By Mr. SIMPSON:

S. 805. A bill to improve the rural electrification programs under the Rural Electrification Act of 1936, to improve Federal rural development programs administered by the Department of Agriculture, to provide for exclusive State jurisdiction over retail electric service areas, to prohibit certain practices in the restraint of trade, and for other purposes; to the Committee on Agriculture, Nutrition, and Forestry.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. COCHRAN:

S. 800. A bill to provide for hearing care services by audiologists to Federal civilian employees; to the Committee on Governmental Affairs.

THE HEARING CARE FOR FEDERAL EMPLOYEES ACT

Mr. COCHRAN. Mr. President, today I am introducing legislation to include audiology services in the Federal Employee Health Benefits Program [FEHBP].

This bill would amend the statute governing the Federal Employees Health Benefits Program by requiring FEHBP insurance carriers to guarantee direct access to, and reimbursement for, audiologist-provided hearing care services when hearing care is covered under a FEHBP plan.

The statute governing FEHBP, title 5, United States Code, section 8902(k)(1), allows direct access to services provided by optometrists, clinical psychologists and nurse midwives, yet fails to allow direct access to services provided by audiologists in FEHBP plans covering hearing care services.

The legislation I am introducing today would remedy this situation by permitting direct access to audiology services in FEHBP plans covering hearing care services. This measure will not increase health care costs since it would not mandate any new insurance benefits. On the contrary, the bill should reduce costs of hearing care by facilitating direct access to health care providers who are uniquely qualified to diagnose the extent and causes of hearing impairment.

I hope my colleagues will carefully consider this legislation and join me in support of its enactment.

By Mr. HOLLINGS:

S. 802. A bill to authorize the Secretary of Transportation to issue a certificate of documentation and coastwise trade endorsement for the vessel *Royal Affaire;* to the Committee on Commerce, Science, and Transportation.

TRADING PRIVILEGES LEGISLATION

● Mr. HOLLINGS. Mr. President, I am introducing a bill today to direct the vessel *Royal Affaire*, official No. 649292, to be accorded coastwise trading privileges and to be issued a certificate of documentation under section 12103 of title 46, United States Code.

The *Royal Affaire* was constructed in Auckland, New Zealand, in 1980. The vessel, a sailboat, is 76.3 feet in length, 20.3 feet in breadth, and 8.8 feet in depth and is self-propelled.

The vessel was purchased by Homer C. Burrous of Charleston, SC, in 1989 for approximately $900,000, with the intention of chartering the vessel for cruises in and out of St. Thomas and other foreign ports in the Caribbean. Since purchasing the vessel in 1989, the owner has had the vessel refitted in a U.S. shipyard at a cost of over $800,000. Mr. Burrous would like to utilize the vessel to conduct coastal cruises. However, because the vessel was built in New Zealand, it does not meet the requirements for a coastwise license endorsement in the United States.

The owner of the *Royal Affaire* is seeking a waiver of the existing law because he wishes to use the vessel for coastal cruises. His desired intentions for the vessel's use will not adversely affect the coastwise trade in U.S. waters. If he is granted this waiver, it is his intention to comply fully with U.S. documentation and safety requirements. The purpose of the legislation I am introducing is to allow the *Royal Affaire* to engage in the coastwise trade and fisheries of the United States.●

By Mr. MCCAIN:

S. 803. A bill to amend the Defense Base Closure and Realignment Act of 1990 in order to revise the process for disposal of property located at installations closed under that act pursuant to the 1995 base closure round; to the Committee on Armed Services.

THE BASE TRANSITION ACCELERATION ACT

● Mr. MCCAIN. Mr. President, today I am introducing legislation that will finally ensure that fairness and discipline are exercised during the conveyance and land transfer portion of the 1995 BRAC round. The Base Transition Acceleration Act will do three things: eliminate the ability of special interests, under the existing process, to impose endless delays and reap unfair benefits; appropriately place control of the redevelopment process in the hands of the communities affected by the BRAC; and speed the economic recovery of those communities adversely impacted by the closing of a military installation in their midst.

