AND RELIGIOUS AND CULTURAL FREEDOM IN ROMANIA

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of Calendar No. 753, Senate Resolution 445.

The PRESIDING OFFICER. The resolution will be stated by title.

The assistant legislative clerk read as follows:

A resolution (S. Res. 445) to express the sense of the Senate concerning consultations with the Government of the Socialist Republic of Romania with respect to facilitation of increased emigration and the encouragement of religious and cultural freedom.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution was considered and agreed to.

The preamble was agreed to.

The resolution, with its preamble, is as follows:

S. RES. 445

Whereas by bilateral trade agreement the Socialist Republic of Romania is entitled to most-favored-nation status in its trade and commercial relations with the United States;

Whereas under the Trade Act of 1974 the continued extension of most-favored-nation status is conditioned on the freedom of Romanian citizens to emigrate to the country of their choice, unless this condition is waived by the President;

Whereas the President may waive this condition only if he determines that it will substantially promote the objective of greater freedom of emigration;

Whereas there are numerous reports of continuing serious difficulties concerning freedom of emigration from the Socialist Republic of Romania and of repression of religious and cultural freedom;

Whereas both the United States and the Socialist Republic of Romania are signatories to the Final Act of the Conference on Security and Cooperation in Europe, (commonly known as, and hereinafter in this resolution referred to as, the "Helsinki Final Act");

Whereas the signatories to the Helsinki Final Act pledged to respect human rights and fundamental freedoms, including emigration for the purpose of family reunification and to "deal in a positive and humanitarian spirit" with requests to emigrate for this purpose;

Whereas the signatories under Principle VII of the Helsinki Final Act pledged to "recognize and respect the freedom of the individual to profess and practice, alone or in community with others, religion or belief acting in accordance with the dictates of his own conscience", to respect the right of persons belonging to national minorities to equality before the law, to afford them "the full opportunity for the actual enjoyment of human rights and fundamental freedoms", and to "protect their legitimate interests in this sphere" and confirmed "the right of the individual to know and act upon his rights"; and

Whereas the Government of the United States will soon enter into consultations with the Socialist Republic of Romania concerning problems of emigration procedures: Now, therefore, be it

Resolved, That it is the sense of the Senate that the United States in such consultation should seek credible assurances that the Socialist Republic of Romania will review its emigration procedures with a view toward—

(1) clarifying and simplifying them;

(2) maintaining a steady consideration of emigration applications;

(3) eliminating unreasonable preapplication reviews and waiting periods; and

(4) reducing the emigration application backlog, with special consideration for those awaiting departure for one year or more: And be it further

Resolved, That continued harassment and persecution of religious groups and ethnic minorities in Romania contravenes the provisions of the Helsinki Final Act as well as

fundamental human rights and freedoms, and that the Government of the United States should pursue these matters with the Romanian Government and in appropriate international fora, including the Conference on Security and Cooperation in Europe.

Mr. STEVENS. I move to reconsider the vote by which the resolution was agreed to.

Mr. RIEGLE. I move to lay the motion on the table.

The motion to lay on the table was agreed to.

GOALS ON GENERAL AGREEMEMT ON TARIFFS AND TRADE

Mr. STEVENS. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of Calendar No. 628, Senate Resolution 386.

The PRESIDING OFFICER. The resolution will be stated by title.

The assistant legislative clerk read as follows:

A resolution (S.J. Res. 386) to express the sense of the Senate on the goals of the United States for the November 1982 meeting of ministerial-level representatives to the General Agreement on Tariffs and Trade.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

There being no objection, the resolution (S.J. Res. 386) was considered, and agreed to.

The preamble was agreed to.

The resolution, and the preamble, are as follows:

S. RES. 386

Whereas the Constitution vests in the Congress of the United States the authority to regulate commerce with foreign nations, and the Congress exercises this responsibility in part by authorizing the President to establish international trading relationships that are consonant with congressionally articulated trade policies;

Whereas the contracting parties to the General Agreement on Tariffs and Trade (GATT) have agreed to hold a ministerial-level meeting in November of this year, the purposes of which are to review the operation of the GATT and its associated trade agreements, to discuss issues concerning the current world trading system, and to establish the future course of international trade negotiations;

Whereas the Senate is especially concerned that—

(1) existing trade agreements may not be fully adequate to prevent damaging distortions to United States and foreign agricultural markets resulting from unfair trade practices, especially subsidization;

(2) barriers to trade in services and trade-related investment increasingly prejudice United States trade and must be brought under the common discipline of internationally agreed rules; and

(3) the rapid development of new technologies and new industries, fostered by Governments' diverse domestic industrial and trading policies that target particular sectors for protection and aid, increasingly distort traditional trading patterns and rules to the detriment of competitive United States industries; and

Whereas the negotiating objective specified in section 107 of the Trade Act of 1974—to obtain an effective safeguards agreement—has not been realized: Now, therefore, be it

Resolved, That it is the sense of the United States Senate that the United States should seek through the GATT ministerial meeting agreement among the contracting parties—

(1) to review the adequacy of the agreements concluded in the Tokyo round of multilateral trade negotiations, with particular emphasis on the disparate treatment of primary and nonprimary products provided in the agreement on implementation and application of articles VI, XVI, and XXIII of the GATT (the subsidies code) and on the disputes settlement provisions;

(2) to commence the process leading to international arrangements to reduce or to eliminate restrictions on trade in services, trade-distorting investment restrictions, and barriers to trade in high technology products; and

(3) to complete negotiations on a comprehensive agreement on safeguards; and be it further

Resolved, That the United States Government should facilitate the process of achieving domestic and international concensus on the nature of the fast-changing and increasingly integrated world trading system, especially as affected by the rapid introduction of new technologies and adoption of industrial targeting policies, by establishing domestic and international commissions, composed of experts from the public and private sectors, charged with analyzing and making recommendations on these issues.

Mr. STEVENS. I move to reconsider the vote by which the resolution was agreed to.

Mr. RIEGLE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ORDER FOR STAR PRINT—S. 2916

Mr. STEVENS. Mr. President, at the direction of the Committee on Appropriations, I ask unanimous consent that the bill, S. 2916, the Treasury, Postal Service, and General Government Operations Act for fiscal year 1983, and the report accompanying that bill, Senate report 97-547, be star printed with certain technical and substantive modifications. These changes are necessary to resolve a disagreement as to the budgetary impact of the measure. I send to the desk a copy of the bill and the report showing the requested modifications.

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

THE 195 YEARS SINCE THE CONSTITUTION OF THE UNITED STATES WAS SIGNED CELEBRATED ON CAPITOL HILL

Mr. RANDOLPH. Mr. President, 1 week ago today, September 17, we celebrated at the U.S. Capitol, Citizenship Day. The program that breakfast morning was one not only of interest but it gave the opportunity for, let us say, revival, perhaps a renaissance, it certainly could be called a resurgence of concern about the necessity for the American people, perhaps especially the younger people, to think in terms of this country's history, not only the signing of the Declaration of Independence by the 56 delegates, then the framers to the Constitution at a later date. There is an urgent necessity increasing through the years, for us to be responsive to the words by George Washington when he left the Presidency of the United States in that farewell address, of course never spoken but written, and we have it read each year in the Senate.

The President of the United States, George Washington, used this expression: "Citizens by birth, or choice, of a common country, that country has a right to concentrate your affections."

The word "affection" then had the meaning that in a sense it can have now, but in the English of that day as used by the President he meant commitment. That was necessary then in the morning hours of this Republic. Now—a reminder of the need, not just to look at a day or an hour but to look at the substance, the vision and the spirit of America from its beginning. Hopefully all of those values continue to be viable today, in this Nation with a population of approximately 240 million people. We look back but certainly there is every reason to look forward, not with fear but with faith that we, as they, in different roles can continue to strengthen this Nation and live as they wished us to live in a spirit not only of freedom but of responsibility as well.

Sponsored by Convention II and the Center for the Study of Federalism of Southeastern University, the program opened with the inspirational singing of the 19th Street Baptist Church Choir. We were welcomed by Convention II founder Boris Feinman. On behalf of Senator Hatch, General Counsel Randall Rader updated us on the business of the Subcommittee on the Constitution, namely S. 2671, a bill to establish a commission to coordinate the commemoration of the bicentennial of the Constitution. We also discussed the Constitution bicentennial theme, "Battalions for the Ballot." Tim Leighton, president of Convention II, urged creation of a Constitution Bicentennial Commission and explained the role of the Center for the Study of Federalism of Southeastern University, directed by Robert Higgins. Southeastern's president Dr. James G. Bond was with us, as was Vincent Reed of the Washington Post.

At the conclusion of our program, all 200 guests joined with migrant farm youths—Julio Alonzo, Perry Long, and Heather Hernandez, in lighting 195 red, white, and blue candles—one for

each year since the Constitution was framed.

Mr. President, I ask unanimous consent that the remarks by participants in the celebration of the 195th birthday of the Constitution of the United States be printed in the RECORD.

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

REMARKS BY BORIS FEINMAN, FOUNDER AND CHAIRMAN, CONVENTION II

Welcome, friends. I believe this breakfast represents the national opening event in the observance of Citizenship Day and Constitution Week 1982.

Our keynote is simple: the Constitution of the United States is the most wonderful political document devised by the brain of Man. We must nourish it and cherish it with an immersion into its functioning as it nears its 200th birthday in 1987.

Here is a Proclamation of the President of the United States, dated June 24, 1982. President Reagan proclaims that the Congress has designated September 17 as Citizenship Day and the ensuing week as Constitution Week, and calls upon the Nation to conduct appropriate ceremonies and programs pertinent to the joys and duties of American Citizenship, and the safeguarding of our Freedoms which are unique in all the world.

And I am sad when I voice what you all know to be true: the response to that Proclamation is minimal. I feel a melancholy that September 17 has not become a great national holiday equal in rank to July 4th.

The follow-up keynote therefore is that we must strive to make September 17 the day of American intellectual triumph, as great as July 4—the day of American intellectual/military triumph.

I believe we can best do that by immediate creation of a Congressionally authorized Constitutional Bicentennial Commission around which we can focus efforts toward that goal.

Today's program is crafted toward that end. Convention II has been engaged in building a coalition including you, our guests and others. We will identify like-minded organizations and programs. We will review the status of current bills in Congress aimed at creating a Commission and suggest a theme for the Bicentennial Era from now til 1987 as "The Constitution's Era: A time for Citizenship Education." We will talk about actions—lobbying actions, to move Congress to Commission Creation, discuss some other future plans and conclude on a note of ceremony, symbolism and song.

And we will confidently prepare ourselves for the immediate creation of a Constitutional Bicentennial Commission.

REMARKS BY SENATOR ORRIN G. HATCH, DELIVERED BY RANDALL RADER, GENERAL COUNSEL TO SENATE SUBCOMMITTEE ON THE CONSTITUTION

September 17, 1987, will be the Two-Hundredth Anniversary of the approval in Convention of the Constitution of the United States of America. Perhaps the significance of this historic event is best summarized by the findings on Section 2 of S. 2671:

"Sec. 2. The Congress finds that—

"(1) The Bicentennial of the Constitution Convention's adoption of the Constitution occurs on September 17, 1987;

"(2) The Constitution enunciates the limitations on government, the inalienable rights of man, and the timeless principle of individual liberty and responsibility for the people of the United States of America;

"(3) This document has set an enduring example of representative democracy for the world; and

"(4) The maintenance of the common principles that animate our Republic depend upon a knowledge and understanding of their roots and origins."

At the time of the Constitution's Centennial commemoration, President Grover Cleveland remarked:

"If the American people are true to their sacred trust another Centennial day will come, and millions yet unborn will inquire concerning our stewardship and the safety of their Constitution. God grant they may find it unimpaired and as we rejoice to-day in the patriotism and devotion of those who lived 100 years ago, so may those who follow us rejoice in our fidelity and love for constitutional liberty." Public Papers of President Cleveland, Address of Sept. 17, 1887, in Philadelphia.

We are now swiftly approaching the second centennial of the Constitution when President Cleveland promised that "millions yet unborn" would "rejoice" because the American people have been "true to their sacred trust." Just as the United States paused a century ago under the leadership of President Cleveland to examine the "patriotism and devotion of those who lived 100 years" earlier and to chart a course for "those who follow," the Bicentennial of the Constitution offers anew an opportunity for the nation living under that Document to educate itself, to evaluate itself, and to rededicate itself.

This educating, evaluating and rededicating experience will be vital to ensure that "those who follow us" a century hence will "rejoice in our fidelity and love for constitutional liberty."

The hearing held by the Constitution Subcommittee highlighted the importance of this bicentennial commemoration to educate, evaluate, and rededicate Americans to our Constitutional Republic. The dire need for nationwide education about our system of constitutional freedoms was established by Mr. Richard B. Morris, Professor of History Emeritus, Columbia University, in Constitution Subcommittee Hearings.

Granted the Constitution's central place in American political life, it is hardly disputable that the public's understanding of the Constitution is at a low ebb, and that young people completing high school take with them an abysmal sum of ignorance about the Constitutional system of this Nation.

In the two national assessments of performance on citizenship, made first in 1969 and the second as recently as 1976, it was disturbing to find that test scores declined. More disturbing was the relevation that scores on citizenship and social studies declined more than those in reading, writing, and science. The declines for the 17-year olds were by and large greater than for the 9-year olds and the 13-year olds.

Half the students of each age thought that the President could appoint Members of Congress. Only a little more than half of the 17-year olds and 32 percent of the 13-year olds knew that each State has two Senators. Less than half of the 17-year olds and less than one-fourth of the 13-year olds knew that appointments to the Supreme Court must be confirmed by the Senate, while a big majority of the 17-year olds felt that a two-thirds voted by the justices of the Supreme Court was necessary to declare a law unconstitutional. Hearing before the Subcommittee on the Constitution of the Senate Judiciary Committee on the Establishment of a Commission on the Bicentennial of the Constitution, 97th Cong., 1st Sess., Sept. 17, 1981 (hereinafter "Hearing").

This Bicentennial offers an opportunity to correct this educational problem and foster a better understanding of our representative government. Because ours is a "government of the people, by the people, for the people," its function and survival very directly depend on the capacity of the people to convert an understanding of our Constitutional system into self-government and citizen participation. The Republic depends on citizens to vote responsibly, to hold public offices, to serve in the armed forces, to give testimony at public hearings, to participate in juries, to engage in discussions of public affairs, to offer voluntary service in community settings, and to raise the responsible citizens of the future in family settings. Without a working knowledge of our charter of freedoms and voluntary activities in conjunction with such understanding, our participatory government would soon perish. Our Government is only as strong as the understanding and will of the people who comprise it. In a very real sense, the educational aspect of the bicentennial commemoration is a "national defense" program.

This bicentennial offers also the opportunity to evaluate the successes of our governing institutions since their inauguration in 1787.

The Founding Fathers set forth standards for assessment. They expected the "self-evident truth that all men are created equal" to guarantee that all "are endowed by their Creator with certain inalienable rights," including the rights to "life, liberty, and the pursuit of happiness." Indeed, they asserted, "That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed." They further expected their efforts "to form a more perfect Union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty." The success of our institutions could well be judged by how well they have accomplished these objectives. Such an assessment could only teach profound respect for the wisdom and insight of our Founding Fathers.

Finally, the bicentennial offers the opportunity for the American people to rededicate themselves to the common principles that have formed the basis for our National strength and prosperity. In the words of General William C. Westmoreland, "As we begin the third century of the United States of America, the American people should renew their knowledge about our heritage and should rededicate themselves to the maintenance of a republic under the constitution." Hearing, Supra.

The Constitution, paradoxically, grows and becomes more effective over time not through a process of change and evolution but instead through a process of study and application of its unchanging principles. The growth and effectiveness of the Constitution is most evident in the dedication of Americans to its changeless tenets. The Constitution has proven durable—not because it is an evolving or flexible document but because it addressed principles that were enduring and because it created insti-

tutions that were in accord with the realities of man's existence. Hearing, Supra.

This time of rededication will, in a sense, strengthen the Constitution and its ability to perpetuate our system of ordered liberty, and a comprehension that "the maintenance of the common principles that animate our Republic depend upon a knowledge and understanding of their roots and origins" were eloquently summarized by Senator Charles McC. Mathias, a sponsor of S. 2671:

"The Founding Fathers were able to distill their knowledge of the history of mankind in a way that resulted in the provisions of the Constitution. They had obviously read Herodotus . . . They had read the "Spirit of Laws" by Montesquieu. They knew Locke; they knew all of the great authors of both political theory and historical fact.

"It is as the result of their knowledge and their preparation that we have a Constitution. It is . . .

"A great Constitution; but it . . . has to be implemented day by day by the men and women of the United States of America . . .

"We cannot implement the Constitution in the spirit in which it was written unless our knowledge of it is as intimate as the knowledge of the members of the Constitutional Convention . . .

"Issues present themselves which demand resolution against the framework of the Constitution. We will be inadequate to the job of resolving those issues unless we know as much about the Constitution as the delegates to the Convention who wrote it.

"Therefore, . . . it is vital that we stimulate interest . . . in its origins and antecedents and its spirit." Hearing, Supra.

Thus, education, evaluation, and rededication are essential to focus America's attention on the legacy they inherited from those who lived two hundred years ago and on their responsibility to protect it for those who will live two hundred years in the future.

The hearing held by the Constitution Subcommittee devoted considerable attention to the question of the role to be played by the Federal Government in the Bicentennial commemoration. Although conclusions about the degree of Federal involvement varied, all witnesses and Senators on the Committee agreed that, in the words of Mr. Ronald Hoffman, Symposia Director, U.S. Capitol Historical Society, "It is, after all, the anniversary of the founding of the National Government that we are celebrating in the bicentennial of the Constitution." Hearing, Supra. Therefore, the Federal Government should at least play some role in the commemoration of its own birth.

Federal involvement is also necessary for several practical reasons. Because no enterprise is likely to reach its own objectives without adequate planning, the essential goals of this commemoration depend on coordination and planning that will probably only be undertaken by a Federal body. Private and state authorities should not be responsible to undertake a project to coordinate the commemoration of the birth of the Federal Government, but will undoubtedly look to the Government itself to undertake the task. With all private and state entities deferring to the Federal Government, advance planning is likely to be postponed until too late. Already we are only five years away from the anniversary of the Mount Vernon Commercial Conference that was an important step toward the monumental meeting of the Constitutional Convention in Philadelphia, May 25, 1787. If planning and coordination are to be undertaken in a timely fashion, the Federal Government will need to inaugurate the process.

A Federal presence in the commemoration effort is also necessary to attract funding from private corporations and foundations. In the absence of a demonstration of interest by the Federal Government, private sources of funding may not be easily persuaded of the importance of supporting this commemoration as they so generously backed the Bicentennial of the Declaration of Independence.

Perhaps the most important reason for Federal involvement, however, was best stated by General William Westmoreland:

"The Federal Government must be involved so that all the people throughout this Nation—from the people in Lexington and Concord, Mass., where the Revolution began to the modern-day pioneers on the frontiers of Alaska; from the descendants of the Jamestown settlers to the Vietnamese boat people; from the citizens of northeastern Maine to the residents of Nilhua Island in Hawaii—realize the great heritage of democracy and personal freedom formulated by the Constitutional Convention in 1787 and protected and strengthened by following generations.

"Only when there is a national focus can there be a genuine general commemoration or rededication at the 200th anniversaries of the fundamental documents which have formed and maintained our democratic Government." Hearing, Supra.

If this is to be a successful national celebration of all the people, then the only entity which expresses the will of all the people of the United States must acknowledge the anniversary of the document which has guaranteed the liberties of those people.

Accordingly, after months of contemplating the appropriate degree of Federal commitment to this objective, all Senators on the Subcomittee on the Constitution joined me in the introduction of S. 2671, a bill to establish a commission to coordinate the commemoration of the Bicentennial of the Constitution. This bill contemplates a modest role for the Federal Commission of encouraging and coordinating commemoration activities.

S. 2671 further contemplates a commemoration consisting of more enduring activities than a series of pyrotechnic displays and parades. While celebrative activities are important to rekindle our national pride in the Constitution, a national reexamination of our nation's common principles and their embodiment in the language of the Constitution is perhaps more important.

S. 2671 is true to the Constitution's enlightened principles of federalism by recognizing a pivotal role for the States. The Federal Bicentennial Commission, under the plan envisioned in S. 2671, will play an important role as a coordinator, but will only undertake a "limited number" of worthy projects. States, on the other hand, should perceive no limits on the activities within the will of their citizens. The Federal Commission should encourage such State activities.

S. 2671 is also true to the Constitution's principle of limited national government in that it recognizes a leading role for the private sector. Private organizations throughout the national and in every community will perhaps carry the greatest weight in making this commemoration significant. The Federal Commission should encourage such private activities to make the Constitution's mesage meaningful in each of America's communities and homes.

S. 2671 is also true to the Constitution's respect for a diversity of thought and expression. The Federal Commission created by S. 2671 will not espouse any single, narrow view of what is most important about the Constitution or its historical development. The Federal Commission's focus should be the men and events of 1787, not controversial interpretations of 1987; the Federalist Papers and the ratification debates in the States, on the textbooks of modern law schools; the substantive provisions of our nation's foundational document, not the proposed legislative agenda of any single party or group.

One final observation argues strongly for creation of a Commission to commemorate the Bicentennial of the United States Constitution. S. 2671 is also true to the Constitution's principle of a separation of powers. All three branches of Government will participate in the Commission. This point calls to mind six years ago we paused to commemorate the Declaration of Independence and the celebration of its Bicentennial. The culminating moment of that celebration came on July 4, 1976, when we as a Nation paused to rejoice and reflect upon the document that enunciated the intent of the American people to be free. We are all familiar with the aspirational language of that document:

"We hold these truths to be self-evident; that all men are created equal, that they are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness."

With this elevating affirmation of purpose, the former colonies of Britain in the New World embarked on a course that would produce the United States of America. A war, a loosely bound confederation of sovereign states, and 11 difficult years came between the aspiration of the Declaration and the contract between the people and the States to carry out its noble objectives.

These two documents, the Declaration and the Constitution, launched the free peoples of America upon a course of self-government—a course we have learned is fraught with responsibilities and obligations as well as opportunities and liberties. In the words of Abraham Lincoln:

"All this is not the result of an accident. It has a philosophical cause. Without the Constitution and the Union, we could not have attained the result; but even these, are not the primary cause of our great prosperity. There is something back of these, entwining itself more closely about the human heart. That something, is the principle of 'Liberty to all'—the principle that clears the path for all—gives hope to all—and, by consequence, enterprise and industry to all. The expression of that principle, in our Declaration of Independence, was most happy and fortunate." ("Fragment on the Constitution", Lincoln, A., quoted in "The Living Constitution", Padover, Saul, p. 65.)

As Lincoln realized, the Declaration expressed the goal, the motivating philosophy; the Constitution created the structure to "attain the result." In one sense, the Declaration was the "end", the Constitution the "means" of the American experiment in self-rule.

This brief discussion of the interrelationship between these two documents is relevant to S. 2671 because the United States has already committed vast resources to commemorating the inauguration of our In-

dependence with the signing of the "ends" document. Soon the Bicentennial of the signing of the "means" document will be upon us. S. 2671 does not ask for vast resources, but it does ask the Federal Government to recognize what Prime Minister William Gladstone of Britain, on the occasion of the Constitution's Centennial, called . . .

". . . the most remarkable work known to me in modern times to have been produced by the human intellect."

At this point, I would like to share with my colleagues a brief and incomplete sketch of the history of the Constitution. Perhaps no history of the Constitution can ever be complete because countless lives and countless generations have contributed to its making. Nonetheless, as we add daily to the history of the Constitution in this body formed pursuant to that document, we should pause occasionally to consider from another vantage point the origin of the foundation of our Republic.

REMARKS BY SENATOR JENNINGS RANDOLPH

BATTALIONS FOR THE BALLOT

It is encouraging to join with advocates of responsible citizenship and believers in the pioneering legacy of America and the positive future of our Republic.

The Father of our Country, George Washington, in his farewell address after serving as our first President, said: "Citizens by birth, or choice, of a common country, that country has the right to concentrate your affections."

These words indeed present a challenge to each citizen of our United States—a challenge to recognize and respond to a very solemn obligation, a responsibility of the first order.

What is implied in Washington's challenge? Each citizen, I believe, must make a personal commitment to participate in our government and its processes.

The ballot is provided in our democratic form of government to assure that participation. Through it, each citizen can fulfill his or her most basic responsibility.

The right to vote carries with it the responsibility to cast the ballot. I emphasize the *right* to vote. Our founding fathers did not make the vote a privilege, but a right with the responsibility that it be exercised. If not exercised, this right will diminish, deteriorate and cease to exist.

Each citizen in our Republic, 18 years of age or older, has the right to vote—to exercise our cherished franchise of freedom, our franchise of duty.

And yet it is a sad reality that only 53.3 percent of the eligible voters in the United States cast their ballots in the 1980 presidential election. Two days ago—on September 14, only 25 percent of the voters went to the polls for the Vermont primary election. Earlier this year, only 28 percent turned out in Michigan; and in Virginia only an estimated 10 percent.

This national tragedy of our making, or unmaking, occurs because voter participation is critically important to sustaining our democracy. The continuing integrity of the voting process depends on the active involvement of our citizens. Our government will continue to serve us well so long as apathy does not result in rule by a few.

Success in countering voter apathy will not result from a Federal program, or proclamations from Washington. Only a rebirth of individual responsibility will reverse this tragic trend.

Our challenge was presented almost two centuries ago. George Washington, the determined delegates who signed our Declaration of Independence and the fearless framers of our Constitution met the challenge of their time. And so must we meet our challenges. We must sound the clarion call and organize the crusade. We must motivate citizens to register and vote. I repeat to vote.

We have needs and problems and goals to share. It's a test of our purpose and how much we care. The challenge is now! Citizens awake! Battalions for the ballot! Our future's at stake!

ATTACHMENT "D"

REMARKS BY W. ROBERT HIGGINS, DIRECTOR, CENTER FOR THE STUDY OF FEDERALISM

The Center for the Study of Federalism of Southeastern University is most pleased to begin its active life with the addition of the Convention II youth education program. Boris Feinman is a man of vision. This concept of a model Constitution Convention where high school students may attain hands-on knowledge of the Constitutional process and direct democracy, which began eight years ago, reflects his vision and mirrors his concept of the role United States citizens should maintain to keep our government free and democratic.

Bob Feinman has done many fine things in his life, but surely one of the best was to recognize the potential for leadership of a high school student who participated in the first Convention II seminars. This young man is Tim Leighton, president of Convention II. The Center for the Study of Federalism is very fortunate to acquire not only the successful programs of Convention II, but also the talent of Tim Leighton.

The guiding force behind the information of the Center for the Study of Federalism is Mervin K. Strickler, Jr. Merv is a man of many talents and over the last six months I have been fortunate enough to work with Merv and watch him turn his tremendous energies toward the goal of a study center in Washington where the Federal governments of the world—past, present and future—may be examined and the knowledge gained then be transmitted to the American public at large. We all owe Merv Strickler a great debt.

Merv's ideas, Bob's brain child, and Tim's ability all needed a home—an academic setting which would provide an atmosphere adequate for nurturing a new concept. Universities have, from their origins in the middle ages, done just that, and the Center for the Study of Federalism needed such a base. Merv proposed his plan to Ralph Richard, Chairman of the Board of Southeastern University, and Ralph's response was enthusiastic. Since the original meeting when Ralph agreed and took as his own the vision put forward by Merv Strickler, Ralph Richard has provided every assistance to assure the success of Southeastern University's Center for the Study of Federalism.

One of the first activities which we at the Center undertook, and which we are still pursuing, is to gain the services of a group of men and women to help guide the development of the Center. In trying to identify the specific individuals for the Board, we have looked at the skills, experience, and expertise of a number of people to ensure that we can obtain the knowledge necessary to guarantee the success of this Center. Our Advisory Board is growing and I am very pleased to have many of the members here with us this morning. The Board will meet over lunch today.

In addition to Convention II, the Center is beginning its activities with a series of seminars—some independently and some in conjunction with other groups and organizations. The first of these meetings here in Washington will be on October 22 in conjunction with Federal Union, founded by Clarence K. Streit who is here with us today. The subject on the 22nd will be "Federalism and the Growing Sense of World Community." This seminar will be held to coincide with Federal Union's Annual Meeting. The seminar will be open to the public and you will be hearing more about it in the next weeks.

REMARKS BY TIMOTHY LEIGHTON, PRESIDENT OF CONVENTION II

You have heard in most eloquent terms that the time and need for our Constitution's Bicentennial Commission is upon us—and we need it NOW. The challenge to those of us here at this breakfast commemorating the 195th Birthday of the Constitution is to convince Members of Congress to act with dispatch to authorize the President to appoint a Commission which might then begin its best efforts so that we Americans can and will look deep within ourselves to perpetuate our good efforts and refocus other thinking—all with the goal that a young Convention II participant annunciated. A friend from Washington state wrote a letter, not unlike other notes from our Delegates:

"If more young Americans are made aware of what goes on inside our government, they will become more responsible citizens. If more people know how our government functions, they will understand the qualities needed to be a high official and they will carefully select the right people to lead our country."

This Commission provides America with a catalyst to achieve this and other goals.

The Senate of the United States has responded firmly. Passage on the Floor is expected next week of the bill to establish a Bicentennial Commission. We now have just a few short weeks to encourage the House of Representatives to follow suit. Let us build our own temporary coalition for this purpose and coordinate efforts of people in the Executive, Judicial and Legislative branches of the Federal government, with people in State and local governments along with associations, interest groups and individuals. As we learn of each other's interests and efforts, we can energize for mutual success.