Mr. President, the end of the cold war provided a unique opportunity for this Nation to safely down-size our Armed Forces. Doing so required the execution of a two-phase plan; first, reduce the numbers of military personnel; and then, slash infrastructure to a level appropriate for the new size of the force. Toward that end, since 1986 we have reduced our military force structure by nearly 40 percent. Infrastructure, however, has been trimmed by only about 15 percent.

We asked the services to reduce their numbers, they succeeded. We attempted to create an apolitical mechanism through which excess infrastructure might be designated for closure; we failed, failed for two reasons—Government redtape and interference from special interest groups.

Since 1988, a new Federal bureaucracy has grown up around the base closure process. Interagency squabbles and turf battles among DOD, EPA, Interior, HHS, GSA, and many other entities have caused excessive delays in Federal screening, issuance of conflicting and unhelpful regulations, and inordinately intrusive review of redevelopment proposals. The result has been increased costs to the Federal Government and communities alike—including costs to DOD to maintain idle military facilities in caretaker status.

The Base Transition Acceleration Act legislation eliminates this excessive Federal regulation. The legislation strictly limits the timeframe for Federal property screening and empowers a single agency, DOD, to quickly and effectively manage the process. At the same time, it removes the Federal Government from the process of formulating redevelopment plans and places that responsibility within the purview of the communities themselves.

Unfortunately, the problems associated with the BRAC process are not limited to those created between the Federal agencies. Each additional hand that enters the process brings further complication and added time. With every new round of the BRAC, more new hands enter the process. A cottage industry of consultants has evolved and flourished since 1988 when the first round of base closures were ordered. Special interests are inserting themselves with increasing frequency into the military property disposal process.

Each of these competing interests has sought the assistance of their elected representatives or their sponsor agency, and in most cases received it. The result should come as a surprise to on one; this ostensibly apolitical process has become excessively politicized. This proposed legislation takes great strides to correct this problem and to restore fairness to the community redevelopment process.

Over the past year or so, I, along with most other Members of the Senate, have talked extensively with constituents who are deeply troubled by the current round of base closing deliberations. Their anxiety is certainly not difficult to understand. The reasons for their concern are, however, dramatically different from those expressed in earlier rounds.

During the first three rounds, community concerns tended to center around the simple question of whether a base in their community would be ordered closed. This time, the issues are far more complex. Not only do our constituents ask whether the base will close, they now ask other, more difficult questions. They want to know how to avoid a prolonged transition period. They want to know whether to hire consultants. They want to know how to handle special interest groups. They want to know how to deal with the bloated base closure bureaucracy. Most of all, they want to know when

they will be able to get their lives back on track.

These questions represent valid concerns—concerns based in horrific example after horrific example of costly and lengthy legal and political battles among Federal, State, and local governments, special interest groups, and community members.

Mr. President, the simple fact remains—until a reuse decision is made and property is conveyed to the new owners for redevelopment, the affected community suffers economically and emotionally.

This legislation is simple and straightforward. It will significantly reduce the need for communities to employ expensive consulting firms because it will eliminate the redtape of excessive regulations for closing military bases. It will allow DOD to quickly realize the savings from relinquishing excess military infrastructure. And most importantly, it will relieve the economic stress on local communities and allow them to quickly redevelop these former bases in the manner best suited to the community's needs.●

By Mr. BRADLEY:

S. 804. A bill to amend the Internal Revenue Code of 1986 to increase the excise taxes and tobacco products, and to use a portion of the resulting revenues to fund a trust fund for tobacco diversification, and for other purposes; to the Committee on Finance.

THE TOBACCO CONSUMPTION REDUCTION AND HEALTH IMPROVEMENT ACT OF 1995

Mr. BRADLEY. Mr. President, I came to the floor this afternoon to submit a revised version of my bill to increase the Federal excise tax on tobacco products. My original bill would take the current tax level for all types of tobacco products and multiply it by 5.167. This would raise the tax on a pack of cigarettes from 24 cents a pack to $1.24 a pack. My revised bill goes one step further to help Americans—particularly children and teenagers—achieve a tobacco-free future.

Mr. President, I have been on this floor many times talking about the dangers of tobacco use. I have repeatedly stated that tobacco use kills well over 400,000 Americans every year—more than alcohol, heroin, crack, automobile and airplane accidents, homicides, suicides, and AIDS combined. And I have sought to bring attention to the fact that each year a growing number of teenagers start smoking, despite the fact that selling cigarettes to minors is illegal. Virtually all new users of tobacco are teenagers or younger, and every 30 seconds a child in the United States smokes for the first time.