In the House of Representatives the first step is for the Subcommittee on Census and Population to hold hearings, if necessary, and report a bill to the Committee on Post Office and Civil Service, which must act favorably in order for the full House to consider legislation. Hopefully, the final language will be similar enough to the Senate bill that we can avoid conference.

For seven years, Convention II has been striving to facilitate collaborative efforts to intensify the understanding of and appreciation for the Constitution by American citizens. Now we ask you very specifically to help us establish this Bicentennial Commission on the Constitution by direct contact with Members of Congress, particularly those serving on the House Committee on Post Office and Civil Service. Let us know what you will do, send us copies of what you then did do, and together we will create and succeed.

[Attachment "F"]

REMARKS BY VINCENT REED, VICE PRESIDENT FOR COMMUNICATIONS, THE WASHINGTON POST

I am pleased to have this opportunity to put my support behind the creation of a Constitutional Bicentennial Commission. As an outgrowth of this Commission, I am looking forward to a renewed initiative for citizenship education. I have been told in the past that you cannot mandate citizenship and while I agree that you cannot mandate citizenship, I do know that we can put certain things in place that will lead to adults and children thinking citizenship and how important it is to this country.

Citizenship education will give us the opportunity to teach adults and children to respect themselves, to have respect for others, to formulate and express opinions, to pay taxes, to serve on juries and to defend this country when necessary. In this country we have 16,000 school districts and in those school districts we have 41 million elementary and secondary school children and we need to challenge these young people into thinking about citizenship.

In the next 3 to 17 years, everyone of those 41 million children will be adults. Wouldn't it be beautiful if those 41 million as adults would have been trained to be sensitive, dedicated, loyal Americans? I really feel that when we have put citizenship on the back burner on so many of our school systems, we have a surge of disloyalties to this country. And I say regardless of what this country is, it is our country and we have to defend our country and at the same time work within the framework to correct the ills we define.

I am of a family of 17 children—14 boys and you can believe that on many occasions we had a fight within our family. But, you can believe that any time anyone on the outside dared to attack this family, again you can believe we united as one force and that's what this America is all about.

Let me take a minute to tell you a story about my private life to reinforce what Senator Randolph said to you on the value of one vote. When I was a young boy, my mother and I went into a candy store. The proprietor of this candy store was stirring a large vat of peanuts and he was putting a sugar coat covering on these peanuts. While he was stirring, one peanut fell from the vat and he stopped and put that peanut back into the vat. So after we left the store, I was so intrigued that I asked my mother, "Why did he stop to pick up that one peanut?" and my mother said to me, "Remember, that peanut may be the one to make up a pound." And as I say to Senator Randolph, to make up the vote, even one vote may be the one that tops the scale.

We have come a long way since 1979. All of us who have been in favor and have been advocates of citizenship education have now approached the time and we have to push hard to make sure that all of our citizens understand how great our country is.

THE IMBALANCE OF FINANCIAL RESOURCES AVAILABLE TO DEMOCRATIC AND REPUBLICAN PARTIES

Mr. ROBERT C. BYRD. Mr. President, I would like to bring the Senate's attention to the comments of a truly charming, beautiful, and remarkably intelligent woman, Mrs. Pamela Harriman.

Excerpts of a speech Mrs. Harriman recently gave at the Wall Street Club were printed in the September 19, 1982, edition of the New York Times.

In her comments, Mrs. Harriman examines the imbalance of financial resources available respectively to the National Democratic and Republican parties and insightfully discusses the long-range implication this imbalance might have on the two-party system. I urge my colleagues to take note of these remarks. I ask unanimous consent that they be printed in the RECORD.

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

FOR TWO HEALTHY PARTIES

(By Pamela C. Harriman)

Should every good Republican want a strong Democratic Party? The answer, plainly, is yes. But why?

The short answer—that all of us have a stake in a strong two-party system—only begs the question. There are three reasons why I believe that everybody should be vitally concerned about the future of the Democratic Party.

The first is that this nation desperately needs good ideas, and it is vigorous debate between two strong parties that offers the best chance of yielding good ideas.

The second reason is that neither major party has a monopoly on good and talented people—and each party needs the strength and wherewithal to support and advance its best people. If one party is disproportionately weak, it may fail in one of the most important roles that political parties play: their role as a launching platform for young, talented leaders. And that would be a misfortune not only for one party or the other—but for our nation.

The third reason is that two strong parties help form a bulwark against third-party movements and splinter candidacies, which threaten to fragment our politics today.

I think France and Italy are marvelous places to visit, and I think that multiparty politics makes wonderful theater. But I also believe that the marvelous workability of American politics over the years has been due in large part to the strength of our two major parties and to the absence of splinter parties.

Now, why do I raise these points, which should be so obvious? For a very important reason: In the last few years, a serious imbalance has arisen between our two major parties—serious and dangerous.

I'm afraid neither the press nor the public is more than dimly aware of this imbalance. Yet it is real, and its dimensions are staggering.

The Democratic Party, for example, began 1981 with $600,000 on hand. The Republicans, by contrast, had nearly $6 million.

In the months since January 1981, national Democratic campaign committees have managed to raise $19 million dollars. Republican national campaign committees, however, have raised $146 million.

As of last June 30, the Democrats had little more than $2 million available to spend during the rest of this election year. The Republicans, however, had $31 million on hand—roughly 15 times the amount in the Democratic treasury.

This imbalance is reflected also when it comes to political-action committees. This year, almost one dollar out of every three spent on political campaigns will come from political-action committees—a figure five times higher than in 1974. And here again, Republican candidates will claim the lion's share.

Some intensely ideological committees are spending sums that are without precedent in our politics. Senator Jesse Helms' Congressional Club, for example, has already spent nearly $8.5 million in the past 18 months! And the National Conservative Political Action Committee has spent more than $7 million in the same period.

My concern is for the future. I care about what this imbalance means to the future health of our democratic system. It's not healthy, in my judgment, for one party—consistently, year in and year out—to spend 4 or 5 or 15 times as much as the other. It creates a distortion in our politics that isn't good for either party—or for the country.

THE LEBANON CRISIS

Mr. WARNER. Mr. President, on Wednesday, September 22, the distinguished senior Senator from California, Mr. CRANSTON, sent a letter to Israeli Prime Minister Begin expressing his concern over the recent turn of events in Lebanon. In his letter, the Senator set down four actions which he believes Israel should take in light of those events.

Senator CRANSTON believes that Israel should:

First, withdraw its forces from Beirut immediately upon arrival of the multinational forces which are to assist the Lebanese Army in assuming security responsibilities.

Second, cooperate in achieving the swift withdrawal of all foreign forces from Lebanon—Syrian, PLO, and Israeli. And exercise the utmost restraint in using its superior military strength against Syrian and PLO forces still in Lebanon until such an agreement is reached.

Third, return to its traditional concern over only immediate threats to its own borders and abandon its reliance on military force for the solution of essentially diplomatic problems.

Fourth, and, that while Senator CRANSTON, too, has reservations about President Reagan's proposed peace plan, Israel should reconsider promptly its outright precipitous rejection of his entire proposal.

I have spoken privately with Senator CRANSTON and today commend him again for his courage and insight into this very complicated international situation. His letter very likely precipitated the events which have transpired in the intervening 2 days, clarifying the tragic loss of life in Lebanon.

I share Senator CRANSTON'S views regarding the implications of the recent killings of seemingly innocent Palestinians. Indeed, as the Senator eloquently wrote:

Perhaps the most somber consequence of the current strife in Lebanon is the dimming of the inspiring moral beacon which has shone so brightly from beleaguered Israel.

I would add, however, that beacon still shines in the hearts of the Israeli people. Its rays have only been lost—temporarily—by the acts of Israel's present leadership.

A lasting and equitable peace in the Middle East is the goal of the United States. A cornerstone of that effort will be the continuation of our efforts to provide for the security of the people of Israel. That may well involve compromise by the many nations affected.

ISRAELI-AMERICAN RELATIONS

Mr. PERCY. Mr. President, the decision of the Begin-Sharon government and the Knesset to oppose a proposed independent state commission of inquiry into the massacre in Lebanon has brought a flood of complaint both in Israel and the United States.

I share in the profound dismay over Israel's decision in this matter, not only because it is wrong, but also because it is damaging to Israel and to Israel's image in the world.

It is clear from press reports that the citizens of Israel are as stunned and shocked as we are by the charges of complicity in the massacre. An independent, comprehensive investigation to determine the extent of Israeli responsibility is vital. Today, the Israeli Cabinet decided to authorize an inquiry by the President of the Supreme Court but he had rejected the request. In any event, such an inquiry could have less authority to investigate and so would be less reassuring to all who hope that the full story will soon be known.

I might point out that the free press in Israel has pursued this matter aggressively and continues to report new information as it is discerned. This is to the credit of the press and it is a tremendous credit to that great democracy.

My own strong feeling that the Government of Israel is off course is well known. For 34 years I have supported the ideals of Israel, and I continue to hold the people of Israel in the highest esteem. Despite what I consider terrible errors in Israel's foreign and defense policy, I have always respected Israel as a democratic state with which we have close ties based on common traditions and warm personal relations. At a time when disapproval of the course pursued by the Beign-Sharon government is so great, I think it is important that we view our disapproval within the context of the long-term Israeli-American relationship and not allow it inadvertently to affect our continuing friendship for the State and people of Israel.

Differences of opinion over how to pursue the peace process have already put strains on our relations with Israel. Now the opposition of Prime Minister Begin to an independent, comprehensive investigation is exacerbating tensions.

A prompt, impartial, and thorough investigation of the massacre and an Israeli peace move would do much to restore harmony in Israeli-American relations.

VOTE AGAINST CLOTURE

Mr. PERCY. Mr. President, I voted against cloture yesterday and for a motion to recommit the debt ceiling extension bill so that the Senate could move on to the many pressing matters it must consider before the start of the new fiscal year on October 1 and before the Senate adjourns for its long-planned October recess.

Mr. President, the debt ceiling bill was needed prior to October 1. We also have to take up the continuing appropriations bill and any other separate appropriations bill ready for full Senate consideration. In addition, a major criminal code reform package awaits action by the Senate. There is an urgent need for these reforms to deal with violent and drug-related crime in this country. If we postpone action on this important legislation until our postelection session, we would greatly diminish our chances for enacting all or part of it in this Congress. The many months both Houses have spent on this major reform bill would be wasted.

I would very much like to see the Senate take up my bill, S. 1249, the Debt Collection Act. This legislation would strengthen the Federal Government's ability to collect some $40 billion in delinquent debts. Its companion bill has already passed the House by a wide margin. If the Senate can act on it, we will be able to take final action in this Congress on a widely supported and very much needed piece of legislation.

It was obvious to me yesterday that a vote for cloture would not have expedited consideration of the amendment relating to school prayer nor would it have allowed the Senate to proceed to other business. With 1,400 amendments having been filed to the pending measure, a vote to end debate ironically would have paved the way for a far more lengthy debate. This was time, given the lateness of the session and the many important items awaiting full Senate action, that we could not afford.

Mr. President, with regard to the amendment offered by the distinguished Senator from North Carolina, I have many very serious reservations.

It is clear that the amendment seeks to overturn a decision of the Supreme Court of the United States. The amendment would remove from the jurisdiction of the lower Federal courts and the Supreme Court review of any case involving voluntary prayers in public schools and public buildings. This amendment clearly challenges and undermines the fundamental principle of an independent judiciary by stripping the courts of review over a particular issue.

The amendment also seeks to accomplish a change in constitutional law through simple legislation, contrary to the intent of the country's founders. Article V of the Constitution provides an orderly process which requires a constitutional amendment to be approved by a two-thirds vote of both the House and the Senate and to be ratified by three-fourths of the States. Our founders intended that the rights protected by the Constitution not be easily abrogated. This amendment process insures such protection by guaranteeing lengthy consideration and debate of changes in the Constitution.

This is the proper way to reverse decisions of the courts. It should not be done by restricting a court's review of controversial issues when we do not agree with its interpretation. In fact, a constitutional amendment dealing with the subject of school prayer is pending before the Senate Judiciary Committee. Hearings have been held on this proposal, and I expect that it will reach the Senate floor for debate in the next Congress. This is the appropriate vehicle to discuss and debate this issue and the change in the Constitution which will be required to reverse the ruling of the Supreme Court.

Last, the Senate Judiciary Committee has not acted on the pending proposal by the Senator from North Carolina. The constitutional issues raised by this proposal are so grave and so complex that they demand, at the very least, the thorough deliberation the full legislative process affords.

Mr. President, it is my concern for the integrity of the legislative process, the absolute necessity for the Senate to move on to other pressing business and my deep reservations about the substance of the pending amendment that convinced me to cast a fourth vote against cloture and to support the motion to recommit the debt ceiling bill.

SENATOR GEORGE AIKEN

Mr. PERCY. Mr. President, on August 20 the Washington Post published a feature story about our former colleague, Senator George Aiken. The article by David Remnick is a warm tribute to the Senator, who turned 90 that day. As the Post reports, the "Governor," as he's called, still keeps active. "Aiken's mind is keen. He can pick fruit more quickly

than guests a quarter of his age. And his voice has lost little of its power," the Post reports. Arthur Burns, our Ambassador to West Germany and a frequent visitor to the Aiken home in Vermont, is quoted as saying, "He's a typical Vermonter. He doesn't talk too much, but what he says counts."

Senator Aiken was the ranking Republican on the Foreign Relations Committee through three Congresses, the 91st, 92d and 93d. He is remembered for his insight and his sterling character. I ask unanimous consent that the article on George Aiken be printed in the RECORD.

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

[From the Washington Post, Aug. 20, 1982]

EIGHT YEARS AFTER LEAVING THE SENATE, AT HOME IN VERMONT ON THE LAND HE LOVES

(By David Remnick)

PUTNEY, Vt.—George Aiken turns 90 today, and from his home on Putney Mountain he looks out onto the land he has loved, tilled and governed. From his porch, he surveys his farm, rows of wild carrot, cabbage and pumpkin, bushes fat with blueberries and raspberries, patches of jack-in-the-pulpit, Bowmansroot and Dutchman's-breeches. A strong morning sun has burned away a curtain of fog over the Green Mountains and the Connecticut River beyond to reveal hills covered with verdant sugar maple, hemlock, white pine and white birch.

"All the young woods you see here, lots of it was farming land, sheep pasture when I was a boy," says Aiken, former dean of the Senate Republicans. "That all took a long time. It's in a different cycle now."

In the cycles of Aiken's own life, it's been 16 years since he told an outraged Lyndon Johnson "to declare victory and come home" from Vietnam and eight years since he himself came home, retiring after first "coming down to the Senate" in 1941.

He was born less than a mile down the road from his present home. His birthplace is now covered over by Interstate 91. "A beautiful monument," he says. "Cost $7 million."

Some reminders of Aiken's birth have survived intact. Above his bed is a framed front page of the Windham County Reformer dated Aug. 20, 1892, advertising Dana's Sarsaparilla as cure for "Cases of Insanity From the Affects of 'La Grippe.'" A framed front page of The New York Times from the same day details the "Effects of the Buffalo Strike" and the adventures of the Bidwell Gang.

Aiken retired in 1974, and unlike Senate colleagues such as Hugh Scott, J. William Fulbright, Gaylord Nelson and John Sherman Cooper, he left Washington for good and came home. "I'm a Vermonter," he says. "I was in prison for 34 years and it was time to go free." Ethel Page, who is two months older than Aiken and was his classmate at the little red schoolhouse that still stands on West Hill, says, "George is one of us. Always has been one of us."

Aiken is older than the look of his land. Many of the old, great trees of southern Vermont were lost to the lumber industry, and the abundance of saplings have crowded out pasture and wildflowers. And yet Aiken expresses no sense of loss.

"Here," he says, rising from his chair, "you can see all of Mount Monadnock now." Every morning Aiken can see the sun rising over New Hampshire and Monadnock. Though none of it is permanent, not the day, not the man, not even the mountain, the long, clear view here allows George Aiken the time to reflect on his long, rich life. The Washington whirl is unending, but it is out of sight. This is a landscape that awes and stills the mind. Galway Kinnell writes in "Flower Herding on Mount Monadnock":

It is nearly the dawn.
The song of the whippoorwill stops
And the dimension of depth seizes everything.

"Hell, I'm not religious," says Aiken as he sprays 6-12 bug repellent on his forehead and arms. He picks up his white spruce walking stick and a couple of quart baskets and heads for the blueberry bushes. "My mother was raised by the Congregationalists and my father by the Baptists. My religion is sitting out in the woods on a stump. You can learn a lot there."

He gestures toward the road and down the hill. "I go down to Putney Village now and I don't know one person in ten. There's so much goddamn intellects coming in from outside, I can't keep track. I never even knew that fella who wrote that bestselling book. Name's Irving." Aiken may not know John Irving, author of "The World According to Garp," but he is fluent in Putney's history and familiar with many more of its residents than he admits.

"Putney was granted to a man named Willard in 1756," he says. "During the Revolutionary War, Brattleboro was a Tory town, but Putney was a radical, rebel town. I was a radical, I guess. My grandfather supported Teddy Roosevelt and I would've voted for him too if I'd been old enough."

One blueberry after another plunks into Aiken's basket. At 90, his hair is a shock of white, his walk is stooped, his handwriting is sketchy and strained. Nevertheless, Aiken's mind is keen. He can pick fruit more quickly than guests a quarter his age. And his voice has lost little of its power. "He's a typical Vermonter," says economist and Ambassador to West Germany Arthur F. Burns, a frequent visitor to the Aiken home. "He doesn't talk too much, but what he says counts."

Whether he is talking about Putney or politics, Aiken sounds a good deal like recordings of Robert Frost reading from his poems—his speech is measured and spare, with an accent made to order for New England narratives and sagacity.

"I had to help Truman more than anyone else," Aiken says with delight. "He shed tears when he became president. The day it happened he and I had a breakfast date, and I was going to tell him about the shortcomings of the Maritime Commission. He was vice president and he had to meet with the leadership of the Congress, of which I was not one, didn't want to be. Well, he came over and hung on to me, tears running down his cheeks. He kept saying, 'I'm not big enough for the job, I'm not big enough.' And most people believed him. I don't care how high the job, they've all got to have someone to talk to.

"I once gave Lyndon Johnson a little advice on Vietnam that we should say we won and get out of there. Leonard Marks had been his legal authority for 20 years or more. Leonard went into the president's room one day and he got his courage up and said, "Why don't you consider the proposal Senator Aiken made the other day?' Lyndon said, 'Leonard, you get out of here!' Threw him right out of the office.

"So Leonard went. He didn't get invited back to the president's office for two, three weeks. He got a phone call one night, and the president said could he come over and eat with Lady Bird and me tonight. Well, of course, he went, but he didn't mention my suggestion again until Lyndon retired to his ranch. Leonard rode down there one day and called on him. The president was feeling very affable. Leonard got his courage up and said, 'Mr. President, could you tell me why you got so mad at me when I asked you to consider Senator Aiken's proposal?'

"Lyndon leaned back and smiled a little bit and said, 'Because I knew goddamn well you were both right.' He didn't, though. He took the word of his military."

Aiken tends to leave present politics to present politicians, but Fulbright says, "George would be a burr under the Reagan administration's saddle. He wouldn't be swayed by the Great Communicator. Doubletalk wasn't one of his pastimes."

Candor is the privilege of age and of being a senator from a relatively small, homogeneous state like Vermont. It is a privilege that Aiken has always enjoyed and exercised. He says, "Ted Kennedy is always looking over his shoulder," and in Aiken's book, "Senate Diary," Henry Kissinger "oozed conceit from every pore" and George McGovern "actually acts as if he does not want the Vietnam war to end while Nixon is president, or else he wants it to end in humiliation for the U.S.A."

But Aiken is no curmudgeon—in Washington, a town known for the acerbity of its gossip, Aiken left with a reputation for gentleness as well as independence. His praise crosses party lines; he has nothing but kind words for Robert Kennedy, Dwight Eisenhower and Aiken's Senate breakfast companion for 21 years, Mike Mansfield. He says he admired foreign leaders such as King Faisal, Nikita Khrushchev ("We didn't treat him decent when he first came to this country") and Pakistani leader Zulfikar Ali Bhutto, who was executed for treason. "Trouble is," says Aiken, 'most of the ones I knew were deposed or hanged by the neck."

Aiken plays down his long career in Washington, preferring instead to be known for his years as a farmer and as governor of Vermont—everyone calls him "Governor," never "Senator." He seems relieved to wear cardigans and string ties rather than a three piece-suit. Aiken makes an effort to put his years on Capitol Hill into perspective, if not the background.

"I miss it in a way. But there's so damn much to think about and know that I don't think I could take it anymore," he says. "There is just too much to remember. That's why I married Lola. She remembers everything."

Lola.

In June 1967, a little more than a year after his first wife died, Aiken left his daily breakfast meeting with Mike Mansfield and went to a Fort Myer chapel with his administrative assistant, Lola Pierotti. Without telling a soul, they were married. A typically low-key wedding for a senator who fed pigeons and squirrels outside his $156-per-month Capitol Hill apartment. When the couple returned to the office, Aiken retained his new wife as his assistant but took her off the payroll (reducing his staff to nine).

"I think the Governor said something about we ought to get married, and since I didn't have anything to do at the time, I

said 'fine,'" says Lola Aiken. Although she will not reveal her age ("Anyone who tells you that will tell you anything"), she is perhaps 25 years younger than her husband. Lola Aiken is a vibrant woman, and with the facility of an efficient Senate aide and the felicity of a devoted partner, she is the curator of her husband's past.

When George Aiken tells a story his wife silently guides him through the details. They stare at one another, ignoring their guest, not out of rudeness (they are nothing if not courteous) but out of a desire to get it right. Aiken can tell when he has faltered just by the way his wife smiles or raises an eyebrow.

The visitors, the phone calls, the three children and 11 grandchildren, the mail, the requests, the houses in Putney and Montpelier, the two "truckloads" of Senate papers, the medications—Lola Aiken is somehow able to care for her husband's needs without ever making him feel feeble.

"I really do spoil him. I do everything for him," she says, sitting on a stone wall surrounding a little garden of geraniums and marigolds. "A lot of people still remember him and will write and say, 'We miss you,' or ask him to autograph a picture or a book. You'd be amazed at how many people write for help, asking for jobs. We even heard from a Lebanese doctor who wanted to stay in this country. Of Course, we're in no position to help."

Aiken's wife is the one person who has been by his side in both the Senate and retirement and she admits her husband has not accepted age and retirement as gracefully as he says.

"He hates growing old. He hates funerals," she says. "He told me once, 'I'm so old. I'm useless. I'm not contributing anything to anyone anymore.'

"He really hates retirement. He'd rather go to the office at 10 minutes to seven like we use to. He's bored"

The Aikens rise at about 7:30 a.m. Lola works on the mail and other matters at her desk while "Guv" (Lola's pet name for him) works in the garden. About noon, they go into town for lunch, maybe to meet friends like former ambassador Ellsworth Bunker or the Ziter family the owners of the Putney Inn. In the afternoon and evening, the Aikens relax or have guests. "You'd be surprised," says Lola Aiken. "The day goes quickly. all of a sudden I look at the clock and I say to myself, 'Is it 4 o'clock already?'"

Though they admit to occasional boredom, Lola Aiken says she is glad they retired to Vermont instead of Washington. "If you've been important, I don't care whether it's with a corporation or in politics, it's almost better if you move away from it," she says.

This afternoon the breeze is cool and washes over the treetops. George Aiken is in the house taking a nap. Lola Aiken is going for a walk in the woods.

The Aikens' simple clapboard house contains a catalogue of political memorabilia:

On the wall are a mounted Indian headdress from the Assiniboine tribe and several lines from Frost's "Birches" printed on birch bark.

On the bookshelf are hippos, owls, turtles, bunnies, cats, cows, bears and, of course, elephants—mementos of political events from Moscow to Montana. Next to Aiken's books on wildflowers, berries and politics are signed memoirs by Robert Kennedy, Mike Mansfield and other colleagues. "I never do get to read them," Aiken says as he flips through the pages of Kennedy's "Just Friends and Brave Enemies."

The mantel is hung with shovels used for land breakings.

Lola Aiken pulls out a tiny plastic bag holding the "George Aiken Fly," a custom-made fly for salmon fishing made by L. L. Bean. In the closet is an unused fly rod, a gift from Ted Williams.

She opens a three-inch-thick file of personal and political statistics (shoe size: 9½D; hat size: 7⅝ oval; belt size: 40; pastimes: fishing and pitching horseshoes). "We had constituents calling up for all sorts of information," she says with a shrug.

George Aiken pulls out a file drawer filled with glossy photographs. Aiken with Johnson. Aiken with Sihanouk. Aiken with the Chamber of Commerce. He flips a file stuffed with glossies onto his bed.

"I've got 3,000 of these damn pictures and I don't know what to do with them," he says.

All the memorabilia, however, has not consumed Aiken's life and thoughts. Though he is retired from public life, he lives in the land of his childhood, a land whose volatile seasons and cycles of growth cannot help but make George Aiken feel part of something vital.

"Look out there at him and at all the blueberry bushes he's got ready for next year," says Lola Aiken. "You look at that and you know he's planning for the future."

BUSINESS CENTER OF NEW TECHNOLOGY

Mr. PERCY. Mr. President, there is a great deal of analysis these days about our future economic strength and the role of innovation and high technology in the decades ahead.

Certainly we know that "Yankee ingenuity" has been a springboard for economic growth in the past and it seems likely that this relationship will continue. In my own State of Illinois, the prairie was pioneered by John Deere's famous plow that could break through the tough sod. His innovation created millions of jobs throughout the Midwest—both in agriculture and in manufacturing. It was a towering invention of the 19th century and it helped change the face of the world as we know it.

We know that many inventors, however, never quite get their ideas off the ground. Our economy and society might be very much different today if some of those ideas in medicine or high technology had taken root. We really must try and stimulate and encourage innovation so that we will have John Deeres well into the future.

In Illinois, not too far from where John Deere's original plow was perfected, a center to assist inventors has opened. The Barber-Coleman Co. in Rockford has just opened a business center of new technology this month. The company sees the center as a place where new ideas will be nurtured and brought to fruition. The company will rent 40,000 square feet of space to small businesses and will provide many of the services that smaller companies or individuals might find hard to afford elsewhere.

Mr. President, this new business center was brought to my attention in a recent article in Crain's Chicago Business newspaper, a weekly journal that discusses northern Illinois business developments. I ask unanimous consent that the article from the August 30 issue be printed in the RECORD at the close of my remarks.

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

(See exhibit 1.)

Mr. PERCY. The Crain's article notes that:

> The services the center will offer to small businesses and inventors include business counseling, office space, light manufacturing space, machine shop and model shop capabilities and support services such as secretarial help, telephone answering services, drafting and advertising-graphics services.

Established firms may take these services for granted, but for the small business or individual, they can be the difference between success and failure.

Congress has had under consideration various new ways to spur innovation in this country, particularly among smaller businesses. The Senate is about to consider S. 1657, The Uniform Science and Technology Research and Development Utilization Act, a bill I cosponsor to promote the commercialization of the discoveries and inventions that result from Federal grants and contracts. Enactment of this legislation will complement a much needed and recently enacted law which earmarks a certain percentage of Federal research and development funds for smaller businesses. In addition, Congress has recently completed action on a measure which establishes a two-tiered system of Federal patent fees, making the cost of protecting small business innovation less prohibitive. In light of such action, both completed and prospective, it is more important than ever that the private sector be ready to respond to the new opportunities to foster and nurture technological creativity. Barber-Coleman Co.'s new center, therefore, is a particularly farsighted and critical contribution to the efforts, both public and private, to encourage innovation in this country.

The Barber-Coleman Co. plans to help businesses get patents or market a product, too. I applaud the company for undertaking this new idea and putting it into practice. It is a new concept that bears watching. Unlike some innovations, I am sure the company hopes that this idea will be copied many times over by other companies. Certainly our economy and our country are the winners in a new endeavor like this.

I commend this article to my colleagues and the business community.

EXHIBIT 1

[From Crains Chicago Business, Aug. 30, 1982]

ROCKFORD FIRM INVENTS WAY TO AID INVENTORS

(By Cary Spivak)

ROCKFORD.—After creating the contraption that will change the world, an inventor is faced with a tough question: How do you sell it?

Unfortunately, it's the question the inventor is least qualified to answer. But Rockford-area inventors soon will get help to turn ideas into marketable products. And the help will come from a source many inventors traditionally don't trust—a large corporation.

Barber-Colman Co. plans to open a 40,000-square-foot Business Center of New Technology here that will be home to a handful of inventors with ideas that are not quite ready to fly.

Space for the center is available because the specialty machine and tools manufacturer is moving from Rockford's southwest side to just outside the city limits.

Coordinator John Dixon said plans still are being worked out, although he hopes to fill the center with small businesses in need of office space and bursting with ideas.

"We hope people will cultivate ideas here," Mr. Dixon said. "It's almost like a garden."

Services the center will offer to small businesses and inventors include business counseling, office space, light manufacturing space, machine shop and model shop capabilities and support services like secretarial help, telephone answering services, drafting and advertising graphics services.

Charges for these amenities—and for rent—have not yet been determined, but will vary according to the needs of individual inventors. Many of the services will be offered at the same rate that Barber-Colman divisions pay, Mr. Dixon said.

And when the inventors confront problems like getting patents or marketing a product, Mr. Dixon and other Barber-Colman officials will be available to help.

"Tinkerers are not really business-oriented," Mr. Dixon noted.

The experience of the one inventor bears out that opinion. David Lester, a Rockford-area inventor who has applied for space at the center, invented a machine that strips off tile, carpeting or any other flooring. While the machine is being developed and manufactured, Mr. Lester hopes the center will put him in touch with marketing people.

Mr. Dixon said he is confident that he can find enough inventors to fill the center, which he hopes will open in mid-September. He said that since plans were announced, he has received several phone inquiries daily.

The center will be open to all types of inventors and small businesses, although Barber-Colman is "looking for small businesses that are applying technology to commercial and industrial markets," said John Lutz, director of business development.

Mr. Lutz said that is the only area where Barber-Colman can provide help to a small business. Also, there is a greater chance that Barber-Colman would buy that type of idea.

But the center will not be limited to a particular type of invention. Mr. Dixon hopes to refer inventors with products outside of Barber-Colman's expertise to other manufacturers.

That's the type of help inventors in Rockford and other cities sorely need, according to Nicholas Parnello, a Rockford inventor of microwave oven testing devices.

"Young inventors need a place to sit down with other inventors," said Mr. Parnello, adding that an inventor should be prepared to deal with a wide variety of personal problems.

"There's no money when you're inventing, and most inventors don't know how to borrow. Most guys want to keep the invention a secret, so they go to a neighbor and say, 'Hey, you got a thousand dollars?'"

The desire to keep the invention secret hurts the inventor because "he doesn't trust anybody." His strongest distrust is reserved for corporation.

Mr. Parnello recently contacted Barber-Colman and offered to help screen inventors interested in using the Barber-Colman center.

His first recommendation to an inventor: Let a marketer check the product before pouring too much money into it. And if marketing experts see no future in an idea, Mr. Parnello recommends dropping it.

Joe Frey, inventor of the Grabit, a device that dispenses hair-curler end papers for hairdressers doing permanents, also has plenty of advice for new inventors.

"Start small and be sure there is a market for your product." Mr. Frey speaks from experience. He said he erred by borrowing $100,000, creating a corporation and picking the wrong packaging for his product.

Mr. Frey said he would have appreciated advice from other inventors when he first started working on the Grabit four years ago. Had he had advisers, Mr. Frey said he might have started a smaller operation and would have done marketing tests.

While the Grabit is selling, Mr. Frey said it isn't moving fast enough to retire his $100,000 loan. "It's not the Hula Hoop," he noted wryly.

But Mr. Frey said he sees a problem in Mr. Parnello's plan to establish a group where investors can trade advice.

"The trouble with most inventors is they're scared to death that somebody will steal their ideas."

And, Mr. Frey said, there is still an element that determines the success or failure of all inventions—luck.

"I don't care if you're writing a book or making a product," Mr. Frey said." "You need luck."

MESSAGES FROM THE HOUSE

ENROLLED JOINT RESOLUTION SIGNED

At 10:30 a.m., a message from the House of Representatives, delivered by Mr. Gregory, one of its reading clerks, announced that the Speaker has signed the following enrolled joint resolution:

H.J. Res. 520. Joint resolution to provide for a temporary increase in the public debt limit.

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

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-4258. A communication from the Deputy Assistant Secretary of Defense (Administration), transmitting, pursuant to law, a report on a new Privacy Act system of records; to the Committee on Governmental Affairs.

EC-4259. A communication from the Inspector General of the Veterans Administration, transmitting, pursuant to law, a report on a computer matching program to identify federal personnel who have defaulted on VA loans; to the Committee on Governmental Affairs.

EC-4260. A communication from the Chairman of the National Digestive Diseases Advisory Board, transmitting, pursuant to law, the first annual report of the Board dated April 1982; to the Committee on Labor and Human Resources.

EC-4261. A communication from the Administrator of the Rural Electrification Administration, transmitting, pursuant to law, a commitment to guarantee a non-REA insured loan to Wabash Valley Power Association, Inc.; to the Committee on Agriculture, Nutrition, and Forestry.

EC-4262. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report on the President's sixteenth special message for fiscal year 1982; pursuant to the order of January 30, 1975, referred jointly to the Committee on the Budget, the Committee on Appropriations, the Committee on Energy and Natural Resources, the Committee on Foreign Relations, the Committee on Veterans' Affairs, the Committee on Commerce, Science, and Transportation, and the Committee on Labor and Human Resources.

EC-4263. A communication from the Principal Deputy Assistant Secretary of the Navy (Shipbuilding and Logistics), transmitting, pursuant to law, a report on the conversion of the Administrative Telephone Service function at the Public Works Center, San Francisco, California, to performance by contract; to the Committee on Armed Services.

EC-4264. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report on the Department of the Air Force's proposed letter of offer to Turkey for defense articles estimated to cost in excess of $25 million; to the Committee on Armed Services.

EC-4265. A communication from the Assistant Secretary of the Navy (Shipbuilding and Logistics), transmitting, pursuant to law, a report on converting the ground maintenance function at the Naval Supply Center, Pearl Harbor, Hawaii, to performance under contract; to the Committee on Armed Services.

EC-4266. A communication from the Acting Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Audit of the Neighborhood Reinvestment Corporation's Financial Statements For the Fiscal Year Ending September 30, 1981; to the Committee on Banking, Housing, and Urban Affairs.

EC-4267. A communication from the Administrator of the National Aeronautics and Space Administration, transmitting, pursuant to law, the proposed use of $15 million in funds appropriated to NASA; to the Committee on Commerce, Science, and Transportation.

EC-4268. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Review of the Trans-Alaska Pipeline Liability Fund's Financial Statements For

the Year Ended December 31, 1981"; to the Committee on Energy and Natural Resources.

EC-4269. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Examination of the Overseas Private Investment Corportion's Financial Statements For The Year Ended September 30, 1981"; to the Committee on Foreign Relations.

EC-4270. A communication from the Acting Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Changes Needed In U.S. Assistance To Deter Deforestation In Developing Countries"; to the Committee on Foreign Relations.

EC-4271. A communication from the Acting Assistant Legal Advisor For Treaty Affairs, Department of State, transmitting, pursuant to law, a report on international agreements, other than treaties, entered into by the United States in the sixty day period prior to September 20, 1982; to the Committee on Foreign Relations.

EC-4272. A communication from the Assistant Secretary of State for Congressional Relations, transmitting a draft of proposed legislation to facilitate the adjudication of certain claims of United States nationals against Iran, to authorize the recovery of costs incurred by the United States in connection with the arbitration of claims of United States nationals against Iran, and for other purposes; to the Committee on Foreign Relations.

EC-4273. A communication from the Acting Comptroller General of the United States, transmitting, pursuant to law, a list of reports issued by the General Accounting Office for the month of August 1982; to the Committee on Governmental Affairs.

EC-4274. A communication from the Executive Director of the President's Commission on Executive Exchange, transmitting a draft of proposed legislation to amend section 1304(e) (1) of Title 5, United States Code; to the Committee on Governmental Affairs.

EC-4275. A communication from the Supervisor of Benefits, Farm Credit Banks of Spokane, transmitting, pursuant to law, the reports of the Twelfth District Farm Credit Retirement Plan, the Twelfth District Farm Credit Thrift Plan, and the PCA Deferred Compensation Plan for Plan Year 1981; to the Committee on Governmental Affairs.

EC-4276. A communication from the Secretary of Health and Human Services, transmitting, pursuant to law, the annual progress report on the Five-year Plan for Family Planning Services and Population Research; to the Committee on Labor and Human Resources.

EC-4277. A communication from the Director of the Federal Mediation and Conciliation Service, transmitting, pursuant to law, the thirty-fourth annual report of the Service covering fiscal year 1981; to the Committee on Labor and Human Resources.

EC-4278. A communication from the Deputy Assistant Secretary of Defense (Administration), transmitting, pursuant to law, a report on a new Privacy Act system of records; to the Committee on Governmental Affairs.

EC-4279. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report on the Department of the Air Force's proposed letter of offer to Turkey for defense articles estimated to cost in excess of $50 million; to the Committee on Armed Services.

EC-4280. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report on the Department of the Air Force's proposed letter of offer to Belgium for defense articles estimated to cost in excess of $50 million; to the Committee on Armed Services.

EC-4281. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report on the Department of the Navy's proposed letter of offer to Spain for defense articles estimated to cost in excess of $50 million; to the Committee on Armed Services.

EC-4282. A communication from the Director of the Defense Security Assistance Agency, transmitting, pursuant to law, a report on the Department of the Air Force's proposed letter of offer to Bahrain for defense articles estimated to cost in excess of $50 million; to the Committee on Armed Services.

EC-4283. A communication from the Deputy Assistant Secretary of Defense (Reserve Affairs), transmitting, pursuant to law, a report on the Selected Reserve recruiting and retention incentives as of June 30, 1982; to the Committee on Armed Services.

EC-4284. A communication from the Assistant Secretary of the Navy (Shipbuilding and Logistics), transmitting, pursuant to law, a report on converting various functions at different installations to contractor performance; to the Committee on Armed Services.

EC-4285. A communication from the President and Chairman of the Export-Import Bank of the United States, transmitting, pursuant to law, a statement with respect to a transaction involving U.S. exports to the Philippines; to the Committee on Banking, Housing, and Urban Affairs.

EC-4286. A communication from the Assistant Secretary of the Treasury (Legislative Affairs), transmitting, pursuant to law, a report on the International Export Credit Negotiations (1981-1982); to the Committee on Banking, Housing, and Urban Affairs.

EC-4287. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Progress in Improving Program and Budget Information for Congressional Use"; to the Committee on the Budget.

EC-4288. A communication from the Secretary of Commerce, transmitting, pursuant to law, the biennial report of the Office of Coastal Zone Management, National Oceanic and Atmospheric Administration for fiscal years 1980 and 1981; to the Committee on Commerce, Science, and Transportation.

EC-4289. A communication from the United States Trade Representative, transmitting, pursuant to law, a report on the exercise of certain motor carrier authority by the President with respect to Canada; to the Committee on Commerce, Science, and Transportation.

EC-4290. A communication from the Chairman of the Consumer Product Safety Commission, transmitting, pursuant to law, the Commission's fiscal year 1984 budget request; to the Committee on Commerce, Science, and Transportation.

EC-4291. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Clear Federal Policy Guidelines Needed for Future Canadian Power Imports"; to the Committee on Energy and Natural Resources.

EC-4292. A communication from the Comptroller General of the United States, transmitting, pursuant to law, a report entitled "Problems in Air Quality Monitoring System Affect Data Reliability"; to the Committee on Environment and Public Works.

ER-4293. A communication from the Deputy Administrator of the General Services Administration transmitting, pursuant to law, copies of certain lease prospectus amendments; to the Committee on Environment and Public Works.

EC-4294. A communication from the Acting Director of the Office of Legislative Affairs of the Agency for International Development transmitting, pursuant to law, a justification for an increase in fiscal year 1982 AID funds for Panama; to the Committee on Foreign Relations.

EC-4295. A communication from the Acting Director of the Office of Legislative Affairs of the Agency for International Development transmitting, pursuant to law, a justification for fiscal year 1982 AID funds for Chad; to the Committee on Foreign Relations.

EC-4296. A communication from the Acting Director for Legislative Affairs of the Agency for International Development transmitting, pursuant to law, a justification for an increase in fiscal year 1982 AID funding for Peru; to the Committee on Foreign Relations.

EC-4297. A communication from the Acting Director of the Office of Legislative Affairs of the Agency for International Development transmitting, pursuant to law, a justification for an increase in fiscal year 1982 AID funding for Kenya; to the Committee on Foreign Relations.

EC-4298. A communication from the Acting Director of the Office of Legislative Affairs of the Agency for International Development transmitting, pursuant to law, a justification for increased AID funding for fiscal year 1982 for Jamaica; to the Committee on Foreign Relations.

EC-4299. A communication from the Acting Assistant Legal Adviser for Treaty Affairs, Department of State, transmitting, for the information of the Senate, a joint communique of the United States of American and the People's Republic of China issued August 17, 1982; to the Committee on Foreign Relations.

EC-4300. A communication from the Assistant Secretary of the Treasury for Legislative Affairs transmitting, pursuant to law, a report on the provision of basic human needs of economic adjustment programs supported in 1981 by the International Monetary Fund; to the Committee on Foreign Relations.

EC-4301. A communication from the District of Columbia Auditor transmitting, pursuant to law, a report entitled "DHCD's Involvement in the Bates Street Housing Project"; to the Committee on Governmental Affairs.

EC-4302. A communication from the Comptroller General of the United States transmitting, pursuant to law, a report on the Senate's renewal of a 5-year lease of space at 400 North Capitol Street, Washington, D.C. for the Senate Computer Center; to the Committee on Rules and Administration.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. HELMS, from the Committee on Agriculture, Nutrition, and Forestry, with an amendment:

S. 505. A bill to improve the quality of table grapes for marketing in the United States (Rept. No. 97-582).

By Mr. THURMOND, from the Committee on the Judiciary:

Report to accompany the bill (S. 1701) to amend title 28, United States Code, to authorize the Attorney General to acquire and exchange information to assist Federal, State, and local officials in the identification of certain deceased individuals and in the location of missing children and other specified individuals (Rept. No. 97-583).

By Mr. WEICKER, from the Committee on Appropriations, without amendment:

S. 2956. An original bill making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 1983, and for other purposes (Rept. No. 97-584).

By Mr. DOMENICI, from the Committee on the Budget, without amendment:

S. Res. 460. Resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of S. 2899; and

S. Res. 469. Resolution waiving section 402(a) of the Congressional Budget Act of 1974 with respect to the consideration of H.R. 5203.

By Mr. PERCY, from the Committee on Foreign Relations, with an amendment in the nature of a substitute, and an amendment to the title:

H.R. 6758. An act to authorize the sale of defense articles, defense services, and unclassified defense service publications to U.S. companies for incorporation into end items to be sold to friendly foreign countries (Rept. No. 97-586).

By Mr. THURMOND, from the Committee on the Judiciary, with amendments:

S. 2411. A bill to amend the Omnibus Crime Control and Safe Streets Act of 1968 (Rept. No. 97-587) (additional views filed).

By Mr. SPECTER, from the Committee on the Judiciary, with an amendment in the nature of a substitute, and an amendment to the title:

S. 1688. A bill to combat violent and major crime by establishing a Federal offense for continuing a career of robberies or burglaries while armed and providing a mandatory sentence of life imprisonment (Rept. No. 97-585).

By Mr. ROTH, from the Committee on Governmental Affairs, with amendments:

S. 2258. A bill to discontinue or amend certain requirements for agency reports to Congress; and

H.R. 1371. An act to amend section 12 of the Contract Disputes Act of 1978.

By Mr. ROTH, from the Committee on Governmental Affairs, without amendment:

H.R. 2528. An act to amend the Economy Act to provide that all departments and agencies may obtain materials or services from other agencies by contract, and for other purposes.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. PERCY, from the Committee on Foreign Relations, without reservation:

Treaty Doc. No. 97-26. Estate and Gift Tax Treaty With the Republic of Australia (Ex. Rept. No. 97-60).

Mr. TOWER. Mr. President, from the Committee on Armed Services, I report favorably the following nominations: Lt. Gen. Charles C. Blanton, U.S. Air Force, (age 52) for appointment to the grade of lieutenant general on the retired list, Adm. Harry D. Train II, U.S. Navy, (age 55) for appointment to the grade of admiral on the retired list, Rear Adm. Arthur S. Moreau, Jr., U.S. Navy, to be vice admiral and to be assigned to a position of importance and responsibility designated by the President and to be senior Navy member of the Military Staff Committee of the United Nations and Vice Adm. Edward S. Briggs, U.S. Navy, to be reassigned to a position of importance and responsibility designated by the President. I ask that these names be placed on the Executive Calendar.

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

Mr. TOWER. Mr. President, in addition, in the Air Force there are 2 permanent promotions to the grade of lieutenant colonel (list begins with William J. Rome), in the Army there are 101 appointments to the grade of colonel and below (list begins with Irwin Berman), in the Navy there are 48 permanent appointments to the grade of captain and below (list begins with Craig D. Batchelder), in the Army there are 315 permanent promotions to the grade of lieutenant colonel and below (list begins with Rembert G. Rollison), in the Army there are 2,349 permanent promotions to the grade of lieutenant colonel (list begins with Larry D. Aaron), in the Army there are 2,431 permanent promotions to the grade of major (list begins with Ralph P. Aaron), in the Army there are 256 appointments to the grade of major and below (list begins with Thomas A. Rodgers), in the Navy and Naval Reserve there are 49 permenent promotions to the grade of captain and below (list begins with Thomas M. Connor), in the Air Force there are 2 appointments to the grades and dates of rank to be determined by the Secretary of the Air Force (list begins with Frederick B. Fishburn), in the Air National Guard and Reserve of the Air Force there are 15 promotions to the grade of lieutenant colonel (list begins with Carl L. Batton) and in the Army there are 526 promotions to the grade of colonel and below (list begins with John A. Duff). Since these names have already appeared in the CONGRESSIONAL RECORD and to save the expense of printing again, I ask unanimous consent that they be ordered to lie on the Secretary's desk for the information of any Senator.

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

(The nominations ordered to lie on the Secretary's desk were printed in the RECORD of September 8, September 13, and September 15, 1982 at the end of the Senate proceedings.)

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. DENTON:

S. 2955. A bill to establish the Cheaha Wilderness in Talladega National Forest, Ala.; to the Committee on Energy and Natural Resources.

By Mr. WEICKER, from the Committee on Appropriations:

S. 2956. A bill making appropriations for the Departments of Commerce, Justice, and State, the Judiciary, and related agencies for the fiscal year ending September 30, 1983, and for other purposes; placed on the calendar.

By Mr. STENNIS:

S. 2957. A bill to repeal the denial of the use of the accelerated cost recovery system with respect to tax-exempt obligations, and the expiration of the authority to issue such obligations; to the Committee on Finance.

By Mr. PACKWOOD:

S. 2958. A bill to improve highway safety and further interstate commerce by providing for a uniform width for commercial motor vehicles; to the Committee on Commerce, Science, and Transportation.

By Mr. RANDOLPH:

S. 2959. A bill to provide for the limitation of increases in sulfur dioxide emissions for a five year period, to provide for an accelerated study of the causes and effects of acid rain deposition, and to provide for mitigation at sites where there are harmful effects on aquatic ecosystems resulting from high acidity; to the Committee on Environment and Public Works.

STATEMENT ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. STENNIS:

S. 2957. A bill to repeal the denial of the use of the accelerated cost recovery system with respect to tax-exempt obligations, and the expiration of the authority to issue such obligations; to the Committee on Finance.

INDUSTRIAL DEVELOPMENT BOND PROGRAM

Mr. STENNIS. Mr. President, today I am introducing legislation which will amend the Tax Equity and Fiscal Responsibility Act of 1982 so as to eliminate some of the restrictions placed on the use of industrial development bonds. I believe that if the industrial development bond program is to remain viable and achieve its full potential, the problems created for it by the Tax Equity and Fiscal Responsibility Act must be remedied.

Mr. President, I am advised that 49 States use the Industrial Development Bond program in one form or another. In my own State of Mississippi, it has been a very valuable industrial and economic tool since the original law was passed in 1936. I am proud of the fact that my State was the pioneer in the field of using the Industrial Development Bond program as a tool for industrial development and growth.

89-059 O-86-44 (Pt. 18)

Last year the Department of the Treasury made recommendations to the Congress for changes in the laws relative to tax-exempt Industrial Revenue Bonds which, in my judgment, would have virtually destroyed this program. I was gratified that these recommendations were not adopted by the Congress.

However, the Tax Equity and Fiscal Responsibility Act, as finally passed, did place certain restrictions on the use of tax-exempt industrial development bonds. I am particularly concerned by two of these restrictions, and the legislation which I propose today would eliminate them and reinstate the law as it existed prior to the passage of the Tax Equity and Fiscal Responsibility Act.

The first of the restrictions which my bill would remove is the provision which denies the use of the Accelerated Cost Recovery System to facilities financed by the proceeds of tax-exempt obligations. I believe that this restriction on the program will have a very adverse and deleterious impact on the industrial development and growth of Mississippi and the 48 other States that utilize this program. My bill would, therefore, amend the law so as to provide that facilities financed with tax-exempt industrial development bonds may be depreciated under the Accelerated Cost Recovery System.

The other provision of the tax bill which the legislation I am proposing would eliminate, is that provision which prevents the use of tax-exempt industrial development bonds after December 31, 1986. If this provision is not eliminated or changed, the Industrial Development Bond program will, of course, be a thing of the past as of January 1, 1987.

I greatly fear, Mr. President, that if the law is not changed, the result will be unnecessary restrictions on the industrial development bond program. I believe that economic recovery efforts in Mississippi and in other States will be severely handicapped if the law remains unchanged.

Mr. President, the counties and municipalities in Mississippi rely on the industrial development bond program very heavily. The program has been a huge success in Mississippi and it has been handled with the utmost integrity. From the outset, Mississippi has exercised careful control over industrial development bonds and has limited their use to manufacturing, processing, and warehousing. It can truthfully be said that Mississippi has operated a model program. I do not believe that the program should be hampered by prohibiting the use of the accelerated cost recovery system by facilities financed with tax exempt industrial development bonds.

Mr. President, let me say that in Mississippi at least, the fear that these tax-exempt bonds cause a great loss in Federal tax revenues is simply unfounded. A study made by the Mississippi Research and Development Center shows that industrial revenue bonds in Mississippi "pay their own way." This study shows that during the past 5 years the tax-exempt status cost the Federal Treasury approximately $29 million. Employee payroll taxes alone from these same industrial revenue bond-financed companies produced $32 million in revenues for the Federal Treasury.

In closing, Mr. President, I urge that the Committee on Finance give this legislation and the problems I have discussed prompt attention. I hope that this measure will be approved so that the industrial development bond program may continue without all of the restrictions placed on it by the Tax Equity and Fiscal Responsibility Act. Finally, Mr. President, I ask unanimous consent that a copy of the bill be printed in the RECORD at the conclusion of my remarks.

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

S. 2957

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 216 of the Tax Equity and Fiscal Responsibility Act of 1982, and the amendment in addition made by such section, are hereby repealed.

(b)(1) The provisions of subsection (a) shall apply to all taxable years and periods to which the provisions repealed by subsection (a), and the amendment made by those provisions, would have applied.

(2) The Internal Revenue Code of 1954 shall be applied and administered as if the provisions repealed by subsection (a), and the amendment made by those provisions, had not been enacted.

(c) Paragraph (6) of section 103(b) of the Internal Revenue Code of 1954 (relating to exemption for certain small issues) is amended—

(1) by striking out subparagraph (N), and

(2) by redesignating subparagraph (O) and subparagraph (N).

By Mr. RANDOLPH:

S. 2959. A bill to provide for the limitation of increases in sulfur dioxide emissions for a 5-year period, to provide for an accelerated study of the causes and effects of acid rain deposition, and to provide for mitigation at sites where there are harmful effects on aquatic ecosystems resulting from high acidity; to the Committee on Environment and Public Works.

ACID DEPOSITION STUDY AND SULFUR EMISSION LIMITATION ACT OF 1982

● Mr. RANDOLPH. Mr. President, I introduce today a bill directing a comprehensive examination of acid rain issues and interim mitigation measures to be undertaken pending the outcome of this review.

Mr. President, for more than a year the Committee on Environment and Public Works has examined issues related to acid rain in connection with its development of amendments to the Clean Air Act. On August 19 the committee ordered reported such legislation. For the most part, it is a refinement of the existing law intended to make it more workable and to respond to conditions that have arisen since the Congress last acted on this subject in 1977.

The only new regulatory program is that approved by the committee to require a reduction in sulfur emissions of 8 million tons by 1995. The legislative language creating this effort contains several proposals I made to lessen economic and social impacts of the acid rain control program. It still falls short, however, of the assurances I feel are required to avoid disruptions in coal production and consumption. Such a program cannot be permitted to cost jobs in the coal industry where there is already widespread unemployment.

The committee bill provides an opportunity for the Congress to review the results of the accelerated research and the likely actual costs of control, before any of the controls go into effect. I believe, however, that controls should not be imposed until an informed Congress in the mid-1980's, possessing all the research and studies called for by my bill, affirmatively decides to go ahead with an acid rain control program.

At the time our committee completed work on its bill to amend the Clean Air Act, I indicated that I would continue to examine the large amount of evidence that has been presented to the committee on the causes, effects, and methods of controlling acid rain. The legislation I offer today is the outcome of this effort.

This bill would require the following:

Direct the Administrator of the Environmental Protection Agency (EPA), in his capacity as Chairman of the Acid Precipitation Task Force established by the Energy Security Act of 1980, within a 5-year period, to study the relative contributions from sources of sulfur dioxide and nitrogen oxides to acid rain, an acid control program's effect on future economic growth, employment, and cost to consumers. In addition, the task force is required to determine if acid rain endangers public health, and if an acid rain program is necessary to protect countries contiguous to the United States. No activity establishing a regulatory framework for an acid rain control program would be initiated during this 5-year research period.

During the study period the Administrator of EPA is required to leave allowable sulfur dioxide emissions from existing major stationary sources at current levels in all States except for a

few specific cases such as conversions from oil or gas to coal.

The Administrator of EPA, during the 5-year study period may make grants to States for mitigation of harmful effects at existing aquatic ecosystem sites where high acidity has been documented.

At my encouragement, the committee bill provides for acceleration of the acid rain study authorized in 1980. The bill also provides that the required sulfur reductions not take place until the study is completed, and the Congress has an opportunity to review its findings.

While helpful, this language still establishes a mandatory sulfur control program that could go into effect regardless of the findings of the study. It is conceivable that stringent sulfur controls would be required even though the study may find them to be unnecessary or that controls on other types of emissions are required to reduce acid rain.

My bill is intended to require that the Congress examine the study's findings and take a positive action to implement any control program that may be determined necessary as a result of those findings.

Mr. President, I have consulted with many individuals and organizations concerned with coal production and usage as well as the problem of acid rain which itself is of concern in West Virginia as well as in other States. I believe that this issue can be addressed in a manner that can achieve environmental objectives, but I also feel that we must act on the basis of convincing scientific evidence, and that we should adopt no program that creates widespread disruption and hardship in one of our basic industries at a time when our Nation is already beset with economic woes.

I assure my colleagues of my desire to continue working with them to achieve a workable solution to a serious problem, one that, as in other legislation, realistically balances environmental and economic objectives.

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

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

S. 2959

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Acid Deposition Study and Sulfur Emission Limitation Act of 1982".

SEC. 2. Title I of the Clean Air Act, is amended by adding the following new part:

"PART E—ACID DEPOSITION ANALYSIS AND MITIGATION

"SEC. 181. (a) The Congress finds and declares that—

"(1) acidity in precipitation occurs through both anthropogenic and natural causes;

"(2) the phenomenon known as acid deposition appears to be an increasing problem of both national and international scope and interest;

"(3) acid deposition occurs in various parts of the world and has the potential to contribute to higher levels of acidity in aquatic systems, terrestrial systems, and the deterioration of buildings and monuments;

"(4) sulfur dioxide an nitrogen oxides from stationary and mobile sources have been identified as possible contributing elements in the creation of acid deposition;

"(5) the atmospheric chemistry relating to the conversion of sulfur dioxide and nitrogen oxides into sulfates and nitrates is enormously complicated since the conversion can be influenced by temperature, sunlight, humidity, catalytic particles in the air, and the presence of certain oxidants;

"(6) various techniques of reducing emissions from stationary sources of precursors of acid deposition, including increased use of precombustion fuel treatment and the development and inherently low-polluting combustion technologies, may prove to be of significant long-range value in reducing the amount of acid deposition;

"(7) the National Acid Precipitation Assessment Plan and its cooperative links to similar State and international programs concerned with acid deposition, provides an established framework for integrating existing scientific data, and developing additional scientific data, relating to acid deposition and for making recommendations for strategies to limit and remedy the harmful effects of acid deposition;

"(8) the causes and effects of acid deposition, particularly the atmospheric chemistry and long-range transport of acid deposition precursors, the effectiveness of available measures to control acid deposition, and the effectiveness of efforts to improve the environment through the control of acid precipitation should be more fully understood before undertaking complex and potentially costly efforts to further control sulfur dioxide and nitrogen oxide emissions beyond that necessary to meet national ambient air quality standards and new source performance standards.

"(b) It is the purpose of this part to provide for—

"(1) an accelerated effort to understand the causes and effects of acid deposition;

"(2) an examination of the potential and feasibility of various techniques of reducing the emissions of sulfur dioxide and nitrogen oxides from stationary and mobile sources which may contribute to acid deposition;

"(3) limitations on increases in sulfur dioxide emissions; and

"(4) grants to State for mitigation at sites where there are harmful effects on aquatic ecosystems resulting from high acidity.

SEC. 182. (a) Within the five-fiscal year period following the enactment of this part the Administrator shall report to the Senate Committee on Environment and Public Works and the House Committee on Energy and Commerce on acid deposition as follows:

"(1) The report shall be based upon the annual reports of the Acid Precipitation Task Force established under title VII of the Energy Security Act and studies conducted by the Administrator under the Clean Air Act, and other information available to the Administrator.

"(A) the environmental effects of acid deposition;

"(B) the areas of the Nation affected by acid deposition;

"(C) the atmospheric transport and transformation process of acid deposition precursors;

"(D) possible methods for controlling such precursors; and

"(E) the relative impact of local sources of acid deposition compared to more distant sources of acid deposition.