Yet there is another aspect of the tobacco story which has not received much attention on the floor of this body. Generally, when people think about the dangers of tobacco use, they think about cigarettes. They think about the lung cancer, the emphysema, and the heart disease which cigarettes cause in those who use them. And they realize that these health impacts are not limited to those who actually smoke the cigarettes. Rather, environmental tobacco smoke—smoke from other people's cigarettes—causes tens of thousands of deaths each year.

But as grave as the impacts of cigarette smoking are, they are only part of the story of the death and destruction which tobacco products wreak on our society. There is another, less well-known yet still devastating side to the tobacco story. And that is the tale of smokeless tobacco products.

The use of smokeless tobacco—namely snuff and chew—is skyrocketing in the United States. Between 1986 and 1990, sales of snuff grew by close to 50 percent. This increase follows several decades of decline in sales and use. Part of this increase can be attributed to increased social pressures placed on smokers, due largely to concerns about second-hand smoke. And part of it has been fueled by perception that smokeless products are a safe alternative to smoking.

But the belief that snuff and chew are safe is absolutely false. Let me state this very clearly: smokeless tobacco can kill you. It kills in different ways than cigarettes do, but it kills nonetheless. Smokeless tobacco causes mouth cancer. It causes gum cancer. It causes throat cancer. These are just a few of the oral problems smokeless tobacco can cause. And the threat of developing these diseases, and of dying of them, is very real. Long-term snuff users are 50 times more likely to develop gum cancer and four times more likely to develop mouth cancer than nonusers. Nearly 30,000 new cases of oral cancer are diagnosed each year in the United States. Half of those people are dead within 5 years.

Smokeless tobacco products are also highly addictive. A typical dose of snuff contains two to three times as much nicotine, the addictive substance in tobacco, as a single cigarette. Because of these health risks, snuff is banned in a growing number of countries, including the United Kingdom, France, Spain, Belgium, Holland, Germany, Denmark, Australia, and New Zealand.

Despite these health risks, the use of smokeless tobacco is skyrocketing in the United States. So who are these new smokeless users—those individuals who are heading down a path of addiction, cancer, and death? For the most part, they are children. The average age of new smokeless users is 9½ years old. Two-thirds of smokeless users start their habit before they are even 12 years old. It is now estimated that 3 million Americans under age 21 use smokeless tobacco, including 1 out of every 5 high school males.

Why is this happening? A large part of the explanation lies in the tobacco companies' aggressive marketing toward youth. But another part of the explanation is the cost of smokeless tobacco relative to cigarettes. Despite its dangers, smokeless tobacco is taxed at only about one-tenth the rate of cigarettes, making it a cheap alternative to cigarettes. And since kids are the most price-sensitive of all tobacco users, it is not surprising that they are turning to smokeless tobacco in ever growing numbers.

My bill proposes to remove this price incentive for kids and adults to use smokeless tobacco. It does this by setting the Federal excise tax on tins of snuff and pouches of chew at the exact same dollar amount as on a pack of cigarettes. This means that the Federal taxes on these smokeless products will increase from their current level of less than 3 cents per container to $1.24 per container. In the previous version of my bill, I would have increased the tax on smokeless products by a factor of 5. While this is a significant increase, it is not enough to eliminate the incentive for cigarette smokers to switch rather than quit, or to discourage kids from ever starting the tobacco habit.

Mr. President, I have spoken earlier this session about the many benefits which would be achieved by increasing the Federal tobacco tax. It will save billions of dollars in health care costs, not only for the Federal Government but for private insurers and citizens across the country. It will save countless lives. It will decrease unnecessary suffering. And it will discourage millions of children and teenagers from ever becoming addicted to tobacco.

These changes to my earlier bill will make these benefits even more pronounced. Smokeless tobacco must no longer be seen as a safe and cheap alternative to cigarettes. Raising the excise tax will discourage children and teenagers from ever starting to use smokeless tobacco, and it will discourage adults from considering smokeless as a safe alternative to quitting tobacco use entirely.