The report shall also include such recommendations as may be appropriate concerning the control of acid deposition precursors. In developing such recommendation, the Administrator shall take into account such factors as the location of the sources of sulfur dioxide and nitrogen oxides, future economic growth, the impact on employment, the protection of public health or welfare, the costs to consumers, the need to assure equity among the States, and the actions taken by other countries contiguous to the United States. The Administrator shall also provide an opportunity for State and public participation during the study and report development period.

"(b) The Administrator shall actively solicit data, views, and comments from State and other Federal agencies which are carrying out studies and research relating to acid deposition.

"SEC. 183. The Governors of the various States are encouraged to establish and designate appropriate regional corridors comprising several States concerning acid deposition and to negotiate appropriate measures to reduce, where appropriate, emissions of pollutants that relate to acid deposition, taking into consideration the actions taken and planned by the various States and Canada to control sulfur dioxide and nitrogen oxides, future economic growth in the corridors, the impact on employment, the the endangerment to the environment, the costs to consumers, and the need to assure equity among the States. The Administrator shall ccoperate with the States and provide technical assistance to the States under this subsection. Nothing in this section shall be construed to consent to interstate compacts.

"SEC. 184. (a) the Administrator may not approve under section 110(a)(3) any portion of a revision of an implementation plan adopted by a State during the five-year period beginning on the date of enactment of this part under which the annual allowable emissions of sulfur dioxide for any existing major stationary source are increased above the annual allowable emissions of sulfur dioxide for that source under the applicable implementation plan for such State in effect immediately prior to the adoption of the revision.

"(b) The prohibition contained in subsection (a) shall not apply in the case of a plan revision containing an increase in annual allowable emissions for any major stationary source if, under the revision, in each year for which such an increase is provided—

"(1) the annual allowable emissions of sulfur dioxide from one or more other stationary sources in that State are reduced from the annual allowable emissions of sulfur dioxide which were permitted for those sources under the applicable implementation plan in effect immediately prior to the adoption of the revision, and

"(2) such reduction is equal to, or greater than, such increase. If any reduction referred to in paragraph (1) exceeds the increase referred to in paragraph (2) (or if there is no such increase), such excess may be credited against subsequent increases referred to in paragraph (1) in such manner as the State deems appropriate.

"(c) The prohibition contained in subsection (a) shall not apply to any increase in annual allowable emissions of sulfur dioxide attributable to—

"(1) the construction or modification of a stationary source where the increase in sulfur dioxide emission is less than the de minimum amount established under section 165(b);

"(2) the conversion by an existing stationary source burning petroleum products or natural gas as the primary energy source to the use of coal, or coal mixed with any other fuel, as the primary energy source (as defined in the Powerplant and Industrial Fuel Use Act of 1978, without regard to whether or not such conversion is required under such Act); or

"(3) the modification of an interim emission limitation established pursuant to a consent decree which was entered into prior to the date of the enactment of this part and which required monitoring of sulfur dioxide emissions by the source concerned for a specified period, if the modified emission limitation is based upon the results of such monitoring and if the modification is adopted pursuant to the terms of such consent decree.

For purposes of this section, the term 'existing stationary source' means a stationary source the construction of which was commenced before the date of enactment of this part.

"(d) The prohibition contained in subsection (a) shall also not apply to any increase in allowable annual emissions attributable to a stationary source for which sulfur dioxide emission limitations are established under section 111, 119, 165, or 173.

"(e) Nothing in this section shall be construed to apply to any increase or decrease in annual allowable emissions of sulfur dioxide which takes effect pursuant to an exemption, order, suspension, extension, or variance referred to in section 110(a)(3)(C).

"SEC. 185. (a) The Administrator is authorized (1) to conduct or make grants to any State or interstate agency for the purposes of conducting the development, refinement and practical demonstration and implementation of (A) new, improved, or innovative methods of neutralizing or restoring the buffering capacity of acid altered bodies of water that no longer can support game fish species, and (B) methods of removing from bodies of water toxic metals or other toxic substances mobilized by acid deposition, and (2) to include in such grants such amounts as necessary for the purpose of reports, plans and specifications in connection therewith.

"(b) Grants under this section shall not be made for any project in any amount exceeding 75 per centum of the costs thereof as determined by the Administrator.

"(c) Grants under this section shall not be made for any project that involves bodies of water that did not contain game fish as established by State law prior to 1970.

"SEC. 186. There are authorized to be appropriated to the Administrator for the five fiscal years following the date of enactment such sums as may be necessary to prepare the report required by section 182 and to make the grants authorized by section 185.".●

ADDITIONAL COSPONSORS

S. 1256

At the request of Mr. EXON, the name of the Senator from Ohio (Mr. GLENN) was added as a cosponsor of S. 1256, a bill to regulate interstate commerce by protecting the rights of consumers, dealers, and end users.

S. 1562

At the request of Mr. MURKOWSKI, the name of the Senator from Washington (Mr. GORTON) was added as a cosponsor of S. 1562, a bill to provide comprehensive national policy dealing with national needs and objectives in the Arctic.

S. 2676

At the request of Mr. ROBERT C. BYRD, the name of the Senator from Montana (Mr. BAUCUS) was added as a cosponsor of S. 2676, a bill to establish a National Hostel System Plan, and for other purposes.

S. 2737

At the request of Mr. GLENN, the names of the Senator from Montana (Mr. BAUCUS), and the Senator from Connecticut (Mr. WEICKER) were added as cosponsors of S. 2737, a bill to authorize an educational assistance program which will provide low-cost loans to college students who pursue mathematics and science baccalaureate degrees and enter the precollege mathematics and science teaching profession, and for other purposes.

S. 2738

At the request of Mr. GLENN, the name of the Senator from Connecticut (Mr. WEICKER) was added as a cosponsor of S. 2738, a bill to amend the Internal Revenue Code of 1954 to allow a credit to certain employers for compensation paid to employees with precollege mathematics or science teaching certificates who are employed for the summer months by such employers or who are employees who teach a limited number of hours.

S. 2919

At the request of Mr. LUGAR, the names of the Senator from Connecticut (Mr. DODD), and the Senator from California (Mr. CRANSTON) were added as cosponsors of S. 2919, a bill to help insure the Nation's independent factual knowledge of Soviet-bloc countries, to help maintain the national capability for advanced research and training on which that knowledge depends, and to provide partial financial support for national programs to serve both purposes.

SENATE JOINT RESOLUTION 220

At the request of Mr. PRYOR, the names of the Senator from Washington (Mr. JACKSON), and the Senator from Alabama (Mr. DENTON) were added as cosponsors of Senate Joint Resolution 220, a joint resolution to authorize the erection of a memorial on public grounds in the District of Columbia to honor and commemorate members of the Armed Forces of the United States who served in the Korean war.

SENATE JOINT RESOLUTION 228

At the request of Mr. NUNN, the names of the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Missouri (Mr. DANFORTH), the Senator from Connecticut (Mr. WEICKER), and the Senator from Indiana (Mr. LUGAR) were added as cosponsors of Senate Joint Resolution 228, a joint resolution to provide for the designation of the week beginning on October 24, 1982, as "National Tourette Syndrome Awareness Week."

SENATE JOINT RESOLUTION 239

At the request of Mr. WARNER, the names of the Senator from New Mexico (Mr. SCHMITT), and the Senator from Alaska (Mr. MURKOWSKI), were added as cosponsors of Senate Joint Resolution 239, a joint resolution designating October 16, 1982, as "National Newspaper Carrier Appreciation Day."

SENATE JOINT RESOLUTION 244

At the request of Mr. WARNER, the names of the Senator from Virginia (Mr. HARRY F. BYRD JR.), the Senator from New Mexico (Mr. SCHMITT), the Senator from Missouri (Mr. EAGLETON), the Senator from California (Mr. CRANSTON), the Senator from Georgia (Mr. NUNN), the Senator from Oklahoma (Mr. NICKLES), the Senator from Pennsylvania (Mr. HEINZ), and the Senator from Alaska (Mr. MURKOWSKI), were added as cosponsors of Senate Joint Resolution 244, a joint resolution designating January 17, 1983, as "Public Employees' Appreciation Day."

SENATE JOINT RESOLUTION 251

At the request of Mr. BUMPERS, the names of the Senator from Maryland (Mr. SARBANES), the Senator from Kansas (Mrs. KASSEBAUM), the Senator from Minnesota (Mr. DURENBERGER), the Senator from Delaware (Mr. BIDEN), and the Senator from Ohio (Mr. METZENBAUM) were added as cosponsors of Senate Joint Resolution 251, a joint resolution authorizing and requesting the President to designate October 10, 1982, as "National Peace Day."

SENATE CONCURRENT RESOLUTION 124

At the request of Mr. SASSER, the name of the Senator from Montana (Mr. BAUCUS) was added as a cosponsor of Senate Concurrent Resolution 124, a concurrent resolution concerning the administration's study of hydroelectric power.

SENATE RESOLUTION 472

At the request of Mr. MOYNIHAN, the names of the Senator from New Jersey (Mr. BRADLEY), the Senator from West Virginia (Mr. RANDOLPH) and the Senator from Delaware (Mr. BIDEN) were added as cosponsors of Senate Resolution 472, a resolution to preserve and protect medicare benefits.

AMENDMENT NO. 3271

At the request of Mr. MURKOWSKI, the name of the Senator from Washington (Mr. GORTON) was added as a cosponsor of amendment No. 3271 intended to be proposed to S. 1562, a bill to provide comprehensive national policy dealing with national needs and objectives in the Arctic.

SENATE EXECUTIVE RESOLUTION 7—EXECUTIVE RESOLUTION RELATING TO KILLER SATELLITES

Mr. PRESSLER submitted the following executive resolution; which was referred to the Committee on Foreign Relations:

S. EXEC. RES. 7

Whereas the United States and other nations rely increasingly on space satellites and other space-based systems for improving the quality of life on earth;

Whereas the maximum utilization of space technology for weather forecasting, communications, and natural resource exploration is assured only under peaceful conditions;

Whereas the United States depends upon satellites for preserving the peace through command and control of U.S. forces worldwide and through early warning of strategic attack, among other functions;

Whereas satellites are vital for verification of arms control agreement;

Whereas the safety of such important missions including those performed by the Space Shuttle would be compromised by the threat posed by killer satellites;

Whereas a space arms race would undermine strategic stability;

Whereas a military space race would add to the uncertainties faced by military planners and thereby complicate the task of designing an effective military force structure;

Whereas an arms race in space would be a drain on the American taxpayer and would undermine our ability to correct current deficiencies in our military posture; and

Whereas the present pace of military space developments will soon reduce the prospects of avoiding the weaponization of outer space:

Resolved, That it is the sense of the Senate that the President should immediately invite the People's Republic of China, the Soviet Union and other States Parties to the Treaty on Principles Governing the activities of States in the Exploration and Use of Outer Space, including the Moon and Other Celestial Bodies, otherwise known as the 1967 Outer Space Treaty, to negotiate a Protocol to the treaty, providing for a complete and verifiable ban on the development, testing, deployment, or use of antisatellite weapons.

A RESOLUTION FOR ENHANCEMENT OF THE OUTER SPACE TREATY

Mr. PRESSLER. Mr. President, this past Monday, as chairman of the Senate Foreign Relations Committee's Subcommittee on Arms Control, Oceans, International Operations and the Environment, I chaired a hearing on Arms Control and the Militarization of Space. This is a propitious time for examining the implications of United States and Soviet military space developments. At the start of this month, the U.S. Air Force formally created a Space Command, headquartered at Colorado Springs. This summer's flight of the Space Shuttle Columbia marked its inauguration as a military space-lift vehicle. At the end of that flight, President Reagan announced the promulgation of a new national space policy which, among other things, gives a high priority to the testing and deployment of an antisatellite weapon. During Monday's hearing, Under Secretary of Defense Richard DeLauer, informed the committee that the defense budget for the current 3-year period calls for 20 percent real growth in military space expenditures; that is, a 20 percent rise after inflation.

In large measure, the U.S. military space effort is a response to the space activities of the Soviet Union. For a decade now, the Soviets have had an operational killer satellite weapon. It was last tested in June of this year in an awesome display of Soviet strategic weaponry which some analysts have described as a scenario for waging nuclear war. In this scenario, killer satellites have a major role to play in neutralizing U.S. strategic forces.

In my view, this space race upon which we seem to be embarking has no winners. It could undermine strategic stability, and it would be a drain on our taxpayers. It will compromise our ability to make good on the deficiencies in our current military posture. It would increase risks for and, thereby, reduce the interest of commerical investors in exploiting the potential of satellites for commerce. We in South Dakota, for instance, rely on satellite-generated weather forecasts in planning agricultural activities. Satellites have helped increase domestic production and have added to our foreign exports.

There is another reason why this a propitious time for examining the directions of United States and Soviet space developments and for an assessment of the options which may be available in avoiding a space arms race. This week, the Arms Control and Disarmament Agency and the National Aeronautics and Space Administration commemorated the 15th anniversary of the Outer Space Treaty which was ratified by the Senate on April 25, 1967, and entered into force on October 10, 1967. Among other things, that treaty bans the placement of nuclear weapons and other weapons of mass destruction in Earth orbit, on the Moon and other celestial bodies, or otherwise stationing such weapons in outer space.

This treaty is a model for peaceful uses and cooperation in space exploration. Unfortunately, the treaty does not go far enough. It has not stopped the Soviets from deploying and testing a killer satellite weapon. Without improvements in the treaty's arrangements which would restrict this and other related military space developments, U.S. satellites are threatened. These satellites carry out numerous missions that are vital for keeping the peace, including communications with U.S. forces worldwide and early warning of strategic attack. Unless arrangements banning killer satellites are agreed to quickly, the United States will have no choice but to test and deploy its own killer satellite weapon, and we and the Soviet Union will have joined a new arms competition that will be difficult to turn back.

Therefore, I rise today to offer a resolution which calls upon the United States, the People's Republic of China, the Soviet Union and other signatories to the 1967 Outer Space Treaty to amend the Outer Space Treaty. This amendment would aim to preclude the development, testing, and deployment of killer satellites. I urge that the President and these other nations act quickly in this regard for, I believe, it would be difficult, if not impossible, to prevent a space race once it gets off the ground. That race may be quickly upon us.

I ask unanimous consent that the Outer Space Treaty, as it now stands, be printed in the RECORD.

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

TREATY ON PRINCIPLES GOVERNING THE ACTIVITIES OF STATES IN THE EXPLORATION AND USE OF OUTER SPACE, INCLUDING THE MOON AND OTHER CELESTIAL BODIES

Signed at Washington, London, Moscow, January 27, 1967.

Ratification advised by U.S. Senate April 25, 1967.

Ratified by U.S. President May 24, 1967.

U.S. ratification deposited at Washington, London, and Moscow October 10, 1967.

Proclaimed by U.S. President October 10, 1967.

Entered into force October 10, 1967.

The States Parties to this Treaty,

Inspired by the great prospects opening up before mankind as a result of man's entry into outer space,

Recognizing the common interest of all mankind in the progress of the exploration and use of outer space for peaceful purposes.

Believing that the exploration and use of outer space should be carried on for the benefit of all peoples irrespective of the degree of their economic or scientific development,

Desiring to contribute to broad international co-operation in the scientific as well as the legal aspects of the exploration and use of outer space for peaceful purposes,

Believing that such co-operation will contribute to the development of mutual understanding and to the strengthening of friendly relations between States and peoples,

Recalling resolution 1962 (XVIII), entitled "Declaration of Legal Principles Governing the Activities of States in the Exploration and Use of Outer Space," which was adopted unanimously by the United Nations General Assembly on 13 December 1963,

Recalling resolution 1884 (XVIII), calling upon States to refrain from placing in orbit

around the Earth any objects carrying nuclear weapons or any other kinds of weapons of mass destruction or from installing such weapons on celestial bodies, which was adopted unanimously by the United Nations General Assembly on 17 October 1963,

Taking account of United Nations General Assembly resolution 110 (II) of 3 November 1947, which condemned propaganda designed or likely to provoke or encourage any threat to the peace, breach of the peace or act of aggression, and considering that the aforementioned resolution is applicable to outer space,

Convinced that a Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, including the Moon and Other Celestial Bodies, will further the Purposes and Principles of the Charter of the United Nations,

Have agreed on the following:

ARTICLE I

The exploration and use of outer space, including the moon and other celestial bodies, shall be carried out for the benefit and in the interests of all countries, irrespective of their degree of economic or scientific development, and shall be the province of all mankind.

Outer space, including the moon and other celestial bodies, shall be free for exploration and use by all States without discrimination of any kind, on a basis of equality and in accordance with international law, and there shall be free access to all areas of celestial bodies.

There shall be freedom of scientific investigation in outer space, including the moon and other celestial bodies, and States shall facilitate and encourage international cooperation in such investigation.

ARTICLE II

Outer space, including the moon and other celestial bodies, is not subject to national appropriation by claim of sovereignty, by means of use or occupation, or by any other means.

ARTICLE III

States Parties to the Treaty shall carry on activities in the exploration and use of outer space, including the moon and other celestial bodies, in accordance with international law, including the Charter of the United Nations, in the interest of maintaining international peace and security and promoting international co-operation and understanding.

ARTICLE IV

States Parties to the Treaty undertake not to place in orbit around the Earth any objects carrying nuclear weapons or any other kinds of weapons of mass destruction, install such weapons on celestial bodies, or station such weapons in outer space in any other manner.

The moon and other celestial bodies shall be used by all States Parties to the Treaty exclusively for peaceful purposes. The establishment of military bases, installations and fortifications, the testing of any type of weapons and the conduct of military maneuvers on celestial bodies shall be forbidden. The use of military personnel for scientific research or for any other peaceful purposes shall not be prohibited. The use of any equipment or facility necessary for peaceful exploration of the moon and other celestial bodies shall also not be prohibited.

ARTICLE V

States Parties to the Treaty shall regard astronauts as envoys of mankind in outer space and shall render to them all possible assistance in the event of accident, distress, or emergency landing on the territory of another State Party or on the high seas. When astronauts make such landing, they shall be safely and promptly returned to the State of registry of their space vehicle.

In carrying on activities in outer space and on celestial bodies the astronauts of one State Party shall render all possible assistance to the astronauts of other States Parties.

States Parties to the Treaty shall immediately inform the other States Parties to the Treaty or the Secretary-General of the United Nations of any phenomena they discover in outer space, including the moon and other celestial bodies, which could constitute a danger to the life or health of the astronauts.

ARTICLE VI

States Parties to the Treaty shall bear international responsibility for national activities in outer space, including the moon and other celestial bodies, whether such activities are carried on by governmental agencies or by non-governmental entities, and for assuring that national activities are carried out in conformity with the provisions set forth in the present Treaty. The activities of non-governmental entities in outer space, including the moon and other celestial bodies, shall require authorization and continuing supervision by the appropriate State Party to the Treaty. When activities are carried on in outer space, including the moon and other celestial bodies, by an international organization, responsibility for compliance with this Treaty shall be borne both by the international organization and by the States Parties to the Treaty participating in such organization.

ARTICLE VII

Each State Party to the Treaty that launches or procures the launching of an object into outer space, including the moon and other celestial bodies, and each State Party from whose territory or facility an object is launched, is internationally liable for damage to another State Party to the Treaty or to its natural or juridical persons by such object or its component parts on the Earth, in air space or in outer space, including the moon and other celestial bodies.

ARTICLE VIII

A State Party to the Treaty on whose registry an object launched into outer space is carried shall retain jurisdiction and control over such object, and over any personnel thereof, while in outer space or on a celestial body. Ownership of objects launched into outer space, including objects landed or constructed on a celestial body, and of their component parts, is not affected by their presence in outer space or on a celestial body or by their return to the Earth. Such objects or component parts found beyond the limits of the State Party to the Treaty on whose registry they are carried shall be returned to that State Party, which shall, upon request, furnish identifying data prior to their return.

ARTICLE IX

In the exploration and use of outer space, including the moon and other celestial bodies, States Parties to the Treaty shall be guided by the principle of co-operation and mutual assistance and shall conduct all their activities in outer space, including the moon and other celestial bodies, with due regard to the corresponding interests of all other States Parties to the Treaty. States Parties to the Treaty shall pursue studies of outer space, including the moon and other celestial bodies, and conduct exploration of them so as to avoid their harmful contamination and also adverse changes in the environment of the Earth resulting from the introduction of extraterrestrial matter and, where necessary, shall adopt appropriate measures for this purpose. If a State Party to the Treaty has reason to believe that an activity or experiment planned by it or its nationals in outer space, including the moon and other celestial bodies, would cause potentially harmful interference with activities of other States Parties in the peaceful exploration and use of outer space, including the moon and other celestial bodies, it shall undertake appropriate international consultations before proceeding with any such activity or experiment. A State Party to the Treaty which has reason to believe that an activity or experiment planned by another State Party in outer space, including the moon and other celestial bodies, would cause potentially harmful interference with activities in the peaceful exploration and use of outer space, including the moon and other celestial bodies, may request consultation concerning the activity or experiment.

ARTICLE X

In order to promote international co-operation in the exploration and use of outer space, including the moon and other celestial bodies, in conformity with the purposes of this Treaty, the States Parties to the Treaty shall consider on a basis of equality any requests by other States Parties to the Treaty to be afforded an opportunity to observe the flight of space objects launched by those States.

The nature of such an opportunity for observation and the conditions under which it could be afforded shall be determined by agreement between the States concerned.

ARTICLE XI

In order to promote international co-operation in the peaceful exploration and use of outer space, States Parties to the Treaty conducting activities in outer space, including the moon and other celestial bodies, agree to inform the Secretary-General of the United Nations as well as the public and the international scientific community, to the greatest extent feasible and practicable, of the nature, conduct, locations and results of such activities. On receiving the said information, the Secretary-General of the United Nations should be prepared to disseminate it immediately and effectively.

ARTICLE XII

All stations, installations, equipment and space vehicles on the moon and other celestial bodies shall be open to representatives of other States Parties to the Treaty on a basis of reciprocity. Such representatives shall give reasonable advance notice of a projected visit, in order that appropriate consultations may be held and that maximum precautions may be taken to assure safety and to avoid interference with normal operations in the facility to be visited.

ARTICLE XIII

The provisions of this Treaty shall apply to the activities of States Parties to the Treaty in the exploration and use of outer space, including the moon and other celestial bodies, whether such activities are carried on by a single State Party to the Treaty or jointly with other States, including cases where they are carried on within the frame-

work of international inter-governmental organizations.

Any practical questions arising in connection with activities carried on by international inter-governmental organizations in the exploration and use of outer space, including the moon and other celestial bodies, shall be resolved by the States Parties to the Treaty either with the appropriate international organization or with one or more States members of that international organization, which are Parties to this Treaty.

ARTICLE XIV

1. This Treaty shall be open to all States for signature. Any State which does not sign this Treaty before its entry into force in accordance with paragraph 3 of this article may accede to it at any time.

2. This Treaty shall be subject to ratification by signatory States. Instruments of ratification and instruments of accession shall be deposited with the Governments of the United States of America, the United Kingdom of Great Britain and Northern Ireland and the Union of Soviet Socialist Republics, which are hereby designated the Depositary Governments.

3. This Treaty shall enter into force upon the deposit of instruments of ratification by five Governments including the Governments designated as Depositary Goverments under this Treaty.

4. For States whose instruments of ratification or assession are deposited subsequent to the entry into force of this Treaty, it shall enter into force on the date of the deposit of their instruments of ratification or assession.

5. The Depositary Governments shall promptly inform all signatory and acceding States of the date of each signature, the date of deposit of each instrument of ratification of and accession to this Treaty, the date of its entry into force and other notices.

6. This Treaty shall be registered by the Depositary Governments pursuant to Article 102 of the Charter of the United Nations.

ARTICLE XV

Any State Party to the Treaty may propose amendments to this Treaty. Amendments shall enter into force for each State Party to the Treaty accepting the amendments upon their acceptance by a majority of the States Parties to the Treaty and thereafter for each remaining State Party to the Treaty on the date of acceptance by it.

ARTICLE XVI

Any State Party to the Treaty may give notice of its withdrawal from the Treaty one year after its entry into force by written notification to the Depositary Governments. Such withdrawal shall take effect one year from the date of receipt of this notification.

ARTICLE XVII

This Treaty, of which the English, Russian, French, Spanish and Chinese texts are equally authentic, shall be deposited in the archives of the Depositary Governments. Duly certified copies of this Treaty shall be transmitted by the Depositary Governments to the Governments of the signatory and acceding States.

In witness whereof the undersigned, duly authorized, have signed this Treaty.

Done in triplicate, at the cities of Washington, London and Moscow, this twenty-seventh day of January one thousand nine hundred sixty-seven.

NOTICES OF HEARINGS

COMMITTEE ON THE BUDGET

Mr. DOMENICI. Mr. President, the Senate Committee on the Budget will continue hearings on budget act reform on Tuesday, September 28, 1982, in room 6202, Dirksen Senate Office Building.

Hon. JAMES R. JONES, chairman of the House Budget Committee, and Hon. NORMAN Y. MINETA will testify at 9:30 a.m.

Hon. LEON E. PANETTA and Hon. RALPH REGULA will testify at 2 p.m.

COMMITTEE ON GOVERNMENTAL AFFAIRS

Mr. ROTH. Mr. President, the Senate Committee on Governmental Affairs will hold a hearing on Oversight of the General Services Administration on Thursday, September 30, 1982, at 10 a.m. in room 3302 of the Dirksen Senate Office Building. For further information, please contact Margaret Hecht at 224-4751.

AUTHORITY FOR COMMITTEES TO MEET

Mr. BAKER. Mr. President, in just a moment, I am going to yield the floor to the Senator from Idaho so he can manage this measure.

First, I want to put a unanimous-consent request which has been cleared with the minority leader and with affected Senators.

COMMITTEE ON FINANCE

Mr. BAKER. Mr. President, I ask unanimous consent that the Committee on Finance be authorized to meet during the session of the Senate on Friday, September 24, to hold a markup on H.R. 6056, the Technical Corrections Act.

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

COMMITTEE ON FOREIGN RELATIONS

Mr. STEVENS. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Monday, September 27, at 2:30 p.m., to hold a hearing to consider the nomination of Richard T. McCormack to be an Assistant Secretary of State for Economic and Business Affairs.

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

Mr. STEVENS. Mr. President, I ask unanimous consent that the Committee on Foreign Relations be authorized to meet during the session of the Senate on Monday, September 27, at 3 p.m., to receive a top secret CIA briefing on recent developments in nuclear proliferation-risk nations.

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

SUBCOMMITTEE ON INTERNATIONAL ECONOMIC POLICY

Mr. STEVENS. Mr. President, I ask unanimous consent that the Subcommittee on International Economic Policy, of the Committee on Foreign Relations, be authorized to meet during the session of the Senate on Monday, September 27, at 10 a.m., to hold an oversight hearing on world debt.

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

ADDITIONAL STATEMENTS

SELECT COMMITTEE ON INTELLIGENCE, STAFF REPORT OF ALLEGED SECURITY BREACH AT THE GENERAL ACCOUNTING OFFICE

● Mr. GOLDWATER. Mr. President, on February 3, 1982, Senator ROTH, the distinguished chairman of the Committee on Governmental Affairs, requested that the Senate Select Committee on Intelligence investigate an allegation of security breach at the General Accounting Office (GAO). Senator ROTH's concern was based on news articles published at the time which described attempts by foreign intelligence services to obtain classified GAO reports—attempts which were subsequently confirmed by GAO officials.

Because an investigation of possible security breaches at the GAO more appropriately falls under the jurisdiction of the Senate Select Committee on Intelligence than the Committee on Governmental Affairs, I agreed to Senator ROTH's request and I asked the staff to look into the allegations which were made. Our staff subsequently scheduled a series of visits to the FBI and GAO, They interviewed officials at GAO, FBI, and CIA, and reviewed files pertinent to the case. In addition, our security people examined the security and document control systems at GAO.

All agencies contacted during our staff investigation cooperated fully with our committee, and on June 29, 1982, I sent a preliminary copy of our staff report to Senator ROTH. Among other things, we concluded the following:

Specifically, no information was found to support the allegations (1) that the Soviet officer in question succeeded in acquiring classified reports from GAO, that the Soviets had a penetration in the GAO; or (2) that security arrangements at GAO did or do not adequately protect classified material.

Mr. President, under the terms of Senate Resolution 400, the Senate Select Committee on Intelligence has the responsibility to make periodic reports to the Senate concerning intelligence matters. Therefore, I think it is appropriate that our staff report on the alleged security breach at GAO be printed in the RECORD for the benefit of my colleagues who may have an interest in this matter.

Mr. President, I ask that this staff report be printed in the RECORD.

The staff report follows:

SENATE SELECT COMMITTEE ON INTELLIGENCE STAFF REPORT INVESTIGATION OF ALLEGED SECURITY BREACH AT GENERAL ACCOUNTING OFFICE

SUMMARY CONCLUSIONS

A former investigator for the General Accounting Office (GAO) alleged in late 1981 the following: that in 1979 a Soviet intelligence officer had obtained a number of classified reports from the GAO and that there was a Soviet penetration in the GAO; that an FBI investigation concluding there was no basis for these allegations was in error; and that security at GAO for classified documents was poor.

Senate Select Committee on Intelligence (SSCI) staff investigated these charges and found no substantiation for them. Specifically, no information was found to support the allegations (1) that the Soviet officer in question succeeded in acquiring classified reports from GAO, that the Soviets had a penetration in the GAO or (2) that security arrangements at GAO did or do not adequately protect classified material.

These conclusions are based on SSCI staff visits to the FBI and GAO; interviews of officials at GAO, the FBI, and CIA; reviews of files pertinent to the case; and examination of the security and document control systems at GAO. CIA, GAO and the FBI cooperated fully with the staff in this investigation.

Background [1]

In late 1981, a former investigator at GAO approached a number of Senate Committee staffs with allegations of security breaches at the GAO and fraud at NASA. He spoke with staff of the Labor and Human Resources, Select Intelligence, and Government Affairs Committees.

The concern over security of classified documents at GAO was highlighted by a number of newspaper articles from December, 1981 through February, 1982, as well as by two CBS Evening News items on 5 and 8 February, 1982.

The Permanent Subcommittee on Investigations (PSI) of the Government Affairs Committee made initial inquiry into some of the GAO charges but, because of the need for security clearances, recommended that Senator Roth request Intelligence Committee staff to investigate further. On February 3, 1982, Senator Roth made such request of Senator Goldwater, Chairman of the SSCI. Senator Goldwater agreed on February 23.

The staff examined three matters:

1. Alleged compromise of classified information by GAO;

2. The alleged existence of a penetration in GAO; and

3. Security of classified material at GAO.

FBI investigations

In January, 1979, an official (and known intelligence agent) of the Soviet Embassy, Vladimir Kvasov, made requests for documents at GAO. Some reports he requested were classified. Moreover, Kvasov specified GAO report numbers for some classified reports that had not yet been issued.

In May, 1979, GAO asked the FBI to study security at GAO and make recommendations for improvements, and to conduct a counterintelligence investigation to determine whether Kvasov had obtained classified documents. The FBI also was requested to investigate whether there was a Soviet penetration in the GAO.

The FBI completed a review of GAO security in December 1979. The report made recommendations for improvements in various aspects of GAO physical, document and personnel security; however, it did not indicate any material deficiencies in security. These recommendations have been or are being implemented by GAO.

In the summer of 1979, a Special Agent of the FBI's Washington Field Office began a counterintelligence investigation of the Kvasov document requests and the possibility of a penetration at GAO. Ralph Sharer, the former GAO investigator who made the allegations in 1981, was assigned at that time by GAO to work with this FBI agent on the investigation. The FBI report, written in January, 1980, concluded that there was no evidence that Kvasov received any classified reports from GAO. The FBI further concluded that the heavy preponderance of the evidence indicated there was no Soviet penetration in GAO.

Due to the charges by Sharer in late 1981 and to media and Congressional attention, the FBI reopened its probe of the GAO/Kvasov affair. A second Special Agent was assigned. He completed a re-investigation in March, 1982, and reaffirmed the previous FBI conclusions.

SSCI staff investigation

The SSCI staff visited GAO and reviewed the security and document control system. The staff also interviewed GAO's Director of Security, Congressional Affairs officers, and Classified Document Control personnel.

Staff found no information to suggest that the document control system at GAO was inadequately designed to protect classified material, and no reason was found to believe that GAO ever provided any classified report to a hostile intelligence agent. Classified reports and unclassified reports are segregated at GAO and are controlled and disseminated from separate areas of the building. Classified reports are handled in a special, secure area and are never disseminated from or through the public distribution center. In fact, classified reports are located and *only* disseminated from the 4th floor; while *un*classified and *de*classified reports are disseminated from the public distribution center on the 1st floor. Logs are kept on each copy of all classified reports and indicate to whom and when each copy was disseminated. A study of the distribution center's request form markings confirms that Kvasov received only unclassified reports and declassified versions of classified reports. Sharer misinterpreted the markings on the distribution center's forms, leading him to charge that classified reports had been given to Kvasov.

The staff also contacted the Central Intelligence Agency and Department of Defense, which periodically review security at GAO. CIA's last security check was in late 1981; DOD reviewed security of NATO classified material in January, 1982; and SSCI's Director of Security inspected GAO's system in May, 1982. They reported security of classified documents at GAO was adequate and met U.S. Government standards.

The staff also reviewed with FBI and GAO the allegation that Kvasov received classified reports and information from a penetration in GAO. FBI and GAO officials were interviewed. Sharer's voluminous report on problems at NASA [2] and GAO was examined, as were GAO files. Staff reviewed FBI Headquarters and Washington Field Office files of both the first and second investigations. SSCI staff found there was no basis to question the FBI's conclusions, namely that Kvasov did not receive classified reports from GAO and that the heavy preponderance of the evidence indicated no penetration in GAO.

Sharer's primary argument to support his charge that the Soviets penetrated the GAO was that Kvasov had specified report numbers on GAO request forms prior to publication of the reports. However, both FBI and GAO officials identified numerous sources from which Kvasov could have obtained knowledge of the serial numbers of GAO reports prior to the reports publication. For example, GAO distributes to a number of offices in Congress and the Executive branch several unclassified listings of report titles that are being drafted. These lists of titles also contain the report numbers.

Staff also interviewed the FBI Special Agent who conducted the first FBI investigation into Kvasov's activities at the GAO. The Agent told the staff that he had found no evidence that Kvasov had received classified GAO documents. He further stated that, while the existence of a penetration is always a possibility (noting the difficulty of "proving the negative"), the preponderance of evidence was to the contrary.●

[1] This staff report is summary in content due to the sensitive nature of the subject matter. Classified supporting mater al is available at the Intelligence Committee for review by authorized persons.

[2] SSCI did not examine the charges about NASA because the nature of the charges did not come within this Committee's jurisdiction.

PHILIPS INDUSTRIES

● Mr. METZENBAUM. Mr. President, it seems as though every time I pick up a newspaper or a magazine, I see an article about how American business just cannot hack it anymore.

They say we have lost our edge—that we cannot keep up with foreign competition. And they tell us very solemnly that America's entrepreneurial spirit has somehow or other disappeared.

To anyone who believes that I suggest a visit to a firm called Philips Industries. And I guarantee that the visitor will quickly discover that innovative management, quality engineering, and skilled craftsmanship are alive, well, and located in Dayton, Ohio.

Philips Industries is a classic American success story. Today, Philips Industries is a $200 million a year firm that produces a wide range of high-quality components for the building and recreational vehicle industries. Tomorrow, Philips' subsidiaries will be producing an even wider range of products, from fire dampers to PVC pipe fittings.

But in 1957, when Jesse Philips, a graduate of Oberlin College and Harvard Business School, acquired control of a firm called Jalousies of Ohio, the large, diversified company we know today was once a dream.

In 1957, Jalousies of Ohio had 20 employees. It had annual billings of about $400,000.

But the company also had Jesse Philips, one of America's more brilliant management assets.

Today, the 20 employees have grown to 5,000. The one plant in Dayton has grown into 40 plants across the country. And it was Jesse Philips who made it all happen.

Mr. President, on September 30, Philips Industries will celebrate 25 years of dynamic growth under the leadership of a truly extraordinary man. On this occasion, I offer my warmest congratulations to Jesse Philips and to everyone associated with Philips Industries. And I join countless others in Ohio in thanking Jesse Philips for his outstanding work on behalf of the Dayton community and for his service to Ohio's institutions of higher education.

I ask that two profiles of Jesse Philips, one from the Harvard Business School Bulletin and the other from the Nation's Business, be printed in the RECORD.

The material follows:

[From the Harvard Business School Bulletin, July-August 1971]

PROFILE OF ACHIEVEMENT—PHILIPS OF PHILIPS INDUSTRIES

Jesse Philips (MBA '39), an easterner by birth and midwesterner by choice, is a retailer by early training and an industrialist by acquisition. A loyal alumnus and staunch supporter of the School, he is the donor of its thirty-first endowed chair, the Jesse Philips Professorship of Manufacturing, established in 1969 and occupied by A. Richard Dooley.

AN ENTREPRENEURIAL BENT

Mr. Philips was born in New York City in 1914; shortly thereafter his family moved to Hartford, Connecticut. In the early 1930s, while still a teenager in high school, he displayed an entrepreneurial bent which was to stand him in good stead in later years: he formed a small printing company. Ultimately, he had to give it up in order to pursue his education.

From high school he enrolled as a scholarship student in Oberlin College at Oberlin, Ohio, in 1933. Before long, the risk-taking disposition reasserted itself and Mr. Philips was back in business—this time as a dry cleaner, using his earnings to supplement meager financial resources. Fortunately, he had a great capacity for work and, despite the heavy load of course preparation on top of managerial duties, he was graduated with his AB, magna cum laude, in 1937.

The following autumn he was admitted to Harvard's MBA Program with the Class of 1939. Arriving at Soldiers Field on a Connecticut State Fellowship that September, he was assigned to ground-floor quarters in Chase Hall's D-entry. Among the classmates he recalls from those days are "a couple who subsequently became prominent in business and government—Walter Haas, now president of Levi Strauss & Co., and Robert McNamara, now president of the International Bank for Reconstruction and Development. Three others in our class," he points out, "have distinguished themselves in education—Jack Glover, Bob Merry, and Charlie Williams. They're now all Professors on the HBS Faculty."

During his MBA years Mr. Philips put case preparation first and extra-curricular activities second. He was a serious student and did well. "I still remember some of our case discussions after more than 30 years," he says. Studies notwithstanding, he found opportunities once again to supplement his income through several small business ventures.

After graduation he embarked on what was to become a successful career covering two decades in financial control and merchandise management with several major department stores. At the start he joined G. Fox & Co. for a year. Then he moved to Worth's in 1940 as general merchandise manager. From 1944 to 1946 he served as executive vice president of the Big Store Co.

Wurzburg's obtained his services in 1946-47 as general merchandise manager, when the country began converting its wartime economy to a peacetime one. The following year found him carrying the counterpart responsibility and title in Stark's Department Store.

Two years later, in 1949, Mr. Philips was named executive vice president of the Johnston-Shelton Department Store in Dayton, Ohio. The store was suffering large losses. He was offered the incentive of purchasing one-third of the stock of the corporation if he could turn it around. Within two years the store was earning a decent profit. He stayed on as Johnston-Shelton's executive vice president for seven years until he sold the store to a chain, rounding out 17 years of retailing experience.

Then he retired for a full year spending most of this time traveling, skiing, and enjoying his family. During that year, however, he did investigate and analyze no less than 61 different possible business acquisitions. A new career was clearly on the horizon.

Launching out on a different course in 1957, Mr. Philips purchased the Jalousies of Ohio Company, a manufacturing concern located in Dayton. At the time he acquired control, the firm employed a workforce of about 20 persons and produced annual sales of around $400,000. Soon, responding to the Philips approach to management, the enterprise embarked upon a period of substantial diversification and growth in the field of equipment for use in mobile homes and recreational vehicles. In the last dozen years, sales have risen to nearly $150 million per year. More than 5,000 men and women are employed today in the company's 40-odd plants.

FROM RETAILING TO MANUFACTURING

In 1961, four years after Mr. Philips took over, the trend of developments led to a change of corporate name. Jalousies of Ohio became Philips Industries, Inc. Jesse Philips became chairman of the board of directors and is the chief executive officer.

The top management team he presides over consists of 18 corporate executives. Among them are nine vice presidents and seven heads of staff functions such as the secretary and corporate counsel, the director of management information, and the manager of data processing. As a general rule Mr. Philips deals with his operating heads through the company president, Robert Levenstein, and the executive vice president, Herbert Gerhard. But he still likes to keep direct lines of communication open between himself and all his key men to insure speedy decisionmaking in a highly competitive sector of the economy.

The diversity of product lines flowing from Philips Industries' loading docks is impressive. There are, for example, items for mobile homes and recreational vehicles such as aluminum windows and doors, axles, water heaters, coupler-jack assemblies, roofs, undercarriage frames, ventilating equipment, and LP gas cylinders.

For a different but related market the company produces wooden windows, patio doors, plastic pipe and fittings, fiberglass construction panels, and fiberglass tub and shower enclosurers. In yet another field such electro-mechanical devices as blowers, propellers, fans, and residential and light commercial humidifiers are offered.

A man with a great capacity for concentrated effort, Jesse Philips does not focus waking hours exclusively on his business affairs. Fortunately for Harvard, 32 years as an active business executive have not eroded any of the Philips interest in or loyality to the Business School. In 1968, for example, he joined the prestigious 44-man Visiting Committee. Such appointments run officially for a single year but are renewable up to six years. Thus, in the normal course of events Mr. Philips will continue to sit with that body until 1974.

IN SUPPORT OF EDUCATION

He not only is a Dean's Fund Donor in the HBS Annual Giving program but also in 1969 established, through the Jesse Philips Foundation, an endowment to support a new academic chair. The School's thirty-first such position, it is called the Jesse Philips Professorship of Manufacturing. Its first incuimbent is A. Richard Dooley, whose area of special interest has been production and operations management.

In announcing the creation of the chair, George P. Baker (then Dean, now the Hill Professor of Transportation, Emeritus) said: "While the School has for many years accorded significant emphasis in its curriculum to production and operations management, the establishment of the chair endowed by Mr. Philips will permit a further extension of scholarship and research in this important area. The effective management of production activities is important both to individual firms and to the functioning of the nations' economy."

Mr. Philips' philanthropies, it should be noted, have extended beyond Harvard. He is a trustee and chairman of the Budget and Finance Committee at Oberlin College. Oberlin is now completing the Jesse Philips Physical Education Center which he gave through the Jesse Philips Foundation.

As the scope of his management responsibilities has increased, so too has Mr. Philips' commitment to helping in a broad range of civic and cultural endeavors. He has served, for example, as a director of the Dayton Chamber of Commerce, the Dayton Better Business Bureau, the Dayton Jewish Community Development Council, the Dayton Retail Merchants' Association, and the Miami Valley Council of the Boy Scouts of America.

CIVIC AND CULTURAL ENDEAVORS

He also has been Dayton chairman of the Ohio Foundation of Independent Colleges and was formerly associate chairman of Dayton's United Fund Drive. In the field of higher education he is, in addition to his Harvard involvements, a trustee of Oberlin College and of the University of Dayton. He has been honored with the Free Enterprise Award.

Mr. Philips' directorships include seven subsidiary corporations, of which he is

president as well as being a member of the board: Philips Industries of Pennsylvania, Jalousies of Ohio-Georgia Co., Philips Industries of Kansas, General Processing Corporation, Philips Industries of South Carolina, Philips Industries of Texas, and Philips Industrial Components. Other related industrial directorships are Versail Manufacturing Company, Tailormade, Inc., Dexter Axle Company, Lau Blower Co., Lasco Corp., and the Third National Bank. He also reserves time for six public service directorships: Good Samaritan Hospital, the Dayton Area Progress Council, the Salvation Army, Junior Achievement, the Jewish Community Council, and the Joint Distribution Committee.

Six years ago Mr. Philips realized one of his early ambitions—to own a sailboat. Today he is a keen sailing enthusiast and well known in ocean racing circles. Last summer his yacht, *Charisma*, won the Port Huron-Mackinac race over 195 other boats. He has also maintained an active interest in land-based athletics. While at the Business School, for example, he became absorbed in skiing, a sport in which he is still both a proficient and an ardent participant. In fact, every February finds him at the Palace Hotel in St. Moritz, Switzerland.

At home, the family now resides on Honey Hill in Dayton, Ohio. Mrs. Philips, the former Carol Frank of Cincinnati, sits with her husband on the company's board of directors. There are two grown-up children, Ellen Jane and Thomas Edwin. Tom is currently a student at Northwestern University in Evanston, Illinois. Ellen is a reader for the Written Analysis of Cases course in the first year of the MBA Program working with A.C. Lyles, Jr.

"The saying 'a company is only as strong as its management team' may be an old bromide," Mr. Philips observes, "but in my experience it's a very true one. Our accomplishments in recent years would not have been possible except for the loyalty and extra effort of many executives. They can well be proud of their performance. We are continuously seeking and recruiting well-qualified personnel, and I hope some of them may come from the Harvard Business School."

Commenting on his industry's prospects Mr. Philips says: "We are moving into the '70s with a good deal of confidence. In the mobile home market we expect demand to continue for bigger and better units offering more luxury features. With increasing leisure time and incomes turning up again, the mobile market seems bound to grow. Then there's that newer field, manufactured housing; with on-the-site building costs constantly increasing, I believe that the only solution to our nation's housing problem is factory-built homes. If we are to reach President Nixon's goal for housing we will have to build low-price homes on a production line in a factory and then move the finished units to their permanent sites. Our industry is increasingly turning its attention to the nation's urban housing problems.

"The needs are basically the same," he adds, "compact, complete, economical homes. Blueprints on planners' drawing boards already outline future patterns for urban development. Test projects have been built. Looking ahead, we can see modules that can be 'plugged' into a skeletal structure—high-rise apartments, for example, made up of complete units trucked from a factory and 'stacked' on the site. The possibilities are limitless.

"And Philips is helping to make these new approaches happen," he notes. "The company's capacity for growing and adapting as its market expands and shifts is evidence of its competitive strength."

NEED TO ASK THE RIGHT QUESTIONS

Looking back at the School from the vantage point of an alumnus who is 32 years out, Jesse Philips states his philosophy this way: "Business education's main job, in my view, is to build executives who can solve problems. What business needs is men and women who can frame the right questions, judge the importance of timing, unsnarl tangled issues, recognize key functions, get people working together, lay out plans of action. Those abilities, as I see them, are more important than expertise in specific industries or techniques. I believe the School is continuing to move in that direction and I'm glad to help it do so.

"One of the big needs, of course, is endowment—particularly in these times. That's one reason the idea of establishing a professorship appealed to me. But the School's revenue from endowment, as I understand it, is less than 9% of the total for the 1970-71 academic year. The stability of a larger amount of dependable endowment income is needed to maintain the excellence of educational programs in the face of changing conditions and mounting fixed costs. I know that Dan Fouraker and his associates are working vigorously to obtain additional endowment, and I wish them every success."

Regarding the named chair which resulted from his own concern and generosity, Mr. Philips says: "I get a real thrill from having been able to strengthen the School in this way. Professor Dooley, the present incumbent, is one of the Faculty's great assets. His work in such areas as computer-based automation highlights some important challenges and exciting opportunities for manufacturers in the future.

"Being in the manufacturing field myself," he adds, "I'm glad to know that some bright people at the School are working on those problems."

[From the Nation's Business, June 1979]

LESSONS OF LEADERSHIP—PHILIPS IS BACK ON COURSE AND COMING ABOUT

(By Priscilla Anne Schwab)

Jesse Philips would rather be sailing. In fact, that's what he was doing when he took a telephone call in Newport, R.I., and learned that the company he had founded was about to founder on the rocks of short-term debt.

Mr. Philips took the next plane to Dayton, Ohio, to rescue the small business he had built into $200 million mini-conglomerate. He gave up semiretirement and the America's Cup race in which he was cosponsoring the *Mariner* to do battle with 18 bankers who wanted to cancel the firm's credit lines and call in $24 million worth of loans because the mobile home market had taken a dive.

"We had $6 million in the bank, but that wasn't enough to cover," says Mr. Philips today. "I and a couple of others worked straight through the next ten days, putting together a package to convince the banks to stick with us. I asked them all for a year's grace. One bank insisted on a million dollars then and there. We paid it but convinced the others to wait.

"I had meeting after meeting. We pounded and pounded, closed ten plants and sold off a few others. Within a year, we had paid off the $23 million. It was not pretty, but we survived."

GALLON-SIZED FORTUNE

Today, Philips Industries consists of five divisions: The mobile home and recreational vehicle group, which makes aluminum windows and exterior doors, axles, water heaters, LPG cylinders, and roofing; the Lau division, which makes fans and blowers for heating and air conditioning units, ventilating components, and humidifiers; Lasco, which makes molded fiberglass bathtubs, building panels, and plastic pipe and fittings; Malta, which makes wood windows and patio doors for on-site housing; and Twin Pane, which makes insulated glass. Sales for the year ending last March totaled $268 million, and profits reached $11.4 million.

In 1956, Mr. Philips had nothing but 17 years' experience and the gallon-sized fortune he had made in retailing. Twenty years before, he was a scholarship student at Oberlin College where, besides academic accomplishments, he played football as the lightest running guard the school ever had.

LEARNING ABOUT PEOPLE

After graduating from Harvard Business School, where he had gone to learn how to be a banker, he took a job with a department store in Hartford, Conn., as a trainee buyer.

He quickly proved his prowess as a buyer, but, he admits today, "I had a lot to learn about people." Mr. Philips bought a truckload of stationery for the store's August sale—"Three boxes for a dollar or something like that," says Mr. Philips. "I got the table set up on the main floor of the store and put up the signs, and when we opened we had a rush of customers. After an hour or so things quieted down, and the salesgirls straightened out the table so everything was neat.

"People kept buying steadily, and I kept replenishing the merchandise. I noticed that whenever I was restocking, people would gather around to see what the new stuff was—they thought they might miss something. And we would have another flurry of buying.

"Well, I decided, this was great, I'll just keep piling more boxes of writing paper on the table, and people will keep buying. They did. And I said, boy, I am a genius, this is fantastic. About the middle of the afternoon the merchandise manager called me. I went upstairs expecting compliments on my great sale.

"Instead, he asked me why I was causing all this trouble. The three girls who had been working on the table had come to him in tears. I was astounded, of course, and started telling him about my terrific sale, and he said, the girls spent hours straightening out the table, and you kept messing it up. I explained about the restocking, and he said, why are you telling me about that, why don't you tell them? You go back down and stop them from crying.

"Then and there I learned to explain to your team what you want to do and why."

College during the post-depression years was a kaleidoscope of studying, waiting on tables, sweeping floors, and washing dishes. "I didn't last long at dishwashing," says Mr. Philips. The summers were spent scrambling to amass enough money to augment his scholarship.

SMALL TOWNS

One summer, Mr. Philips established a door-to-door dry cleaning service. "My father was in the business, and I would call on people in the small towns around Hart-

ford. My father would clean the clothes, than I would deliver them for a little more than the usual price. That was my profit."

At the end of the summer, he tried to sell the route—"it was a money-maker"—but couldn't find a buyer. So he hired a man to keep the route going. "I wasn't too good at sizing up people," says Mr. Philips today. "The guy made all the collections and then absconded with the cash."

A second college venture was more rewarding but pitted young Jesse against the Greyhound Corp. "My problem was how to get home to Hartford for Christmas; I didn't have any money," says Mr. Philips. He tried to become the campus agent for the big bus company, to sign up busloads of students to go home. But they weren't about to hire a penurious student.

GLAMORIZED TRIP

So he located the Indian Trails Bus Co., which agreed to pay him five percent of the fares he could produce. "I got pictures of their buses, put them on a few bulletin boards around school, and glamorized the trip—take a midnight ride to New York City. We had lots of students from the East."

Mr. Philips talked up the trip and soon had two busloads of students. By the time the Greyhound representative arrived on campus, everybody had bus tickets home. Greyhound tracked down the enterprising Mr. Philips and informed him that he was breaking the law and would get into all kinds of trouble.

"Two men came to the dorm and told me I should turn over all the names and money to Greyhound," Mr. Philips recalls.

"I said I couldn't do that, and they started threatening me with legal action. The housemother threw them out when they began cussing.

"They went to the dean, of course, and I got called on the carpet to explain myself. The upshot was that I made a deal with Greyhound. I got a five percent cut on every student who rode a Greyhound bus to or from Oberlin, whether I signed them up or not. So I had a little income, and I got free rides home."

At Harvard Business School, Mr. Philips opened up his own firm—in his room—and sold typewriters for the Royal Typewriter Co. "It was against the rules," he says, "but they never found the machines. I used to hide them in the radiator wells."

With the typewriters went carbon paper, which Mr. Philips sold from office to office in downtown Boston. "I got a 25 percent commission."

FAMILY-OWNED STORE

After his stationery success at G. Fox & Co. in Hartford, he moved through various department stores like wind through a yacht's rigging. He went to work for a family-owned operation in Cincinnati, which was going down for the third time.

"I had been skiing in Canada and arrived at the interview without any business clothes," says Mr. Philips. "We talked all day, and they asked me to stay the next day, and I did, and they asked me to stay again, and I did, but I sensed something wasn't exactly right. So I questioned one of the sons.

"Well, I was making $25,000 a year then, and the president of the company, the guy I was going to work for, was making only $15,000. I said that's no problem. I'll halve my salary and start for $12,500, but I want five percent of any increase in sales."

The firm hadn't had an increase in five years, so the family thought it was a good deal—until the end of the first year. Then they owed Jesse Philips $40,000, which they couldn't pay.

"They were very proud people," says Mr. Philips. "They hated to admit they couldn't pay their debts. So I said, let me buy the minority stock, and I did, at $10 a share. I never did get my money from them, but a year later, I sold that stock to Litton and made a half million dollars on the deal."

EQUITY INTEREST

From Cincinnati, it was a short jaunt to Dayton to another department store that needed bailing out. "I told them I didn't want a contract, that they could fire me any time they wanted to, but if I stayed a year, I wanted an equity interest. When I took over, they had a $280,000 loss. The first year we made $80,000."

How? "The first thing I did was hire some good merchandisers and get them fired up. I added a quarter of a million dollars to the payroll. Then, we reintroduced tabloid advertising and ran promotions.

"During one million-dollar sale, we had to call out the police because the customers were stacked solid 20 feet to the curb and into the street, waiting for the store to open. We got people talking about the store. We made it exciting.

PLANNING RETIREMENT

"You know, in all stores carrying the same price line, 90 percent of the merchandise is identical. You have to balance your inventory and do a good job of promotion."

After Mr. Philips got that store on course, he sold his interest to a chain and planned his retirement—at 42. "I had enough money, so I didn't have to work. I knocked off for a year," he says. "I did some skiing and played a lot of golf—got my handicap down from 21 to 14—and checked out at least 51 companies."

It was while he was looking around for investment opportunities that a friend persuaded him to look over the Jalousies of Ohio company in Dayton, which made windows for mobile homes. "I had never been to a manufacturing company in my life," says Mr. Philips. "I didn't know a punch press from a press brake."

The owner wanted $400,000 for the plant, which had 20 employees and netted $40,000 a year. "It wasn't that much," says Mr. Philips today, "But my friend told me after we signed the deal that he thought I had bought it too fast; I should have offered $375,000."

Mr. Philips had good reason to worry. He had checked the company out thoroughly and had researched the industry. He concluded the firm was in a unique position within the industry to keep pace with the fast-growing mobile home industry and the new fad of home improvement.

TOOK TO THE ROAD

He took over the company in October. "A week later, the owner told me I was all set, but he would hang around in case I needed him," Mr. Philips explains. "Well, I think I saw him one day, then I never saw him again. And there we were, with all this stock and no orders. Nobody buys windows in November. I closed the factory, laid everybody off and wondered what to do."

Mr. Philips took to the road. He wrote down on three-by-five cards all the pluses of the firm's window and went to Michigan to see a major manufacturer of mobile homes.

"It took about an hour to sell him the window and about two hours to figure out a price," says Mr. Philips. "It should have taken five minutes. But they said I ought to check my price overnight and come back in the morning. I checked with the factory that night and went back the next day and got the order. Years later, I found out that my price was so low they thought I had made a mistake."

The price was low because Jalousies' window was specifically designed for mobile homes. "We had a better product with more features and a lower price, but of our 13 competitors, we were the smallest," he says. "The previous owner had had an excellent product; he just hadn't sold it. I came back from Michigan with orders for three truckloads of windows."

BROKE THE DOLDRUMS

The second big order was a little longer in materializing, but Mr. Philips had broken the cyclical doldrums of the industry, and it wasn't too many years before his firm was the only one employing people during the winter.

Today, Philips Industries' corporate headquarters is a scant quarter mile down the street from the company's beginnings. Mr. Philips, who now commands 31 plants and 4,700 employees, recounted how he applied retailing pizzazz to a staid manufacturing firm, how he deep-sixed the competition and built a diversified fleet of companies, and how he plans to make his next retirement permanent.

MR. PHILIPS, WHY DID YOU START YOUR BUSINESS CAREER IN RETAILING?

I never expected to. I went to Harvard Business School to get into banking. My senior year I received a call from Prof. Malcolm P. McNair, one of the fabulous names in retailing. He was teaching a course at Harvard, and I was number one in his class.

He said: "Philips, I just found out you are going into banking. I thought you were a retail major." I said, yes sir. He said: "Do you have any family on Wall Street?" I said, no sir. He said: "You are going to be a disappointment and an embarrassment to the school. We can't get you a job on Wall Street. Why don't you go into retailing? I can get you seven offers tomorrow." I said, yes sir. If that is what you think I ought to do, I will. He said: "You will have just as much fun." And I have.

WHY DID YOUR COMPANY NEARLY GO UNDER IN 1974?

We had a water heater plant in Lousiville, Ky., that was losing half a million dollars a month. We could have carried that loss and turned the factory around with enough time, but the recession arrived, and the bottom fell out of the mobile home industry upon which we depended.

Another problem was that while I was semi-retired, there was a lack of long-term planning, contingency planning. There weren't many wrong decisions, but the management team had expanded the business too quickly without figuring out what would happen if the market were to contract.

We just did a poor job of financial management. The company used short-term loans to acquire plants and fixed assets. It really wasn't the banks' fault. They had all overextended themselves and were trying desperately to get liquid.

YOU WON'T GET CAUGHT LIKE THAT AGAIN?