Mr. President, my tobacco tax bill, and the changes I am adding to it, are good health policy. They are good economic policy. And they are key to helping our children and teenagers achieve a tobacco-free future. I urge my colleagues to join me in support of this bill.

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

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

S. 804

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Tobacco Consumption Reduction and Health Improvement Act of 1995''.

SEC. 2. INCREASE IN TAXES ON TOBACCO PRODUCTS.

(a) IN GENERAL.—

(1) CIGARS.—Subsection (a) of section 5701 of the Internal Revenue Code of 1986 (relating to rate of tax on cigars) is amended—

(A) by striking ''$1.125 cents per thousand (93.75 cents per thousand on cigars removed

during 1991 and 1992)'' in paragraph (1) and inserting ''$5.8125 per thousand''; and

(B) by striking paragraph (2) and inserting the following new paragraph:

''(2) LARGE CIGARS.—On cigars weighing more than 3 pounds per thousand, a tax equal to 65.875 percent of the price for which sold but not more than $155 per thousand.''

(2) CIGARETTES.—Subsection (b) of section 5701 of such Code (relating to rate of tax on cigarettes) is amended—

(A) by striking ''$12 per thousand ($10 per thousand on cigarettes removed during 1991 and 1992)'' in paragraph (1) and inserting ''$62 per thousand''; and

(B) by striking ''$25.20 per thousand ($21 per thousand on cigarettes removed during 1991 and 1992)'' in paragraph (2) and inserting ''$130.20 per thousand''.

(3) CIGARETTE PAPERS.—Subsection (c) of section 5701 of such Code (relating to rate of tax on cigarette papers) is amended by striking ''0.75 cent (0.625 cent on cigarette papers removed during 1991 or 1992)'' and inserting ''3.875 cents''.

(4) CIGARETTE TUBES.—Subsection (d) of section 5701 of such Code (relating to rate of tax on cigarette tubes) is amended by striking ''1.5 cents (1.25 cents on cigarette tubes removed during 1991 or 1992)'' and inserting ''7.75 cents''.

(5) SNUFF.—Paragraph (1) of section 5701(e) of such Code (relating to rate of tax on smokeless tobacco) is amended by striking ''36 cents (30 cents on snuff removed during 1991 or 1992)'' and inserting ''$16.53''.

(6) CHEWING TOBACCO.—Paragraph (2) of section 5701(e) of such Code is amended by striking ''12 cents (10 cents on chewing tobacco removed during 1991 or 1992)'' and inserting ''$6.61''.

(7) PIPE TOBACCO.—Subsection (f) of section 5701 of such Code (relating to rate of tax on pipe tobacco) is amended by striking ''67.5 cents (56.25 cents on chewing tobacco removed during 1991 or 1992)'' and inserting ''$3.4875''.

(8) EFFECTIVE DATE.—The amendments made by this subsection shall apply with respect to cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, and pipe tobacco removed after December 31, 1995.

(b) IMPOSITION OF EXCISE TAX ON MANUFACTURE OR IMPORTATION OF ROLL-YOUR-OWN TOBACCO.—

(1) IN GENERAL.—Section 5701 of the Internal Revenue Code of 1986 (relating to rate of tax) is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) ROLL-YOUR-OWN TOBACCO.—On roll-your-own tobacco, manufactured in or imported into the United States, there shall be imposed a tax of $20.67 per pound (and a proportionate tax at the like rate on all fractional parts of a pound).''

(2) ROLL-YOUR-OWN TOBACCO.—Section 5702 of such Code (relating to definitions) is amended by adding at the end the following new subsection:

''(p) ROLL-YOUR-OWN TOBACCO.—The term 'roll-your-own tobacco' means any tobacco which, because of its appearance, type, packaging, or labeling, is suitable for use and likely to be offered to, or purchased by, consumers as tobacco for making cigarettes.''

(3) TECHNICAL AMENDMENTS.—

(A) Subsection (c) of section 5702 of such Code is amended by striking ''and pipe tobacco'' and inserting ''pipe tobacco, and roll-your-own tobacco''.