No, we won't. Part of our operating plan is to keep fixed costs to a minimum—low enough so that the company can handle a 20 or 30 percent downturn in the market and still make money. Bob Brethen, our president, is very careful about costs. Also, we do not have $24 million in short-term

debt. We restrict our bank borrowing to seasonal needs.

ARE YOU EXPANDING AT ALL?

All the time, but cautiously. We spend $6 million a year on capital improvements. We are building a $2 million facility in Dallas right now, and we have spent more than $1 million at the Malta plant to gear up for the manufacture of our new vinyl-clad window.

There is no problem with expansion, but you pick your spots carefully, and you make sure you have enough flexibility in your plans to cover all the things that can happen.

WHAT HAPPENED TO THE LOUISVILLE PLANT?

We closed it. Not right away. We kept it about a year, but we really didn't have the expertise to handle it. We had been making electric water heaters for mobile homes, but as the homes got bigger, they needed 30 to 40-gallon heaters, so we decided to get into gas hot water heaters.

We were offered a going business doing about $20 million a year in gas water heaters. We jumped at the offer and didn't check it out as thoroughly as we should have. We were stuck with an obsolete product and archaic machinery. Subsequently, we opened a new plant in Kentucky. We were under tremendous pressure to start producing water heaters right away.

When I got through the debt crisis, I had Arthur D. Little do a study on the Louisville plant. Their people said the machinery wasn't right, the organization wasn't right, nothing was right with that plant. It would have taken too long to salvage our investment, so we closed it. Our volume had shrunk with the recession, and we didn't need that much capacity.

WHAT IMPELLED YOU TO GO INTO THE MOBILE HOME MARKET INITIALLY?

Mobile homes have had a negative image, but I think that is going to change. Initially, the industry took off in the 1960s, and we went with it. Today, it's about half of what it was. But I think the industry will come back. It's the only economical way to build a house. You buy a house today, and more than half the cost is labor. Mobile homes and, lately, manufactured and prefabricated housing have a ten percent labor cost. Also, you get more house for your money because the manufacturer buys in quantity.

BUT WHAT IF THE MARKET SHRINKS AGAIN?

We now have enough good lines going for us that the cycle won't ruin us. We play the percentages. For example, if 60 percent of your business is supplying General Motors, and the auto market slumps, you're in trouble. But if you have several markets, then it doesn't make that much difference whether they make ten million autos or 12 million.

SO SMALL IS BEAUTIFUL?

Well, it's profitable for us. Now, in our Lau division, we have a much larger percentage of the market, 40 percent or so. And it is difficult to increase that share. If the air conditioning and heating manufacturers have a poor year, Lau division probably will, too.

WHY WAS THERE SUCH A HUGE TURNOVER IN STAFF DURING THE MID-1970S?

Anytime you have a growth company, you are bound to be turning over people. When you're doing a couple of million dollars a year, you have an accountant. By the time you get to $20 million a year, you hope that your accountant has grown into a vice president for finance. But everyone doesn't grow as fast as the company grows.

HOW DO YOU MOTIVATE EMPLOYEES?

We tend to hire people who really want to achieve. We don't attract the professional manager type who is accustomed to a structured working environment. We give our people challenges and a lot of responsibility. We don't hesitate to cross lines of authority. I just don't buy the organization-man structure. That is not my style.

We expect our people to make mistakes; we don't criticize people for making the wrong decision, we criticize them for not making a decision. I expect our people to do their homework, to put in time needed to make the decision, but if the decision turns out to be wrong, we pick up the pieces and continue. We hope they make more right decisions than wrong ones, of course.

DO YOU DELEGATE A LOT?

Well, if I am out of town, it is up to the people in charge to make the decision. They are not supposed to wait for me to get back. When I do get back, if I feel they didn't make the decision exactly the way I would have, that is my tough luck. As long as they used their best judgment and were conscientious, there is no comeback.

HOW DO YOU TEACH GOOD JUDGMENT?

You don't teach a person judgment. You learn to make decisions by making them, through experience. Most of the things being decided are not that complicated, and most people know the answers. However, most people do not like to take the responsibility for making the decision.

When someone comes to me and asks a question, my usual response is: What do you think? The person will answer, and nine times out of ten, that is what we will do. We're not trying to get to the moon. The problems are not that complicated.

WHERE DO YOU FIND THE KIND OF PEOPLE YOU WANT TO HIRE?

We're looking within the company these days. We train most of our plant managers. We went through a retrenchment period when we lost a lot of people whom we had trained, and we brought in people, but now we are back into internal development. We expect to move people up within the company. We send our employees to classes—we sent one fellow to Harvard Business School and we plan to send more.

DO YOU BELIEVE IN DIVERSIFICATION?

Originally, we were 100 percent in the mobile home industry, which, by the way, has a very low profit margin. Today, less than half our sales are in that industry. The other divisions have higher profit margins. We are continuing to diversify; for example, we make components for recreational vehicles and fiberglass panels for greenhouses.

The other things we insist on are quality and service. These are the real reputation-builders. We're just now getting into an advertising campaign for the new vinyl-clad window made by the Malta division. But it will also be a Philips window. I want the name to be synonomous with quality. We have set up a company identification program, using the same logo for all the divisions. In the past, we spent more on trade promotion than on consumer advertising.

HOW DO YOU PROMOTE MOBILE HOME COMPONENTS?

When I took over Jalousies, a beat-up station wagon was part of the deal. I called on customers all through December, January, February, and it wasn't until March that I got the next big order for our windows. I called on every prospect in Michigan, Indiana, Wisconsin, and Pennsylvania—not once, but frequently—and pretty soon the 13 competitors we started out with had been reduced to two. Within a year, instead of $400,000, we were doing a couple of million dollars in sales.

But I guess I always was a promoter. I wanted to sell quality, not price, so I kept coming up with ideas. Once we sent all the mobile home manufacturers a case of Campbell's tomato soup. The letter that went with the soup asked: "Why does Campbell have 90 percent of the soup market? There must be a reason. It's the same reason Philips is getting the biggest share of the window and door market. Quality."

One time we sent them all one share of Benquet, a mining stock; it was selling for 50 cents. We said in that letter: "Frankly, the reason we are sending you Benquet is that it is the lowest priced stock on the New York Exchange. However, the fact that it is low priced doesn't mean it is the best value. Check Philips' windows for value, not price."

What a time we had with that gimmick. The exchange forced the company to issue 300 one-share certificates and it cost us about $1.50 to send out each one. Then one year, Benquet declared a dividend of five cents. So each of our customers got a packet this thick and a check for five cents.

You see, nobody had ever done any razzmatazz promotion in this business, and there were only 300 or so manufacturers, so we knew everybody. We could afford to spend more money per account because of the limited number of people. We might get an order worth anywhere from a few hundred thousand up to a million dollars, so the return would be tremendous.

People were fighting to get on our mailing list. They never knew what we would come up with next. Once I sent everyone a silver dollar. The letter said: "If you want to gamble, you can have lots of fun with this in Las Vegas, but why gamble on windows? Check out Philips' new frost-free windows."

Another time, while implementing our service program, we sent all the wives of our customers flowers for Valentine's Day, and had the florists sign the cards: "Thinking of you, love, guess who." My thinking was that the guy would come home, his wife would thank him for the flowers, and he would be mystified. However, some husbands became jealous and berated their wives. All the husbands received letters the next day, explaining: "As we have been telling you all along, Philips takes care of all your problems; we even took care of your wife on Valentine's Day."

One year, we had Miss America at the industry trade show. We sent all our customers personalized invitations from her. They said: "Dear Cecil, I missed you in Atlantic City last year and look forward to seeing you in Louisville. Love, Mary Ann." a lot of wives came to the trade show in Louisville that year.

HOW DID YOU MOVE FROM WINDOWS TO BLOWERS?

Since we were selling windows to the manufacturers, why not sell them doors? And if doors were a natural, so were roofs and axles. We kept adding companies, looking for the quality one in each line. We picked items that were uneconomical for the mobile home companies to make. And we avoided competing with big companies.

WHAT MADE YOU LEAVE THE COMPANY IN 1971?

It was too big for me to direct alone, and I had been putting together a management team. I had really wanted to retire 20 years

earlier but got involved in building the company. So this time, I was going to devote time to sailing and skiing.

HOW DID YOU GET INTO SAILING?

When I was just out of college, I decided to try it one day, so I chartered a little sailboat. I knew nothing about it, but it didn't seem that tricky. I spent the day trying to get from Stonington, Conn., to New London against the tide and without much wind. I had to be towed back to Stonington. The man whose boat I had chartered tore up my check. Still, I went out the next day with a teenager who taught me how to jibe and come about.

Twenty-five years later, I bought my first yacht, a Columbia 38. By 1969, I had taken courses in navigation and was sailing regularly with a crew. Over the years, I had three racing yachts, all named Charisma—it means a mystical, magical quality that others want to follow.

In the early 1970s, we were selected several times as one of three yachts to represent the United States in international competition. Charisma did not race unless I was on her. We have raced across the Atlantic, in the English Channel and Irish Sea, and off Bermuda and South America. I donated the last Charisma to the U.S. Naval Academy when I went back to work.

WHAT IS YOUR MOST CHERISHED TROPHY?

It's an eight-column headline on the front sports page of the New York Times: Philips Wins Mackinac Race Second Year in Row.

ARE YOU HAPPY BEING BACK AT WORK? OR WOULD YOU RATHER BE SAILING?

I enjoy the work. But all along I was building a team so I could get out completely. That team didn't work. Now we have built a new team.

I have been retiring since I turned 42. Life is just full of so many options. I would never quit working completely, but I would like to have more time to myself. I can do without a fixed schedule. I am going to retire. I don't know when, but I am.●

RURAL HOUSING

● Mr. SCHMITT. Mr. President, on Tuesday, August 24, the Washington Post published an article by Ward Sinclair entitled "Schmitt Pushes for Cuts in Aid to Rural Housing." This article promotes several misconceptions regarding title VI of S. 2607, which includes a rural housing block grant. I would like the Senate to note an editorial response from the Council of State Housing Agencies, and the Council of State Community Affairs Agencies which defends States' ability to assess their individual housing needs and administer responsive programs in rural areas. I also call to the Senate's attention a letter from Secretary John R. Block which reinforces the U.S. Department of Agriculture's full endorsement of this approach to providing federally assisted housing in rural areas.

I ask that these items be printed in the RECORD.

The items follow:

COUNCIL OF STATE HOUSING AGENCIES,
Washington, D.C., August 30, 1982.

LETTERS TO THE EDITOR,
The Washington Post,
Washington, D.C.

DEAR SIRS: It was with no small amount of surprise and chagrin that I read Ward Sinclair's article on the rural housing block grant legislation pending before the Senate ("Schmitt Pushes for Cuts In Aid to Rural Housing," August 24, 1983; page A2). In the article, Mr. Sinclair asserts that most states do not have housing development programs. This statement demonstrates an almost total ignorance of the public purpose housing delivery system in the United States. Moreover, Mr. Sinclair unfairly criticizes Senator Schmit's attempt to effect needed reform of the Farmer's Home Administration rural housing programs.

Without going into a lengthy discourse on the role of states in housing development, let me simply say that state housing finance agencies (HFAs) have played an instrumental role in the implementation of the HUD Section 8 program (one third of all Section 8 units have been developed through State HFAs), the Section 236 program and the Section 221(d)(3) program. State HFAs have financed close to 400,000 units of low rent multifamily housing and over 425,000 units of moderate income single family housing. State HFAs have provided over $1 billion in home improvement and energy conservation loans.

Only four states do not have state housing finance agencies. In each of the four states that don't have state HFAs there is a campaign to create one. Additionally, most states also have departments of community affairs which implement housing services funded through the Community Development Block Grant Program, the Urban Development Action Grant program and other funding sources.

Valid criticisms of the rural housing block grant do not bring into question the ability of states to deliver housing services. Most states possess the infrastructure to efficiently and effectively deliver housing services to rural areas.

Senator Schmitt is to be congratulated for taking on the very necessary task of reforming the Farmer's Home Administration rural housing programs. GAO recently found that FmHA has done a poor job of targeting its assistance to rural areas. A recent CBO report also notes that a significant portion of FmHA costs are off budget, thereby avoiding Congress' attempt to plan and control government expenses. In polling the states about the feasibility of converting rural housing assistance over to a block grant approach, the Council of State Housing Agencies received numerous letters from state agencies that were highly critical of FmHA. Senator Schmitt's bill addresses many of the problems with FmHA programs.

Opposition to Senator Schmitt's bill on the grounds that FmHA rural housing programs do not merit substantial reform and states do not have the capability to administer a significant portion of the nation's rural housing programs simply are not justified. The federal rural housing programs are in need of substantial reform and Senator Schmitt is right on target in identifying states as viable and valuabe partners in the delivery of housing to rural areas.

Sincerely,

THOMAS W. WHITE,
Executive Vice President.

COUNCIL OF STATE COMMUNITY AFFAIRS AGENCIES,
Washington, D.C., August 27, 1982.

LETTER TO THE EDITOR,
The Washington Post,
Washington, D.C.

DEAR SIRS: Ward Sinclair's article on Senator Schmitt's proposed rural housing block grant, which appeared on August 24, may have inadvertently left the impression that states do not have or will be unable to obtain the capability to administer rural housing programs. Many states do have such a capability. Not only do 47 states have housing finance agencies but many states, through their departments of community affairs or of community development, have years of experience in administering housing programs oriented primarily towards rural areas. These programs are usually funded through general obligation bonds or general revenue appropriations or where funded through other federal programs like those of the Appalachian Regional Commission.

The skepticism of state performance is reminiscent of last year's anxieties over states possibly managing the Small Cities Community Development Block Grant Program. Thirty-six states have chosen to administer the program this year and have done so very competently and fairly. As long as states initially have the option to administer a program, as they do under the Schmitt proposal, they will do so only when they know they can run the program more effectively and in a manner that better meets state and local needs and conditions than the federal government.

Sincerely,

JOHN SIDOR,
Executive Director.

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, D.C., September 14, 1982.

Hon. HARRISON H. SCHMITT,
U.S. Senate,
Washington, D.C.

DEAR JACK: Pursuant to your discussion with Deputy Secretary Lyng, I want to take this opportunity to restate our position on the Rural Housing Block Grant proposal which is included in Title V of S. 2607. The Administration supports your efforts to reform and restructure the Farmers Home Administration's rural housing program. It is our hope that Congress will act expeditiously to adopt the provisions of Title V of S. 2607 as modified by the amendments resulting from the series of productive meetings between your staff, the Farmers Home Administration and the Office of Management and Budget.

I am appreciative of your staff's continuing efforts to work closely with the Department on provisions of the proposed legislation which we believe to be an important ingredient in developing a program which will meet the needs of the rural poor for appropriate and adequate housing.

The Rural Housing Block Grant which would be authorized in S. 2607 is fully consistent with the Administration's policy and budget goals. It will focus attention on the needs of low income rural residents and is consistent with the concept of Federalism while recognizing our need for reasonable fiscal restraint.

The Administration is confident that Title V of S. 2607 as modified with the amendments jointly worked out will improve the delivery of housing assistance to rural areas.

It is fully in keeping with our common goals.

I appreciate your continued interest and efforts to promote the development of an effective rural housing program and we look forward to continuing a close working relationship in the future.

Sincerely,

JOHN R. BLOCK,
Secretary.●

MONTANA'S WATER USE

● Mr. BAUCUS. Mr. President, Montana has the distinction of having the longest serving State legislator in the United States. State Senator Dave M. Manning was elected to the Montana House of Representatives in 1932 and has continued to serve his constituents and the State with great vigor for the past 50 years. I had the pleasure to serve in the legislature with Dave. I learned a great deal about Montana and politics from him, and today I still rely on his wisdom and knowledge.

In a recent newsletter to his constituents, Senator Manning discusses what he entitles "Montana's Water Use, Our States Highest Priority of the 80's." I consider Senator Manning one of our State's foremost authorities on the subject of water use and conservation. I would like to share his thoughts with my colleagues.

I ask that a portion from Senator Manning's newsletter be printed in the RECORD.

The excerpt referred to is as follows:

MONTANA'S WATER USE—OUR STATES HIGHEST PRIORITY OF THE EIGHTY'S

(An information letter to the public by Senator Dave Manning)

THE "WHITE OIL" WE LOSE TO THE SEA

God's great phenomena of sun, evaporation and gravity create an eternal water flow on our planet. The energy potential of this enormous, nonpolluting, continually renewable resource gift is far from harnessed by man. The song of a slave in his simple analysis paid homage to its muscle with the words: Old Man River, he must know sumpin'; He don't say nothin'; He don't plant taters'; He don't plant cotton'; He just keeps rollin'; He keeps on rollin' along.

We have made progress in capturing a small portion of the energy in our great rolling water resource but have not demonstrated, so far, an objective approach toward mastering its real potential. With the finiteness of fossil fuel, the dependence upon foreign sources of oil, the world's unrest, the atomic set back, we have a new ball game. The time has arrived when we dare not judge our future energy capabilities by standards we have built to in the past.

Our enormous untapped hydro possibilities in Montana and high altitude states of the nation cannot be measured by inventories of what we may, at this time, consider to be our remaining natural river dam sites. Within the boundaries of our state alone, there are some 1,500 miles of great year round flowing water in the four mainstems of our river drainages falling an average of six feet to the mile. With our proven state-of-the-art technology in hydraulic engineering and construction, there is much we can do and undo to create a great net in non-polluting energy. Down our steep hydraulic slide we need not place dams across live river channels for impounding flood water that to any degree at all inundates fertile soils. We can design, within our broad expanse of selection, major stations at which we cut into river banks, draw off excessive flood waters; confine it in buried conduit; deliver it by gravity with a portion of the ample slope in our terrain and fountain it with the silt it carries into high head man-made storage on our poorest ground; release it from there in controlled year around channeling through turbines back to the streams.

This special use of our inherited hydraulic gradient lies well within our reach when combined with the given material and knowledge we have at hand. The capture of wasted flood water can well integrate energy supply with existing use, prevent flooding and stabilize stream flow.

Not this use of our falling water alone. We have the capability to build and place the plumbing facilities to substitute, by gravity flow, for our enormous energy wasteful practice of allowing water to flow to our feet, only to pump it to higher elevations to satisfy the great multitude of service demands for water under pressure we have grown to depend upon.

The major economic deterrents to development of hydro power in the past have been fast disappearing this last decade., if not already gone, when currently compared with the lesser capital costs of thermal development with much higher energy escalating operating cost in use of finite fuel. The course of our nation's critical energy development plan, of necessity weighed heavily toward coal, cannot be transformed rapidly, but Montana can well be a state to show the way in use of wasted hydro energy potential that would warrant policy support and funding by state, nation, and private sector.

A lifetime tenant of the High Country, I point out that here on the broad, elevated terrain we occupy, there has been allotted to us a substantial portion of bad land. May the west and God forgive me for classifying it as such, when I hasten to add, within it lies a dispursed sufficiency in surfaces and elevations for the gainful labor of man to remold in storage to capture the energy giant of flood water here lost to the sea.

Pipe has long been invented and little used. .

The long term exporting of water from our state boundaries in the drainages of the Clark Fork, Kootenai, Missouri and Yellowstone rivers total 42,000,000 acre feet annually. Out of this total, the remaining unharnessed hydro possibilities are tremendous. The Yellowstone river alone exports 9,300,000 acre feet of water each year and falls in vertical head 3,194 feet from Corwan Springs south of Livingston to the state border near Sidney (twice as much as it does from there to the Gulf of Mexico.)

My colleagues, I look forward to your cooperation and your help with the specific procedures I will soon present in this session of the legislature.●

MAKING CRIMINALS PAY

● Mr. LAXALT. Mr. President, last week S. 2420, the Omnibus Victims Protection Act, unanimously passed the Senate. I believe we have finally arrived at a fair and equitable solution to many of the problems victims face within our criminal justice system. I commend the Committee on the Judiciary and my other Senate colleagues for their expedited consideration of this meritorious piece of legislation.

The following editorial in the Thursday, September 23 issue of the Wall Street Journal gives a thoughtful and well-reasoned discussion of the problems within the current system. Furthermore, it provides an accurate account of the remedies proposed by the Victims Protection Act.

Mr. President, I ask that the full text of this editorial be printed in the RECORD.

The editorial follows:

MAKING CRIMINALS PAY

It looks as if Congress is finally beginning to correct the criminal-vs.-victim balance. The Senate has voted unanimously that federal judges sentence criminals to pay restitution to their victims as well as serve prison terms. If the House concurs, the bill will be a first step toward giving victims their rights under the law.

The justice of the victim-compensation bill is so elementary—a criminal should, for example, pay his victim's medical bills—it is a wonder that such a bill is necessary at all. Indeed, 33 states have now set up their own compensation programs. The federal bill will serve as a model code for state and local courts and includes the selling point that it is the criminal and not the taxpayer who'll pay the victim.

Many states have created general funds to compensate crime victims. But this doesn't make crime pay any less: Taxpayers are left holding the bag, in effect subsidizing the crime with cash that could go to pay more police officers. Other states create such funds by imposing surcharges on the fines convicted criminals pay. California, for example, levies a 40 percent surcharge on all fines, so that a $20 speeding ticket costs $28. This system, while more equitable than a general fund since only law-breakers pay, doesn't insure that each criminal pays the full cost of the harm he's caused. On the other hand, it does mean that victims of destitute criminals receive some compensation.

Under the federal bill judges would consider a "victim impact statement" before sentencing the criminal. This would include the financial, psychological and medical harm caused by the crime. The judge would then order that the criminal pay the victim's medical, property and, if necessary, funeral expenses. Under what has come to be known as the "Son of Sam" rule, the victim would be entitled to any profit the criminal made from the crime; the widow of the man killed by Jack Henry Abbott, Norman Mailer's prison protege, is now trying to get access to his expected royalties.

Under current law federal judges have the discretion to order restitution but rarely see to it that victims are compensated. The bill, written by Senator John Heinz, would reverse the presumption so that henceforth judges would be expected to order payments from criminals unless there was some good reason not to. Victims would also be better served by the provision that they be notified if a convict is released from prison or escapes.

This Omnibus Victims Protection Act calls for a re-thinking of criminal law principles. Why did the idea of criminals compensating victims strike such a responsive chord in the Senate? After all, when a crime is commit-

ted it is described as a "crime against the state." What entitles the victim to restitution when the case is brought at the discretion of a prosecutor hired by the state, in the name of the state and for the purpose of having the criminal pay his debt to society? Somewhere along the criminal law line we've forgotten that it is the victim himself who's been harmed and not some collective entity called the state.

This simple truth was recognized long ago: Babylonian and Talmudic law called for compensation by the criminal, Anglo-Saxon law included scheduled amounts of compensation for different crimes and New England states during their early years had thieves return to their victims three times the value of the stolen goods. But during this century criminal punishment has become the government's business and the victim's concern only insofar as he is a member of society. Along with compensation by criminals, U.S. law would be much improved by adopting the British rule of "private prosecutions"—where even if the government doesn't care to bring a case, a wronged party can call for a criminal case on his own. This was used this summer in Scotland by a rape victim who couldn't persuade the prosecutor to bring her case.

Much about the moral fiber of a society can be learned from the way it deals with crime. It is not enough to treat criminals with as much compassion as we can, especially when this liberal spirit is carried to the excess of interfering with crime prevention as the courts have done. It's about time society showed a little moral strength by acknowledging that victims, real people, are hurt by crime and that it is to them that criminals owe their debt.

TEACHERS ARE GETTING A BUM RAP

(By request of Mr. ROBERT C. BYRD, the following statement was ordered to be printed in the RECORD:)

● Mr. CANNON. Mr. President, I want to bring to the attention of the Senate two short articles that appeared last week in the Chicago Tribune concerning recent criticisms of the teaching profession. These articles represent one of the best explanations of the position of teachers in our society that I have ever seen.

These articles should be required reading for those in Washington who are attempting to completely rearrange the country's priorities and are in the process dealing severe blows to the educational system. They should also be required reading for those cynics who believe that teachers have easy jobs and those who ignore the overwhelming importance of our schools to the future of the United States.

The most appealing aspect of the discussion is that the author is neither sanctimonious nor dogmatic in his defense of the teaching profession. He recognizes legitimate criticisms about the profession, but he is able to put the pressures of teaching into a few simple human terms that are most enlightening to those of us who are not in the profession.

I congratulate Professor Daniels for two extremely astute and persuasive articles. I commend them strongly to my colleagues. I ask that these articles appear in the RECORD.

The articles follow:

[From the Chicago Tribune, Sept. 16, 1982]

STOP BLAMING THE TEACHERS

(By Harvey Daniels)

Though I am a professor of education by trade, I do not automatically leap to the defense of the teachers I have helped to train or the system in which they toil. Too many educators and too many schools have done too many dumb things to deserve anyone's knee-jerk support, even mine. Come to think of it, I've even made a few mistakes myself.

But the recent widespread attacks upon the teaching profession have gotten out of control. Teachers, especially those working in our public elementary and secondary schools, have now become the all-purpose whipping-people of the popular press, disgruntled taxpayers and many professors in colleges and universities. This axis of tastemakers has been tirelessly peddling the notion that the average American schoolteacher is a rather dim-witted, slothful, incompetent, materialistic creature who is demonstrably inferior in every way to the fondly remembered Miss Fidditches of childhoods past.

Such casual slanders have become the daily fodder of innumerable public and private cannoneers. Take for example the Sept. 6 issue of Time magazine which, in the midst of a hugely flattering piece of conservative educationist Mortimer Adler, flatly declares:

"Many of America's schools today teach little of what students ought to know, and that little ill. High school diplomas are routinely awarded to students who are functionally illiterate. . . . America's young lack even the rudiments of learning . . . legions of incompetent teachers prowl the corridors of our schoolhouses.

Such generalizations are by now so familiar, and they are asserted with such glib certainty that the unwary reader may no longer recognize their considerable bias and mean-spirited exaggeration.

The fact is that American school kids now read better than ever before, that the basic literacy level of high school graduates is steadily rising, and that only rarely, with sad reluctance—and often under considerable political pressure—do schools turn loose students who cannot cope with the rudiments of life. The academic achievement of American high school graduates compares favorably to that of pupils in Britain, Europe and Japan—even though our high schools are not reserved for a carefully screened, elite fraction of the teenage population.

Naturally, there is an element of truth in some of the anti-education accusations that have recently mutated into assumptions. Some national test scores, particularly the SATs, have gone down in recent years as the college-going student body has expanded. Some big-city school systems are caught in a stagnating cycle of low expectations, minimal funding and political wrangling—all of which depress student achievement. And some individual teachers, of course, have done their jobs poorly—disappointing their principals, their students, their students' parents, and often, themselves. But it is still possible to debate the successes and failures of American education—possible because we still have plenty of both, despite the recent emphasis on the latter.

What is really unique about education in 1982 is not the state of the teaching profession at all. What is genuinely new, we might rightly label a crisis, is that we are now living through the first period in the history of American education when we have willingly, voluntarily permitted our educational system to deteriorate.

Since the first colonists bumped into this continent, it has always been a high priority among us to establish and nurture our schools, to enrich their curricula and broaden their enrollment, to work to embody our democratic ideals, however fragmentarily, through this system. Past generations of Americans willingly and routinely sacrificed to build their schools, often paying higher taxes and foregoing other services, because education was a central and unquestioned national value.

The present cohort of taxpayers seems satisfied—sometimes downright delighted—to let the schools rot. Today we watch, more or less idly, as buildings crumble, districts go broke, teachers are laid off, class sizes soar, arts and humanities are excised from the curriculum, reading lists are censored, urban school systems are suffered to atrophy shamefully and—perhaps worst of all—thousands of outstanding young people are deterred by all this from entering the teaching profession.

At the national level, educational spending has suffered crushing cutbacks and, as a conspicuous reminder of our government's non-commitment to schooling, the Department of Education itself has been ticketed for oblivion. The administration's much touted block grant program will, if it ever gets organized, deliver to school districts a fraction of the federal aid they used to enjoy while leaving intact the state and federal bureaucracies that the administration swore to abolish.

Even worse, the block grant program, by obliterating 20-odd categories of federal support—including basic skills, foreign language, gifted education, innovative programs, career preparation and desegregation assistance— has simultaneously erased some vital national educational priorities, though surely not by accident.

President Reagan's 1983 budget shows a 22 percent cut in spending for education, following on last year's 13 percent trimming. The Department of Defense, on the other hand, will be enjoying an 18 percent increase for the second year in a row. Undoubtedly, this obscene misalignment of national priorities will widen even further in the 1984 budget.

Our current unprecedented neglect of education is all the more ironic for it is occurring in the midst of a much-bemoaned technology/productivity gap, not unlike the post-Sputnik era of the late 1950s. It is everywhere acknowledged that American industrial innovation and capacity has fallen quite drastically behind that of Japan, Germany, and other nations.

Our domestic producers of automobiles, steel, television sets, cameras, shoes and many other products have been wounded by a crossfire of international competition that makes the Sputnick science gap look paltry by comparison. Back in the 1950s, Americans undertook an immediate and large-scale recommitment to education and funds were promptly appropriated to meet the perceived scientific challenge. Today, we merely look at our competitors and whine. We ponder the obvious solution—the train-

ing and retraining of people—and say, "Why bother?"

[From the Chicago Tribune, Sept. 17, 1982]

AMERICAN TEACHERS DESERVE BETTER

(By Harvey Daniels)

At this uniquely dim moment in the history of American education, it is even harder than usual to be a teacher. But then the public has never shown much appreciation or understanding of the work that teachers do—a fact that has long been reflected in the salaries that teachers are paid. Even though teachers have moved up, in the last two decades, from subsistence to middle-class incomes, the average school teacher still earns an amount—$19,064—that is less than the average coal miner, steelworker, truck driver or sanitation worker. And since 1971, the purchasing power of the average teacher's salary has dropped more than 14 percent—a fate not shared by the members of many other occupations.

Of course these humble rewards have long been justified by the ready rationalization that teachers do easy work for short hours on a cushy calendar to earn those salaries that their unions so impolitely scoff at. This persistent notion that teaching is a soft job is one of the most annoying and unfair misperceptions that teachers must live with.

It is difficult to accurately describe the real challenges of teaching without starting to dovetail with overzealous unionist propaganda ("300,000 Teachers Mugged By Students This Morning!").

Suffice it to say, perhaps, that teaching is an extraordinary difficult, complicated and demanding job. Teachers work with people, always young, relatively unpredictable ones, and usually with quite a lot of them—perhaps 30 for the average elementary teacher and 125 for the typical high school teacher. For these groups of students, the teacher is expected to act not just as an instructor, but also in a score of other roles, from disciplinarian to record-keeper to evaluator to psychologist to performer.

And, as the teacher fulfills the varied responsibilities of the job, he or she is expected to—and wants to—try to know, appreciate, support and meet the special needs of each individual student in the class. Obviously, these demands are mostly intellectual and emotional—and yet the work takes a terrific toll. There is a peculiar kind of exhaustion that teachers feel at the end of a day, a week, a year of teaching that reaches much deeper than the after-effects of any physical labor, as anyone who has done both will testify.

It is not just bone-weary, but soul-weary—for teachers, when they are doing the job right, are giving away pieces of themselves every day. There are teachers around—ex-teachers, mostly—who will announce that teaching is really a soft job, that it is hardly any strain at all. Such people are merely admitting that they never understood the job in the first place and never were real teachers.

What balances all these stressful demands, and makes teaching a marvelously rewarding job for certain kinds of people, is the same thing that drains so much energy—the daily, elemental, human sharing with those extremely special and highly diverse people we call kids. Teachers love this give and take because they are idealists at heart—givers, helpers, carers, fixers, rescuers, protectors. In teaching, as in any care-giving enterprise, there is the ever-present possibility of joy, for nurtured and nurturer alike.

Unfortunately, this delicate balance sometimes shifts. Because of the stresses of the job, because of declining rewards, because of administrative neglect, because of diminished public support, because of plain wear and tear, some teachers lose touch with the joys of their work. The press refers to this as "burnout"—how lovely that the pundits borrow terminology from the drug culture to describe teachers—but the real ailment is emotional exhaustion, and it demands a caring response.

Today more than ever, American teachers desperately need opporuntities to revitalize themselves, to rediscover their commitment to students, to find more effective ways of teaching, to work on basic skills issues and to have some respite from the endless cascade of abuse to which they have been subject. Generally speaking, individual school districts cannot afford to provide many such opportunities, though a few federal and foundation-funded efforts have shown the way.

One such program I've worked on is the Illinois Writing Project, which, among other activities, brings groups of teachers to intensive summer institutes during which this professional revitalization is a matter of central concern. While our primary curricular focus is on the teaching of writing, we work with teachers of all subjects and levels. And while we do not recruit "burned out" teachers, the people who do enroll feel varying degrees of occupational exhaustion—and issues of teacher stress, morale and motivation are always on the group's agenda.

As a leader, I have been inspired by the time I've spent with these teachers from Illinois and around the Midwest—teachers who have left their homes and families for four weeks during summer vacation, who don't even get their expenses of attending covered, who live doubled up with strangers in 10 by 6 dorm rooms in a strange city, who attend institute classes for six hours a day and do homework at night—all to become more effective teachers of composition. In the group sessions, the teachers speak movingly about the importance of their profession, about their frustration with its shortcomings, about their drive to be better at what they do, about their affection for their students.

At the end of this last summer's institute, one of the teacher-participants appended this note to his course evaluation form:

"One terrifically important thing I got out of the workshop was a renewed enthusiasm for teaching and learning. I haven't felt that way—haven't had my enthusiasm fed—for such a long time. I haven't received much encouragement or enlightenment lately. I've felt like a person crawling, looking for water in a parched, uncaring, indifferent desert. I feel I found water this summer—and a bunch of people sitting around the well chatting good-naturedly, ready to listen caringly and to offer encouragement and suggestions without judgment. I feel revived. I'm a bit anxious about September, feeling that I'll be re-entering the desert. But I know I'm returning to the arid scene refreshed, with a canteen over my shoulder—and a telephone list of colleagues I can call if I need to. Thanks for this gift."

Looking back on these comments a couple of months later, I am struck by several thoughts. First I am uplifted as I remember the teachers from this summer, people who make a mockery of a recent Time magazine article with its cheap, contemptible slurs. Second, it makes me sad that American teachers must react to practically any supportive in-service training as some extraordinary privilege or gift. And finally I am angry about shortsighted national and local policies that obstruct the revitalization of schools and teaching.

Even though it runs against the present tides, we ought to quit punishing and start doing. We should cash in a few nuclear warheads, forgo a couple of B-1 bombers, postpone some Poseidons—and use those millions for something really patriotic, like defending the quality of our schools.●

CONSERVATION OF CRITICAL MATERIALS

(By request of Mr. ROBERT C. BYRD, the following statement was ordered to be printed in the RECORD:)

● Mr. CANNON. Mr. President, on September 22, the House accepted and passed an amendment to S. 2271, the "National Bureau of Standards Authorization Act for Fiscal Year 1983," which I joined with Senator SCHMITT in offering when S. 2271 passed the Senate on August 12. This amendment contains a provision of particular importance to the Nation's continuing need to reduce its dependence on foreign sources for certain critical materials such as chromium. It assures additional funding in fiscal year 1983 in the amount of $3 million for research in metals processing. The industrial base of our country, so essential to our defense and civil needs, is in continuous jeopardy because of its dependence on foreign sources for a number of critical materials. Our national program to stockpile a safe reserve of such materials has been neglected by the administration.

One might wonder whether this provision of S. 2271 puts the National Bureau of Standards (NBS) into the minerals exploration business. Certainly not. But it will achieve some of the same net effects by intensifying additional research in the promising field of metals processing. Let me explain.

Industry for many years has utilized a number of relatively scarce metals as alloying elements fused with commonly available basic metals such as iron and aluminum to achieve important, indeed essential, performance characteristics in the finished materials or alloys. For example, corrosion resistance, wear resistance, toughness, and ductility are important characteristics largely determined both by the precise amount of alloying material introduced and the technology for blending or fusing it with the parent metal. Research in metals processing holds forth great promise for developing new technologies for achieving those needed performance characteristics with sharp reductions in the amount of imported alloying materials used in the process.

My interest and concern as to the practical outlook for such achieve-

ments in the NBS prompted me to authorize an indepth visit by a committee staff scientist to the Center for Materials Science of the National Measurements Laboratory of the NBS. I would like to touch on a few high points of that visit.

The Center for Materials Science is responsible for providing data, measurement methods, standards and reference materials, concepts, and technical information on the fundamental aspects of processing, structure, properties and performance of materials to industry, Government agencies, universities and other scientific organizations. The programs of the Center necessarily emphasize basic research into the microstructure of materials and material processes without which it is impossible to provide measurement standards and references required for safe and efficient utilization by industry of the many new material compositions and processes. The work of the Center is carried out under the able direction of Dr. Mehrabian in its Divisions for Chemistry, Metallurgy, Polymer Science and Standards, Fracture and Deformation, and Reactor Radiation. These Divisions are staffed with outstanding scientists including physicists, chemists and metallurgists. Their laboratories are excellently equipped, often with facilities available nowhere else in the world.

The Metallurgy Division has the primary responsibility for achieving the metal processing objectives authorized in S. 2271. Its metals processing laboratory has pioneered in the technique of alloying through rapid solidification. In conventional alloying, several metallic elements are blended in the molten or liquid state and then cooled into the solid state. During such cooling, the desired homogeneity of the alloy is upset by varying degress of uncontrollable segregation of constituent alloying elements. This can result in microscopic discontinuities with resulting degradation in desired performance characteristics. In rapid solidification, the liquid mixture of alloying elements is cooled into the solid state in innovative processes wherein the cooling is completed in milliseconds or less. This rapid solidification retains the homogeneity of the liquid mixture of the several elements and thus the expected performance characteristics of the alloy. The alloy powders, ribbons or filaments typically produced in these processes can be consolidated into bulk materials with properties unobtainable by other means.

Another process under examination in the Metallurgy Laboratory of the Center is surface coating using high energy sources. A laser beam is moved across the surface to be treated which causes virtually instant melting and refreezing of a surface film to which can thus be imparted surface characteristics of hardness or other desired characteristics.

Support for research such as the above was provided by the Senate Commerce Committee and the Congress for fiscal year 1982. However, support for this program was subsequently withdrawn by the administration in its fiscal year 1983 budget request. It has now been restored by this amendment.

I am confident that this $3 million budgetary reinforcement of the Bureau's Center for Materials Science will enable its fine scientists and excellent laboratory facilities to contribute greatly to the country's need for conservation of critical materials. I thank Senator SCHMITT for his assistance in this effort and the wisdom of the House in endorsing it yesterday.●

REPRESSION OF SOLIDARITY IN POLAND

● Mr. MURKOWSKI. Mr. President, after 18 months of hesitant progress toward the recognition of fundamental civil liberties, the Polish people and their popular representative, Solidarity, have been subjected to nearly 10 months of police brutality and repression. In lock-step with the Soviet Union, the military junta of General Jaruzelski, has systematically erased the important gains in the name of freedom which has been secured by and for the people of Poland. The trade union Solidarity has, of course, been instrumental in negotiating for Polish workers, and in keeping the dream of freedom alive under the terrorism of the martial law regime.

Mr. President, let the record reflect that a low point in the short history of the Solidarity movement came during the recent congressional recess. The 31st of August marked the second anniversary of the signing of the Gdansk agreements. From their places in hiding, the freedom fighters of the Solidarity underground called for peaceful national demonstrations to condemn the martial law conditions imposed by Poland's military government in defiance of earlier promises to expand personal choice in accord with the Gdansk agreements. More than 50,000 Polish patriots—protestors—braved the Government's threats of brutality and violence, to turn out in four major cities as proof that Solidarity and the dream of freedom from totalitariansim is very much alive today.

The police and the dreaded paramilitary riot troops, the ZOMO, were dispatched by the junta to crush the people's outpouring of emotion. Using concussion grenades, tear gas, helicopters, and water cannons, wave after wave of troops brutalized unarmed citizens and turned peaceful protests into violent debacles.

The military junta continues to suppress human rights in Poland. Solidarity members are arrested by the Government even today. Hundreds of Solidarity members are in Polish prisons facing up to 15 years in prison simply for supporting a national union which the Polish Government had officially recognized as recently as last December. Tyranny of this magnitude can never foster national stability or economic prosperity—the alleged aims of the ruling junta. Indeed, the military regime has driven Poland to the brink of bankruptcy. General Jaruzelski's plea for calm is a transparent diversion meant to coverup the systematic eradication of free speech and an attempt to destroy Polish Solidarity.

It is manifest that the Jaruzelski regime will not tolerate the existence of truly independent trade unions in Poland after the lifting of martial law. More important is the unmistakable trademark of Soviet Russia's influence upon the people's government of Poland. Under these circumstances, it is incumbent upon the United States to use the resources at its disposal to demonstrate to the Soviets that Americans will not stand aside while the sovereignty of the Polish nation is subverted and basic freedoms are denied to millions of Polish citizens.

Support for President Reagan's economic sanctions against both the Soviet Union and the Polish military junta is presently the most effective response which Americans can make in the face of the developments of the last 9 months in Poland. The current Polish leadership has recently accused President Reagan of sharing the anti-Communist and God-fearing philosophy of Solidarity leader, Leach Walesa. Americans should feel no shame in declaring the accuracy of that supposed accusation. We as a people can no longer stand by and watch Poland's military junta maintain a state of war with its own citizens.

Reports from the Soviet Union clearly indicate that the Russians are encountering significant problems and delays in construction of the Soviet natural gas pipeline to Western Europe. These difficulties are a definite sign that the economic sanctions imposed against the Soviet Union by President Reagan are working to telegraph to the Russians, American outrage over Communist intervention in the affairs of foreign governments. The economic sanctions which the President has imposed against Poland on the other hand pose a dilemma. We do not mean to be understood as intending to punish the Polish people or Solidarity. American economic sanctions represent this country's response to the usurpation of civil rights in Poland.

In the face of the recent unrest in Poland, General Jaruzelski has vowed to stamp out all opposition to his mar-

tial law regime. It is evident that the Polish military government does not have the true interests of the Polish people in mind. It is the interests of the Soviet Union which the Polish Government now seeks to advance at the expense of the Polish people. The Poles have repeatedly expressed their distaste for the Soviet brand of socialism, and they have, with remarkable unity, demonstrated their resistance to Russian intervention in Polish national affairs. Until conditions improve substantially in Poland, Americans must express their repugnance for the situation through support for President Reagan's policies toward Poland and Soviet Russia. We cannot ignore the Soviet's subversion of the rights of the Polish people and we must continue to urge a peaceful solution to this crisis, not one which has been imposed by a military puppet against the will of the people.●

LAS VEGAS HOSE COMPANY NO. 1

● Mr. DOMENICI. Mr. President, Las Vegas Volunteer Fire Company, Hose Company No. 1, is celebrating its 100th anniversary of public service. In order to commerate the milestones of this august organization and its history of dedicated public service, I ask that the chronology of Las Vegas Hose Company No. 1 be printed in the RECORD.

The chronology follows:

June 8, 1877: Fire in Rosenwald's store. No firemen, so it spread to all other buildings on the south side of the plaza, until rain checked it that evening. (Daily New Mexican, June 9, 1977)

April 3, 1880: Meeting to be held in the Baptist Church to consider the need for more fire protection. (Optic, March 11, 1880) No immediate action.

September 18, 1880: Big fire burned out one block on Railroad Ave. The people were helpless as the entire community had "no fire department." (Optic, Sept. 20, 1880)

1880: Given as the date of the founding of Hose Co. No. 1, but erroneous. (Anonymous Manuscript, Las Vegas Fire Dept.)

July 9, 1881: Contract, Agua Pura Co. to install 30 fireplugs. (Minutes, County Commissioners.)

Autumn 1881: Exact date of founding of Las Vegas Hook and Ladder Co. unknown, but members were rehearsing for a play to be presented in Baca Hall to raise funds for equipment. (Optic, Nov. 5, 1881)

November 5, 1881: Big fire on Railroad Ave. Volunteers of Hook and Ladder Co., both towns, helped to control it, but there was inadequate protection. (Gazette, Nov. 5, 1881)

November 28, 1881: Big fire on Center St. (now Lincoln). Four members of volunteer co. Brought hook and ladder cart. It was inadequate. "Need a hose cart." (Optic, Nov. 29, 1881; Gazette, Nov. 29, 1881)

Autumn 1881: M. A. Otero Jr., wrote years later that Hose Co. No. 1 had been organized in 1881 and he was the treasurer. Members were called from a dance one night that fall, and hose connected to a hydrant helped save some building. His memory was inaccurate. The only correct statement as that Hook and Ladder Co. was called from a dance that fall. Later, he was treasurer of Hose Co. No., 1 which didn't exist in fall, 1881. There were no fire hydrants then either. "My Life on the Frontier," Vol. 1, p. 245)

November 30, 1881: Meeting on east side, Charles Tamme, chairman. Must prepare to organize a hose co. as the water system will be ready in about two months. Raising money to buy a cart. (Optic, Dec. 1, 1881)

1881: Given as the year for the founding of Hose C. No. 1 in historical article on Los Bomberos ("La Voz del Pueblo," Jan. 26, 1918) The Company was not actually organized that early, this must have referred to the preparation.

March 27, 1882: Meeting in Santa Fe organized two fire companies. Raising money to buy equipment. (Santa Fe New Mexican, March 28, 1882)

March 30, 1882: Fire companies of Sante Fe filed incorporation papers. (Incorporation Classification, Book 1, State Records Center).

April 12, 1882: East Side Fire Dept., Las Vegas, filed incorporation papers. (Ibid.) Apparently, this was the Las Vegas Hook and Ladder Co.

May 17, 1882: Bad fire on Railroad Ave. A fire plug already installed did not have the horse cart yet, although it had been ordered. (Optic, May 18, 1882).

June 12, 1882: Hose Co. No. 1 organized on the east side. (Father Stanley, P. 104)

June 21, 1882: Hose Co. No. 1 made trial run with new hose cart. (Optic, June 21, 1882)

June 26, 1881: East and west sides incorporated into a consolidated city. (Optic, June 26, 1882)

July 8, 1882: Meeting called by B.T. Mills organized Las Vegas Hose and Fire Co., west side. Elected H. Hutton foreman and W. H. Shupp asst. Will raise funds and name co. after largest donor. There was evidence of advanced preparation for this. (Gazette, July 9, 1882)

July 17, 1882: Don Eugenio Romero, timber-cutting contractor, elected mayor. (Gazzette, July 17, 1882)

1882: Historical article in Los Bomberos, based on interviews, said B.T. Mills organized the Co. on west side after a fire in late fall of 1882, and called it "Hose Co. No. 2". ("La Voz del Pueblo," Jan. 26, 1882).

1882: Las Vegas Hose Co. in frame building on Bridge St. (Strate, "E. Romero Hose Co." manuscript, p. 5) Lithograph of 1882 does not show it, could have been later in the year.

November 22, 1882: Fire burned a grocery store, and hose companies kept it from spreading. (Optic, Nov. 22, 1882) Typical sequence of reports about fires.

Autumn 1882: Hose Co. No. 1 in a small building "next to Optic office." (Optic, Nov. 25)

Autumn 1882: First firemen's races at Fair in Alb. has as entrants two companies from Las Vegas and two from Santa Fe. (Optic, Oct. 3, 1883)

Spring 1884: Hose cart races in Las Vegas had as entrants two local companies and two from Santa Fe and one from Trinidad. (Optic, April 24, 1884)

Autumn 1884: Electric gongs installed in the fire station. (Optic, Oct. 10, 1884)

November 30, 1884: E. Romero Co. celebrated 2nd anniversary with members of No. 1 as guests. Reported that name was changed by announcement at a ball on May 22, 1884, in honor of the mayor, donor of the largest sum: $100.00. (Optic, Dec. 1, 1884)

Spring 1886: Co. No. 1 in new frame building located on the "Diamond" which is now Fountain Park. (Optic, Dec. 1, 1884)

Autumn 1889: In races at the Fair, new teams were Albuq. and Socorro. (Optic, Oct. 4, 1889)

Spring 1892: A 2nd group organized on the East side, a Hook and Ladder Co. (Optic, March 22, 1892)

Autumn 1893: East side firemen move into new Town Hall. (Optic, Nov. 22, 1893) Still in the same building today.

1899: E. Romero Co. raised funds and bought a fire wagon. They used borrowed horses. (Strate, p. 24)

Spring 1899: The Telephone Co. installed electric fire alarm system. (Minutes, City Council, March 1 and 8, 1899)

Spring 1891: The city bought a fire wagon for Co. No. 1. (Minutes, March 21, 1901)

Autumn 1902: City bought a team for Co. No. 1. (Minutes, Nov. 12, 1902)

1903: E. Romero Co. bought a team. (Strate, p. 25; Gillepie, "The Fire Queens", New Mexico Magazine, Jan. 1966, p. 3)

April 9, 1908: E. Romero Co. filed incorporation papers. This and those listed in 1882 were the only fire companies incorporated in the New Mexico Territorial period. (Corporation Classification, Book I, State Records Center.)

Autumn 1908: Fire siren installed on the power house. (Optic, Sept. 10, 1908)

1908–09: E. Romero Co. raised funds and had a brick station built at the location of the earlier frame headquarters on Bridge Street. (Optic, Jan. 21, 1901: Gillespie, p. 5) Questionable dates—JGW

1916: Each companies acquired a La France fire truck. (Minutes, City Council' Strate, p. 28)

CONCLUSIONS

Although Hose Co. No. 1 was formally organized about one month before the Las Vegas Hose and Fire Co. (E. Romero Co.), actually, were both simultaneous (offshots from) the Las Vegas Hook and Ladder Company founded in 1881, earlier than the companies in Santa Fe. Thus, both here are the same age, and both have substantiated evidence that they are the oldest in New Mexico, with continunity of both dating back to the autumn of 1881.

Compiled by Lynn I. Perrigo.●

NEED FOR HIGHWAY LEGISLATION

● Mr. BAUCUS. Mr. President, I would like to call to the attention of my colleagues a fact that is of utmost concern to this Member and I suspect of concern to most other Members if they pause to reflect upon it. I am speaking of the need for enactment of new highway legislation by September 30 of this year.

As a member of the Environment and Public Works Committee I supported and voted for a multiyear highway authorizaton bill. I did so because I believed the piece of legislation reported by the committee provided some badly needed flexibility for State authorities administering Federal highway programs and it provided some certainty for future years.

Unfortunately, for a variety of reasons, it does not appear that this body will have the opportunity to take up this multiyear legislation this year. Instead we are faced with trying to craft a 1-year extension of existing highway legislation before funding authority runs out on September 30.

This point was recently brought home to me by the Honorable Ted Schwinden, Governor of the State of Montana. In a September 17, 1982, letter to me, Governor Schwinden emphasized that without congressional action by September 30, 10 construction projects in Montana alone will be delayed. This, of course, will result in an unnecessary increase in costs and a loss of needed jobs.

Governor Schwinden also provided me with a copy of the testimony he gave before the Senate Transportation Subcommittee in Salt Lake City on September 2, 1982. At that hearing he was able to address the need for new highway legislation. In addition, his comments on interstate highway completion and repair and the need for a long-term highway program succinctly outline the feelings of most Montanans. I ask that his letter to me and his testimony be inserted in the RECORD so that my colleagues may have the opportunity to benefit from his comments.

The material follows:

HELENA, MONT., *September 17, 1982.*

Hon. MAX BAUCUS,
U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR BAUCUS: I am increasingly alarmed over the possibility that Congress will not enact new highway legislation by September 30, the expiration date of the current Surface Transportation Assistance Act. It is important that you be made aware of the impact this will have on Montana's highway program if that occurs.

At a hearing held in Salt Lake City by the Senate Subcommittee on Transportation, I commented at length on the escalating problems Montana is having in keeping its highway system functional. (A copy of my remarks is included.) The major cause of the problems, of course, has been declining federal revenue for highway construction and repair, especially in rural Western states. To experience even a short interruption in a program that is already poorly funded, would only seriously aggravate the problems.

If no action is taken by September 30, Montana will have *no* federal obligation authority on October 1. Ten construction projects affecting all highway systems in Montana scheduled to be let to bid in October and November would have to be delayed. This would result in the postponement of 259 direct jobs and $19,421,000 in contract awards. Long-term planning and preconstruction efforts would be seriously interrupted because we would have no indication whatsoever of the level of federal support available in federal fiscal year 1984.

A continuing resolution would clear up the confusion only to a limited degree: existing projects could continue, but letting dates on the others would still have to be postponed because there would be no new apportionment of federal-aid funds. This would apply to interstate, Primary and Secondary System projects.

It is imperative that before October 1 Congress enact at least a one-year extension of the existing federal highway legislation, along with the Highway Trust Fund and an appropriations bill. House Resolution 6965 (formerly H.R. 6211) appears to be the best vehicle to accomplish these objectives, although I would like to recommend two amendments. First, the provision transferring responsibility for the Highway Beautification Program to the states should be deleted pending a more thorough review by the states. Second, a provision stipulating that each state will receive no lesss than one-half of one percent of all interstate 4R funds should be added. This requirement is already a feature of federal law, but should nonetheless be included in the resolution.

With these changes, H.R. 6965 should be advanced to final passage as quickly as possible.

Thanks for your assistance.

Sincerely,

TED SCHWINDEN,
Governor.

TESTIMONY BY MONTANA GOV. TED SCHWINDEN

Senator SYMMS, I appreciate the opportunity to present testimony regarding our federal-aid highway system. I particularly want to thank you for holding these hearings in the West, where highways are vital to our existence and essential to our future.

A hearing on the subject of federal aid to highways could not be more timely or important. As you are well aware, Senator, few problems in the West are as common and pervasive as transportation. Since the days of Lewis and Clark the pace and success of Western development has been dictated by how well we have solved or failed to solve our transportation problems.

In Montana, the shrinking of our railroad system leaves highways as the central means of transportation in our state. At first, roads were simply a way of getting products to and from the railroads. Now highways are critical to the economy in the West. Their condition determines our ability to compete in national and international markets and our ability to expend our economic base. Because there is a direct relationship between highways and a healthy economy, we have reason to be deeply concerned about our economic future: our major highway systems are in poor shape. You have repeatedly heard distressing statistics from other states, and Montana is no different. Our primary highways are in desperate need of reconstruction and repair: fully 50 percent, or 2,660 miles, of Montana's primary system is substandard, with almost 10 percent, or 458 miles considered to be in critical condition. Of this critical 10 percent, moreover, we only expect to be able to work on 33 miles during the current biennium. At the current rate funding, the number of critically deficient miles will increase by 70 miles during the next five years.

The State's bridges are in equally deplorable condition. Of the 2,782 total structures in the federal-aid system, 40 percent are substandard—219 need replacement and 874 require rehabilitation.

Finally, the interstate system in Montana is also suffering from significant problems. Four major gaps remain in the system: 47 miles of four-lane and 27 miles of two-lane construction need to be completed. In addition, repair and reconstruction needs are also increasing as Montana's interstate system ages.

All the systems I have described are dependent upon federal responsibility—a fact that has received non-partisan agreement from past and present Washington administrations alike. But while the federal responsibility is rarely disputed, federal highway program leadership has been lacking. Reductions in federal obligation authority in the past year have crippled the highway program and will delay completion of the interstate system in Montana by more than a decade if the current low level of funding continues. The reduction represents a major step backward by the federal government.

Nothing illustrates more the gap between promise and reality in Montana than the condition of the interstate system. We repeatedly hear from the administration that completion of the interstate system is a top priority. In fact, just last month Mr. Barnhardt of the Federal Highway Administration stated emphatically that completion of the interstate system was the administration's highest priority for highways. That statement rings somewhat hollow as proposals for increased funding have been repeatedly denied. It is time to provide the leadership necessary to solve one of the nation's most significant problems.

We must have additional federal funding. In Montana alone, the cost of bringing both the primary system up to federal standards and replacing the bridges on federal-aid systems would be $1.2 billion. Completing the interstate system would cost an estimated $150 million. The cost to repair and rehabilitate Montana's interstate system is expected to run $14 million per year while the annual cost of simply maintaining the surface of the existing primary system is estimated at more than $20 million. This year, however, Montana's total federal obligation authority has been reduced to $65.4 million, some 30 percent less than the average for the previous five years.

Funding is the most important element of the problem, but allocation of interstate funds also must be re-examined. According to a recent study by the Congressional Budget Office (CBO), federal authorizations for the interstate program, in 1979 dollars, have steadily declined since 1970. Add escalating construction costs and diminishing highway trust fund revenues, and the schedule for final completion of the system must be pushed back to the mid-1990's.

Also, federal highway funds have increasingly been diverted to either public transit projects or to upgrading or expanding the interstate system in largely urban areas where construction costs can run as much as ten times higher than projects in rural areas. About 40 percent of the time those urban projects are of local significance at best, but 75 percent of all interstate construction funds are spent on those local urban projects.

As noted in the CBO report, a substantial portion of interstate construction funds are spent on projects that have little or no relationship to the original concept of the interstate system. Those funds have been diverted from projects that are of national interest and important to national defense, to projects that are local and of no national significance.

In Montana we have about 70 miles of interstate left to be completed. Each of those gaps is considered by the U.S. Department of Defense to be important to the national defense. And they are considered by

the U.S. Department of Transportation to be critical to the completion of a truly interstate system. Those gaps include a key section of I-15 between Butte and our capital city of Helena; a section to complete I-94 east of Billings and a section of I-90, which will link Wyoming and Montana together. All experience balanced traffic flows, are through-routes, and are considered to be of national significance. Yet at the current federal program level, those gaps will not be completed until the mid-1990s because they are forced to compete for federal funding with many less significant projects—projects such as a section I-105, a part of Los Angeles freeway system that has no national significance, primarily serves the local population, and will cost $1.2 billion to construct 15.7 miles of freeway.

As the CBO report points out, "These segments occur along routes that are not part of the network needed to link principle cities together, but rather link facilities of regional importance or improve traffic circulation in congested urban areas." While those projects may be important to local people, they do not adhere to the original concept of the interstate system. In this era of limited funds, our highway priorities are skewed. It is time to straighten them out.

If the present funding and distribution formula continues, Montana will be unable to complete its interstate system for at least ten years. As I said earlier, the current estimate for completing the interstate system in Montana is about $150 million. Our obligation for interstate apportionment authority in fiscal year 1982 was approximately $26.2 million; this year we expect $14.9 million, a reduction of 43 percent.

The CBO report suggests alternative ways of allocating the monies. The federal government should assign a lower priority to projects that are not important to national defense or the national transportation system. It should adopt an allocation system based on the need to complete the existing gaps in the interstate system.

Another concern of Westerners is the increasing shift of federal highway funds from rural to urban states. Distribution formulas are being changed to favor populations and traffic count over lane miles. Those formulas ignore the fact that on a per capita basis, highways in Montana and other western states cost more per mile to build and maintain than more populated states. If the trend in distributing federal funds is not reversed, highway systems in the western states will continue to deteriorate.