(B) Subsection (d) of section 5702 of such Code is amended—

(i) in the material preceding paragraph (1), by striking ''or pipe tobacco'' and inserting ''pipe tobacco, or roll-your-own tobacco'', and

(ii) by striking paragraph (1) and inserting the following new paragraph:

''(1) a person who produces cigars, cigarettes, smokeless tobacco, pipe tobacco, or roll-your-own tobacco solely for the person's own personal consumption or use, and''.

(C) The chapter heading for chapter 52 of such Code is amended to read as follows:

''CHAPTER 52—TOBACCO PRODUCTS AND CIGARETTE PAPERS AND TUBES''.

(D) The table of chapters for subtitle E of such Code is amended by striking the item relating to chapter 52 and inserting the following new item:

''CHAPTER 52. Tobacco products and cigarette papers and tubes.''

(4) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to roll-your-own tobacco removed (as defined in section 5702(p) of the Internal Revenue Code of 1986, as added by this subsection) after December 31, 1995.

(B) TRANSITIONAL RULE.—Any person who—

(i) on the date of the enactment of this Act is engaged in business as a manufacturer of roll-your-own tobacco or as an importer of tobacco products or cigarette papers and tubes, and

(ii) before January 1, 1996, submits an application under subchapter B of chapter 52 of such Code to engage in such business,

may, notwithstanding such subchapter B, continue to engage in such business pending final action on such application. Pending such final action, all provisions of such chapter 52 shall apply to such applicant in the same manner and to the same extent as if such applicant were a holder of a permit under such chapter 52 to engage in such business.

(c) FLOOR STOCKS.—

(1) IMPOSITION OF TAX.—On cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, pipe tobacco, and roll-your-own tobacco manufactured in or imported into the United States which is removed before January 1, 1996, and held on such date for sale by any person, there shall be imposed the following taxes:

(A) SMALL CIGARS.—On cigars, weighing not more than 3 pounds per thousand, $4.6875 per thousand.

(B) LARGE CIGARS.—On cigars, weighing more than 3 pounds per thousand, a tax equal to 53.125 percent of the price for which sold, but not more than $125 per thousand.

(C) SMALL CIGARETTES.—On cigarettes, weighing not more than 3 pounds per thousand, $50 per thousand.

(D) LARGE CIGARETTES.—On cigarettes, weighing more than 3 pounds per thousand, $105 per thousand; except that, if more than 6½ inches in length, they shall be taxable at the rate prescribed for cigarettes weighing not more than 3 pounds per thousand, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette.

(E) CIGARETTE PAPERS.—On cigarette papers, 3.125 cents for each 50 papers or fractional part thereof; except that, if cigarette papers measure more than 6½ inches in length, they shall be taxable at the rate prescribed, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette paper.

(F) CIGARETTE TUBES.—On cigarette tubes, 6.25 cents for each 50 tubes or fractional part thereof; except that, if cigarette tubes measure more than 6½ inches in length, they shall be taxable at the rate prescribed, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette tube.

(G) SNUFF.—On snuff, $16.17 per pound and a proportionate tax at the like rate on all fractional parts of a pound.

(H) CHEWING TOBACCO.—On chewing tobacco, $6.49 per pound and a proportionate tax at the like rate on all fractional parts of a pound.

(I) PIPE TOBACCO.—On pipe tobacco, $2.8125 per pound and a proportionate tax at the like rate on all fractional parts of a pound.

(J) ROLL-YOUR-OWN TOBACCO.—On roll-your-own tobacco, $20.67 per pound and a proportionate tax at the like rate on all fractional parts of a pound.

(2) LIABILITY FOR TAX AND METHOD OF PAYMENT.—

(A) LIABILITY FOR TAX.—A person holding cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, pipe tobacco, and roll-your-own tobacco on January 1, 1996, to which any tax imposed by paragraph (1) applies shall be liable for such tax.

(B) METHOD OF PAYMENT.—The tax imposed by paragraph (1) shall be treated as a tax imposed under section 5701 of the Internal Revenue Code of 1986 and shall be due and payable on February 15, 1996, in the same manner as the tax imposed under such section is payable with respect to cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, pipe tobacco, and roll-your-own tobacco removed on January 1, 1996.