The failure of Congress to adopt a long-term national highway program is another matter of concern. The "on-again off-again" funding of highway programs during the past few years is an inefficient and eneffective way to run a highway construction program. The states simply cannot develop credible planning and letting schedules nor spend scarce funds wisely without the assurance of long-term funding and spending authority. The time has come to recognize those problems and deal with them. It will not be easy or popular, as I well know. Recognizing that economic progress could not occur in the face of a failing transportation system, I proposed major highway funding increases to the Montana Legislature twice in 1981. Our legislature rejected those requests, but initially skeptical legislative committees that have since studied the problem are now recommending that the upcoming legislative session increase funding for highways in Montana. Congress should follow suit.

Realistically, all the components of an improved federal highway program cannot be in place by October 1, 1982. This brings me to my last, and most immediate, point. If Congress does not act quickly, all the states will run out of money for the highway programs (except for 4R funding) by October 1. Failure to act could mean a complete halt in planning and letting projects. That must not happen. A one-year extension of the Surface Transportaton Assistance Act is necessary as a stopgap measure until a long-term program can be developed and passed. Currently, H.R. 6965 appears to be the only bill the can be passed before the October recess. It must be approved.

In closing, Senator, I want to thank you for bringing our highway problems to light by holding these hearings in the West.●

THE HORROR OF SHATILA AND SABRA

● Mr. QUAYLE. Mr. President, much has been written and said in recent days regarding the tragic bloodshed and murder which took place in the Palestinian refugee camps of Shatila and Sabra in Lebanon. We have seen on our television screens and read in our newspapers of this sudden and incredible massacre. However, the chain of events which led up to it, the actions of the Israeli Government and Army, and the questions of who knew what and when are certainly not fully known.

There is considerable confusion as to who should bear the responsibility for the incredible horror of Shatila and Sabra. In an effort to restore stability and order in West Beirut, the multinational military force, including U.S. Marines, has reluctantly been ordered back into the area. It is imperative that Israeli defense forces leave West Beirut at once, and that all foreign forces including the Israelis and Syrians depart from Lebanon as soon as the Lebanese Government is capable of assuring the security of its people.

Earlier this week, Prime Minister Begin was, in my view, unfortunately successful in having the Knesset reject calls for an independent inquiry into both the massacre and the earlier decision to move Israeli troops into West Beirut. Thus, I was gratified to learn this morning that he had decided to ask the President of Israel's Supreme Court, Justice Yitzhak Kahan, to head an unofficial investigation into the massacre. Although Justice Kahan has indicated that he will decline the appointment because two court cases are pending on the issue of the Government's refusal to appoint an official commission of inquiry, what is encouraging is Prime Minister Begin's recognition of the need for an independent inquiry. I believe a complete an impartial investigation of all aspects of this tragedy is absolutely essential if Israel is to regain some of its lost credibility and the moral authority for which this relatively young nation has been respected.

Both the United States and Israel are democracies and both should act like democracies. As painful as they have been for the United States to live through, we have had our Watergate investigation, our My Lai investigation, and our Kerner Commission. In a democracy there must be complete and full disclosure of information to the citizens to whom the government is responsible, no matter how embarrassing.

The massacre in Beirut and the events leading up to it must be investigated by independent investigators who will produce a factual report that will not be suspect because it was the work of people beholden to the government. I might add that I believe it would be very useful if the Government of Lebanon would also conduct a similarly independent inquiry into the information available to them regarding this tragedy.

I know that the people of Israel place the same very high value on human life that we do in the United States. Israel exists today largely because of barbarous acts of murder and persecution in Europe. It is clearly in the best interest of Israel that it assure full disclosure of what happened in Shatila and Sabra and why it happened.

I urge the Government of Israel pursue the course of requesting a full and complete investigation by an independent tribunal.●

EDWARD W. RAY, COMMISSIONER, COPYRIGHT ROYALTY TRIBUNAL

● Mr. SPECTER. Mr. President, on September 21, 1982, the Committee on the Judiciary acted favorably on the nomination of Edward W. Ray to be reappointed to a full term as a Commissioner of the Copyright Royalty Tribunal.

We had heard concerns that Commissioner Ray's previous involvement in the recording industry as an executive with several record companies might influence his decision on matters relating to such industry, including the adjustment of mechanical royalties in 1987.

Commissioner Ray has assured the committee that he would recuse himself immediately from any matter before the Commission on which any possible conflict of interest arose. In addition he assured us that he would remain objective and act impartially on all matters brought before him. I request that Commissioner Ray's letter to the committee be reprinted in the record.

I have met Commissioner Ray and believe him to be an honest and forthright individual. I am pleased that with these assurances his confirmation and reappointment could be expedited.

The letter follows:

SEPTEMBER 14, 1982.

Hon. STROM THURMOND,
Chairman, Committee on the Judiciary, U.S. Senate, Washington, D.C.

DEAR CHAIRMAN THURMOND: I understand some concerns have been raised in respect to a possible conflict of interest arising out of my past involvement in the recording industry. I am also aware that my previous involvement in the recording industry might cause some to question my objectivity in making decisions in this area.

I assure the Committee that should any possible conflict of interest arise, I would immediately recuse myself. I on the other hand feel that this experience will be beneficial and of great assistance in the performances of any duties as a Commissioner on the Copyright Royalty Tribunal. I would refer you to a statement on this matter by Mr. S. T. Chiantia, Chairman of the National Music Publishers' Association, Inc.:

"The confirmation of Edward W. Ray, who has personal experience in the record industry, would bring to the Tribunal a depth of knowledge which could aid the Tribunal's effective discharge of its responsibilities. At the same time the nomination raises the question whether the Tribunal might become a forum composed of representatives of contending parties rather than an impartial adjudicator of these interests. Whether an appointment of someone from the record industry will lead in that direction depends upon the disposition of the appointee and his ability to shed past allegiances, using previous employment only as a reference for informed dispassionate judgment.

"While aware of the fact that Mr. Ray has a long relationship to the record industry, we believe he will forego any leanings towards that industry and perform as an impartial member of the Tribunal. In the sincere belief that Mr. Ray is a man of character, whose appointment does not presage a change in the judicious and impartial tradition of the Tribunal, we enter no opposition to his confirmation."

Mr. Chairman, I assure you and the Committee that I will remain objective in my opinions and act in an impartial manner in all matters brought before me.

In addition as I informed the Committee upon my initial confirmation in February of this year, I have co-songwriter interest in a 1955 recording entitled "Hearts of Stone" and some concern has been raised in this matter. The average annual income I receive from this recording amounts to approximately $1000.00. I am proud to have co-authored this song, but as I previously told the Committee I will sell my interest in this song if this action is required for confirmation.

If any further information is desired, please do not hesitate to contact me.

Sincerely,

EDWARD W. RAY.●

NATIONAL HOSTEL SYSTEM PROMOTES YOUNG AND OLD, BICYCLERS, HIKERS, FAMILIES ON A BUDGET AND AMERICAN BUSINESS

● Mr. BAUCUS. Mr. President, I am very pleased to cosponsor S. 2676, a bill that would promote the development of a national hostel system.

I cosponsor the National Hostel System Plan Act of 1982 for a number of reasons, not the least of which is the great dearth of hostels in the United States. We now have less than 300 youth hostels in the entire country. There are only a handful in my State, Montana.

The number is inadequate because hostels offer the kind of low-priced, systematically organized accommodations needed by millions of travelers this country hosts every year.

In contrast, Europe offers visitors, young and old alike, over 5,000 inexpensive, convenient, and very reliable hostels from which to choose. Indeed, there are 50 nations in the world that offer hostel systems to their travelers, and the United States is the only one that does not offer some form of governmental recognition to this very important network of accommodations.

The low-cost dormitory style hostel is famous as an integral part of European hospitality to travelers. Not only do "youth" hostels serve all age groups, they also provide tourists from all over the world the opportunity to meet citizens from virtually every land. They offer safety and certainty in sometimes difficult and uncertain circumstances. They enable people who would not otherwise be able to afford it the chance to see new sights, hear new sounds, and share their experiences with travelers from around the globe. Hostels can serve as gateways to the most important and most beautiful historic and natural sights of a nation, and they can serve especially well in this vast and exciting land of ours.

Yet the recurrent cries of many U.S. travelers is that we simply have too few hostels and those we do have are not well located with regard to each other.

My State, Montana, offers entrances to both Glacier and Yellowstone National Parks. Both of these parks see millions of tourists annually—including hikers, bikers, and campers. Many more travelers might be able to visit my State were the national hostel network expanded. Right now, I am pleased that we have hostels at Red Lodge, Missoula, Polebridge, and East Glacier with new hostels being established in Hamilton and Whitefish. But it is extremely difficult for the best managed hostel to stay open unless it is a part of a national network.

The opportunity for inexpensive travel is becoming more and more difficult to find, especially in these economically trying times. Public recreation facilities are in desperate financial and physical trouble. Safety for young travelers is an ever-increasing problem. Inexpensive and educational travel programs for all ages are in short supply. And yet bicycling, hiking, camping, and budget touring continue to quickly expand as more and more people seek wholesome recreation on tight budgets. I believe the National Hostel System Plan Act of 1982 would help alleviate a great many of the problems our Nation's sojourners face.

At present, American Youth Hostels (AYH), a private, nonprofit organization, stands alone in having established a system for the development and management of a network of youth hostels in the United States. The national hostel system plan would help create a national network of hostels. It would eliminate some of the financial and maintenance burdens on public recreational facilities. It would expand the American Youth Hostels travel program, and it would offer a greater umbrella of protection for travelers as more hostels become available.

The national hostel plan as envisioned in this act, would authorize the Secretary of the Interior to work in conjunction with the private sector and AYH to coordinate a plan for the development of an expanded system of hostels in the United States—without the need for Government funding. So, without Government funding, this legislation will help to design an overall plan for the development of an expanding hostel network. The plan would propose and develop ways in which profit and nonprofit organizations could operate new hostels, while at the same time clarifying the role of the Government in these development efforts. National park and recreation systems, as well as State and local parks, would be encouraged to work with AYH to utilize park facilities that can no longer be operated by public recreation programs.

The national hostel system plan would assess the present and future demand for hostel systems within the United States, listing possible locations and evaluating resources which could be used in the development of the hostel system. It would direct a better use of resources that are already available in order to develop a wider system of hostels from which all travelers potentially benefit. Developing a wider network of systematically planned hostels would not only make travel a more educational and enjoyable experience, but would also give Americans and our foreign guests greater acccess to our cities and vast park system.

There has been an increase in the number of youth hostels in the United States from under 100 in 1965 to nearly 300 in 1980. This reflects a growing public awareness of the opportunities hostels provide as well as a growing public interest in cheap, efficient, and educational travel. Moreover, the 1980 American Youth Hostels membership of 100,000 represents an annual sales market of $60 to $70 million in transportation, food, lodging, sporting equipment, and clothing.

In these terms alone it becomes apparent that such an industry should neither be ignored nor neglected. Rather, we should encourage this very clean form of industry which not only benefits the travelers, but benefits merchants and communities throughout the country.

Mr. President, Montana has been, and will continue to be, a center of recreational activity. I believe that every local chamber of commerce in the United States can learn from my State what benefits are available to those who are willing to work to increase budget recreational activity.

A shining example in Montana is Bikecentennial. Montana provided a home for Bikecentennial in 1974. I remember when its organizers first brought the concept to my office in the House of Representatives. While most other enterprises organized around America's Bicentennial have long since disappeared, Bikecentennial is now the largest service organization for bicycle tourists in the United States. It has nearly 18,000 members nationwide. Throughout the country, bicycle tourists know that they can call or write to this organization in Missoula, Mont., and get the latest in route maps and other help for bicyclers.

I am a member of the Senate's Select Committee on Small Business. There are few areas of small business activity that offer more promise than the recreational industry. Bicyclers from all over the country often will head directly toward Missoula across the system of national bicycle trails being developed by Bikecentennial. When they get to Missoula, they will find a growing recreational industry in the midst of an otherwise hard-hit economic area. Missoula, a moderately sized community by national standards, now has a bicycle coordinator. It hosts many family bicycle activities and one of the best custom bicycle manufacturers in the country.

Summer and winter, tourists come to Montana and add to our State's economy. Family tourists traveling on a budget, students, hikers, bicyclers, train tourists, bus tourists, and many others will go where they can find affordable, safe accommodations.

I believe that every Senator here represents a State that could be benefited substantially by the economic activity generated through the increased travel and tourism that would follow an expanded system of hostels within his State. Rarely do we hear of a way of promoting such a good, wholesome and economically sound activity at such a low cost to the Treasury, and I would urge my colleagues to join me in cosponsoring this legistration.●

PRELIMINARY NOTIFICATION, PROPOSED ARMS SALES

● Mr. PERCY. Mr. President, section 36(b) of the Arms Export Control Act requires that Congress receive advance notification of proposed arms sales under that act in excess of $50 million or, in the case of major defense equipment as defined in the act, those in excess of $14 million. Upon receipt of such notification, the Congress has 30 calendar days during which the sale may be prohibited by means of a concurrent resolution. The provision stipulates that, in the Senate, the notification of proposed sales shall be sent to the chairman of the Foreign Relations Committee.

Pursuant to an informal understanding, the Department of Defense has agreed to provide the committee with a preliminary notification 20 days before transmittal of the official notification. The official notification will be printed in the RECORD in accordance with previous practice.

I wish to inform Members of the Senate that such a notification was received on September 17, 1982.

Interested Senators may inquire as to the details of this preliminary notification at the offices of the Committee on Foreign Relations, room 4229, Dirksen Building.

The notification follows:

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 17, 1982.
In reply refer to: I-03113/82ct
Dr. HANS BINNENDIJK,
Professional Staff Member, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR DR. BINNENDIJK: By letter dated February 18, 1976, the Director, Defense Security Assistance Agency, indicated that you would be advised of possible transmittals to Congress of information as required by Section 36(b) of the Arms Export Control Act. At the instruction of the Department of State, I wish to provide the following advance notification.

The Department of State is considering an offer to a Northeast Asian country tentatively estimated to cost in excess of $50 million.

Sincerely,

PHILIP C. GAST,
Director.●

PROPOSED ARMS SALES

● Mr. PERCY. Mr. President, section 36(b) of the Arms Export Control Act requires that Congress receive advance notification of proposed arms sales under that act in excess of $50 million or, in the case of major defense equipment as defined in the act, those in excess of $14 million. Upon such notification, the Congress has 30 calendar days during which the sale may be prohibited by means of a concurrent resolution. The provision stipulates that, in the Senate, the notification of a proposed sale shall be sent to the chairman of the Foreign Relations Committee.

In keeping with my intention to see that such information is available to the full Senate, I ask to have printed in the RECORD at this point a notification which has been received.

The notification follows:

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 24, 1982.
In reply refer to: I-03361/82ct
Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 82-85, concerning the Department of the Navy's proposed Letter of Offer to Portugal for defense articles and services estimated to cost $220 million. Shortly after this letter is delivered to your office, we plan to notify the news media.

Sincerely,

PHILIP C. GAST,
Director.

[Transmittal No. 82-85]

NOTICE OF PROPOSED ISSUANCE OF LETTER OF OFFER PURSUANT TO SECTION 36(b) OF THE ARMS EXPORT CONTROL ACT

(i) Prospective Purchaser: Portugal.

(ii) Total Estimated Value: Major Defense Equipment,* $0 million; Other, $220 million; Total, $220 million.

(iii) Description of Articles or Services Offered: Remanufacture of 24 A-7A and six TA-7A Military Assistance Program aircraft to the A-7P and TA-7P configurations with initial spare parts and ground support equipment.

(iv) Military Department: Navy (SAF).

(v) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None.

(vi) Sensitivity of Technology Contained in the Defense Articles or Defense Services Proposed to be Sold: None.

(vii) Section 28 Report: Case not included in Section 28 report.

(viii) Date Report Delivered to Congress: September 24, 1982.

*As defined in Section 47(6) of the Arms Export Control Act.

POLICY JUSTIFICATION

PORTUGAL—REMANUFACTURE OF A-7A AND TA-7A AIRCRAFT TO THE A-7P AND TA-7P CONFIGURATIONS

The Government of Portugal has requested the remanufacture of 24 A-7A and six TA-7A Military Assistance Program aircraft to the A-7P and TA-7P configurations with initial spare parts and ground support equipment at an estimated cost of $220 million.

This sale will contribute to the foreign policy and national security objectives of the United States by improving the military capabilities of Portugal; furthering NATO rationalization, standardization, and interoperability; and enhancing the defenses of the Western Alliance.

This sale is part of a total program involving the acquisition of two squadrons of A-7P aircraft and TA-7P training aircraft with spare parts and support equipment. The A-7P program is part of the NATO Military Committee plan to improve the capability of the Portuguese armed forces in the collective defense of the Alliance.

The sale of this equipment and support will not affect the basic military balance in the region.

The prime contractor will be the Vought Corporation of Dallas, Texas.

Implementation of this sale will not require the assignment of any additional U.S. Government or contractor personnel to Portugal.

There will be no adverse impact on U.S. defense readiness as a result of this sale. The program start date will be adjusted to assure that required U.S. Navy aircraft engines will be provided to the contractor on a schedule that will have minimal if any impact on U.S. readiness.●

PROPOSED ARMS SALES

● Mr. PERCY. Mr. President, section 36(b) of the Arms Export Control Act requires that Congress receive advance notification of proposed arms sales under that act in excess of $50 million or, in the case of major defense equipment as defined in the act, those in excess of $14 million. Upon such notification, the Congress has 30 calendar days during which the sale may be prohibited by means of a concurrent resolution. The provision stipulated that, in the Senate, the notification of proposed sales shall be sent to the chairman of the Foreign Relations Committee.

In keeping with my intention to see that such information is available to the full Senate, I ask unanimous consent to have printed in the RECORD at this point the notifications which have been received. Any portion which is classified information has been deleted for publication, but is available to Senators in the office of the Foreign Relations Committee, Room 4229, Dirksen Building.

The notification follows:

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 17, 1982.

HON. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 82-75 and under separate cover the classified annex thereto. This Transmittal concerns the Department of the Air Force's proposed Letter of Offer to Turkey for defense articles and services estimated to cost $50 million. Shortly after this letter is delivered to your office, we plan to notify the news media of the unclassified portion of this Transmittal.

You will also find attached a certification as required by Section 620C(d) of the Foreign Assistance Act of 1961, as amended, that this action is consistent with Section 620C(b) of that statute.

Sincerely,

PHILIP C. GAST,
Director.

[TRANSMITTAL No. 82-75]

NOTICE OF PROPOSED ISSUANCE OF LETTER OF OFFER PURSUANT TO SECTION 36(b) OF THE ARMS EXPORT CONTROLS ACT

(i) Prospective Purchaser: Turkey.

(ii) Total Estimated Value:

	Millions
Major defense equipment [1]	$42
Other	8
Total	50

[1] As defined in section 47(6) of the Arms Export Control Act.

(iii) Description of Articles or Services Offered: Seven hundred fifty AIM-9P3 Sidewinder missiles with spares, support equipment, training, and a mini-depot.

(iv) Military Department: Air Force (YBA).

(v) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None.

(vi) Sensitivity of Technology Contained in the Defense Articles or Defense Services Proposed to be Sold: See Annex under separate cover.

(vii) Section 28 Report: Case not included in Section 28 report.

(viii) Date Report Delivered to Congress: September 17, 1982.

POLICY JUSTIFICATION

TURKEY—AIM-9P3 SIDEWINDER MISSILES

The Government of Turkey has requested the purchase of 750 AIM-9P3 Sidewinder missiles with spares, support equipment, training, and a mini-depot at an estimated cost of $50 million.

This sale will contribute to the foreign policy and national security objectives of the United States by improving the military capabilities of Turkey in fulfillment of its NATO obligations; furthering NATO rationalization, standardization, and interoperability, and enhancing the defense of the Western Alliance.

Turkey intends to use the missiles on currently possessed aircraft. Since Turkey has AIM-9P3 missiles in its inventory, absorption of the AIM-9P3 missiles will present no problems. The sale will stabilize the Turkish Air Force AIM-9P operational capability over the next few years.

These items will be provided in accordance with and subject to the limitations on use and transfer provided for under the Arms Export Control Act, as embodied in the terms of sale. This sale will not adversely affect either the military balance in the region or U.S. efforts to encourage a negotiated settlement of the Cyprus question.

The prime contractor will be the Ford Aerospace and Communications Corporation of Newport Beach, California.

Implementation of this sale will not require the assignment of any additional U.S. Government or contractor personnel to Turkey.

There will be no adverse impact on U.S. defense readiness as a result of this sale.

DEPARTMENT OF STATE,
Washington, D.C., September 10, 1982.

Pursuant to section 620C(d) of the Foreign Assistance Act of 1961, as amended (the Act), and the authority vested in me by Department of State Delegation of Authority No. 145, I hereby certify that the provision to Turkey of 750 AIM-9P3 Sidewinder missiles is consistent with the principles contained in section 620C(b) of the Act.

This certification will be made part of the certification to the Congress under section 36(b) of the Arms Export Control Act regarding the proposed sale of the above named articles and is based on the justification accompanying said certification, and of which such justification constitutes a full explanation.

JAMES L. BUCKLEY,
Under Secretary of State.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 20, 1982.

Hon. CHARLES H. PERCY,
Chairman, Commission on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 82-77 and under separate cover the classified annex thereto. This transmittal concerns the Department of the Air Force's proposed Letter of Offer to Bahrain for defense articles and services estimated to cost $180 million. Shortly after this letter is delivered to your office, we plan to notify the news media of the unclassified portion of this Transmittal.

Sincerely,

PHILIP C. GAST,
Director.

[Transmittal No. 82-77]

NOTICE OF PROPOSED ISSUANCE OF LETTER OF OFFER PURSUANT TO SECTION 36(b) OF THE ARMS EXPORT CONTROLS ACT

(i) Prospective Purchaser: Bahrain.

(ii) Total Estimated Value:

	Millions
Major defense equipment [1]	$86
Other	94
Total	180

[1] As defined in section 47(b) of the Arms Export Control Act.

(iii) Description of Articles or Services Offered: Two F-5F and four F-5G aircraft with initial spares, support equipment, munitions, and 60 AIM-9P3 SIDEWINDER missiles.

(iv) Military Department: Air Force (SCA).

(v) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None.

(vi) Sensitivity of Technology Contained in the Defense Articles or Defense Services Proposed to be Sold: See Annex under separate cover.

(vii) Section 28 Report: Included in report for quarter ending 30 June 1982.

(viii) Date Report Delivered to Congress: September 20, 1982.

POLICY JUSTIFICATION

BAHRAIN—F-5F AND F-5G AIRCRAFT WITH SPARE, SUPPORT, MUNITIONS AND SIDEWINDER MISSILES

The Government of Bahrain has requested the purchase of two F-5F and four F-5G aircraft with initial spares, support equipment, munitiond, and 60 AIM-9P3 Sidewinder missile at an estimated cost of $180 million.

This sale is consistent with the U.S. policy of assisting other nations to provide for their own defense and security by the transfer of reasonable amounts and types of military equipment. Bahrain, although a small nation in the increasingly volatile Persian Gulf area, is a member of the recently created Gulf Cooperation Council and seeks a modest defense establishment within this context. A moderate voice in the region, Bahrain is a longtime friend of the United States and allows the U.S. Navy access to facilities in the country.

The aircraft will be used by the Bahrain Defense Force to enhance its air arm It will provide the country with a modest airborne air defense capability to supplement its ground air defense systems.

The sale of this equipment and support will not affect the basic military balance in the region.

The prime contractor will be the Northrop Corporation of Hawthorne, California.

Implementation of this dale will require the assignment of ten U.S. Government personnel and three U.S. contractor representatives to Bahrain for two years.

There will be no adverse impact on U.S. Defense readiness as a result of this sale.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 20, 1982.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding herewith Transmittal No. 82-86 and under separate cover the classified annex thereto. This Transmittal concerns the Department of the Navy's proposed Letter of Offer to Spain for defense articles and services, estimated to cost $2,999 million. Shortly after this letter is delivered to your office, we plan to notify the news media of the unclassified portion of this Transmittal.

Sincerely,

PHILIP C. GAST,
Director.

[Transmittal No. 82-86]

NOTICE OF PROPOSED ISSUANCE OF LETTER OF OFFER PURSUANT TO SECTION 36(b) OF THE ARMS EXPORT CONTROLS ACT

(i) Prospective Purchaser: Spain.

(ii) Total Estimated Value:

	Millions
Major defense equipment [1]	$2,034
Other	965
Total	$2,999

(iii) Description of Articles or Services Offered: Eighty-four F/A-18A aircraft with 24 spare F-404 engines, spare parts, ground support equipment, contractor technical services, contractor training, program management, and co-production of various components.

(iv) Military Department: Navy (SBQ).

(v) Sales Commisson, Fee, etc., Paid, Offered, or Agreed to be Paid: None.

(vi) Sensitivity of Technology Contained in the Defense Articles or Defense Services Proposed to be Sold: See Annex under separate cover.

(vii) Section 28 Report: Case not included in Section 28 report.

(viii) Date Report Delivered to Congress: September 20, 1982.

POLICY JUSTIFICATION

SPAIN—F/A-18A AIRCRAFT

The Government of Spain (GOS) has requested the purchase of 84 F/A-18A aircraft with 24 spare F-404 engines, spare parts, ground support equipment, contractor technical services, contractor training, program management, and co-production of various components at an estimated cost of $2,999 million.

The sale will contribute to the foreign policy and national security objectives of the United States by improving the military capabilities of Spain; furthering NATO rationalization, standardization, and interoperability; and enhancing the defenses of the Western Alliance.

The Spanish Air Force needs these aircraft to replace the fighters in the current Spanish inventory which are based on 1960's technology. This sale will enhance the readiness of the GOS to meet external aggression, develop increased equipment commonality between U.S. Forces and those of Spain, and enable the GOS to carry out its mission in support of its new NATO commitments.

The sale of this equipment and support will not affect the basic military balance in the region.

The prime contractor will be the McDonnell Douglas Corporation of St. Louis, Missouri.

Implementation of this sale will require approximately 14.4 man-years of effort in Spain from various U.S. Government agencies with an additional 13 man-years of support from various contractor personnel starting in FY 82 and lasting through FY 89.

There will be no adverse impact on U.S. defense readiness as a result of this sale.

DEFENSE SECURITY ASSISTANCE AGENCY,
Washington, D.C., September 20, 1982.

Hon. CHARLES H. PERCY,
Chairman, Committee on Foreign Relations, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to the reporting requirements of Section 36(b) of the Arms Export Control Act, we are forwarding under separate cover Transmittal No. 82-84, concerning the Department of the Air Force's proposed Letter of Offer to Belgium for defense articles and services in excess of $50 million. Since most of the essential elements of this proposed sale are to remain classified, we will not notify the news media.

Sincerely,

PHILIP C. GAST,
Director.

[Transmittal No. 82-84]

NOTICE OF PROPOSED ISSUANCE OF LETTER OF OFFER PURSUANT TO SECTION 36(b) OF THE ARMS EXPORT CONTROLS ACT

(i) Prospective Purchaser: Belgium.

(ii) Total Estimated Value: (Deleted.)

(iii) Description of Articles or Services Offered: (Deleted.)

(iv) Military Department: Air Force (SVI).

(v) Sales Commission, Fee, etc., Paid, Offered, or Agreed to be Paid: None.

(vi) Sensitivity of Technology Contained in the Defense Articles or Defense Services Proposed to be Sold: See Annex under separate over.

(vii) Section 28 Report: Case not included in section 28 report.

(viii) Date Report Delivered to Congress: September 20, 1982.

POLICY JUSTIFICATION

(U) This sale will contribute to the foreign policy and national security objectives of the United States by improving the military capabilities of Belgium; furthering NATO rationalization, standardization, and interoperability; and enhancing the defenses of the Western Alliance.

(U) The sale of this equipment and support will not affect the basic military balance in the region.

(U) The prime contractor will be the General Dynamics Corporation of Ft. Worth, Texas.

(U) Implementation of this sale will not require the assignment of any additional U.S. Government or contractor personnel to Belgium.

(U) There will be no adverse impact on U.S. defense readiness as a result of this sale.●

QUORUM CALL

Mr. STEVENS. 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. STEVENS. 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. STEVENS. Mr. President, there is a prior order for convening on Monday next, is there?

The PRESIDING OFFICER. The Senator is correct.

Mr. STEVENS. What is that hour?

The PRESIDING OFFICER. The hour is 11 a.m. on Monday.

Mr. STEVENS. I thank the Chair.

RECESS UNTIL 11 A.M. ON MONDAY, SEPTEMBER 27, 1982

Mr. STEVENS. Mr. President, there must be something to the fact that the Presiding Officer and I are the two Senators from the State farthest away that leaves us here on Friday afternoon at this time.

I ask unanimous concent that the Senate stand in recess in accordance with the prior order.

There being no objection, at 4:40 p.m. the Senate recessed until Monday, September 27, 1982, at 11 a.m.

CONFIRMATIONS

Executive nominations confirmed by the Senate September 24, 1982:

APPALACHIAN REGIONAL COMMISSION

Winifred Ann Pizzano, of Virginia, to be Federal Cochairman of the Appalachian Regional Commission.

Jacqueline L. Phillips, of Maryland, to be Alternate Federal Cochairman of the Appalachian Regional Commission.