(3) DEFINITIONS.—For purposes of this subsection, the terms ''cigar'', ''cigarette'', ''cigarette paper'', ''cigarette tubes'', ''snuff'', ''chewing tobacco'', ''pipe tobacco'', and ''roll-your-own tobacco'' shall have the meaning given to such terms by subsections (a), (b), (e), and (g), paragraphs (2) and (3) of subsection (n), and subsections (o) and (p) of section 5702 of the Internal Revenue Code of 1986, respectively.

(4) EXCEPTION FOR RETAIL STOCKS.—The taxes imposed by paragraph (1) shall not apply to cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, pipe tobacco, and roll-your-own tobacco in retail stocks held on January 1, 1996, at the place where intended to be sold at retail.

(5) FOREIGN TRADE ZONES.—Notwithstanding the Act of June 18, 1934 (19 U.S.C. 81a et seq.) or any other provision of law—

(A) cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, pipe tobacco, and roll-your-own tobacco—

(i) on which taxes imposed by Federal law are determined, or customs duties are liquidated, by a customs officer pursuant to a request made under the first proviso of section 3(a) of the Act of June 18, 1934 (19 U.S.C. 81c(a)) before January 1, 1996, and

(ii) which are entered into the customs territory of the United States on or after January 1, 1996, from a foreign trade zone, and

(B) cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, pipe tobacco, and roll-your-own tobacco which—

(i) are placed under the supervision of a customs officer pursuant to the provisions of the second proviso of section 3(a) of the Act of June 18, 1934 (19 U.S.C. 81c(a)) before January 1, 1996, and

(ii) are entered into the customs territory of the United States on or after January 1, 1996, from a foreign trade zone,

shall be subject to the tax imposed by paragraph (1) and such cigars, cigarettes, cigarette paper, cigarette tubes, snuff, chewing tobacco, pipe tobacco, and roll-your-own tobacco shall, for purposes of paragraph (1), be treated as being held on January 1, 1996, for sale.

(d) ESTABLISHMENT OF TRUST FUND.—

(1) IN GENERAL.—Subchapter A of chapter 98 of the Internal Revenue Code of 1986 (relating to trust fund code) is amended by adding at the end the following new section:

''SEC. 9512. TOBACCO CONVERSION TRUST FUND.

''(a) CREATION OF TRUST FUND.—There is established in the Treasury of the United

States a trust fund to be known as the 'Tobacco Conversion Trust Fund' (hereafter referred to in this section as the 'Trust Fund'), consisting of such amounts as may be appropriated or credited to the Trust Fund as provided in this section or section 9602(b).

''(b) TRANSFERS TO TRUST FUND.—The Secretary shall transfer to the Trust Fund an amount equivalent to 3 percent of the net increase in revenues received in the Treasury attributable to the amendments made to section 5701 by subsections (a) and (b) of section 2 and the provisions contained in section 2(c) of the Tobacco Consumption Reduction and Health Improvement Act of 1995, as estimated by the Secretary.

''(c) DISTRIBUTION OF AMOUNTS IN TRUST FUND.—Amounts in the Trust Fund shall be available to the Secretary of Agriculture, as provided by appropriation Acts, for making expenditures for purposes of—

''(1) providing assistance to farmers in converting from tobacco to other crops and improving the access of such farmers to markets for other crops, and

''(2) providing grants or loans to communities, and persons involved in the production or manufacture of tobacco or tobacco products, to support economic diversification plans that provide economic alternatives to tobacco to such communities and persons.

The assistance referred to in paragraph (1) may include government purchase of tobacco allotments for purposes of retiring such allotments from allotment holders and farmers who choose to terminate their involvement in tobacco production.''

(2) CLERICAL AMENDMENT.—The table of sections for such subchapter A is amended by adding at the end the following new item:

''Sec. 9512. Tobacco Conversion Trust Fund.''

By Mr. SIMPSON:

S. 805. A bill to improve the rural electrification programs under the Rural Electrification Act of 1936, to improve Federal rural development programs administered by the Department of Agriculture, to provide for exclusive State jurisdiction over retail electric service areas, to prohibit certain practices in the restraint of trade, and for other purposes; to the Committee on Agriculture, Nutrition, and Forestry.

RURAL ELECTRIC LEGISLATION

Mr. SIMPSON. Mr. President, today I am introducing legislation that will improve the Nation's Rural Electric Program by putting some common sense back into the way we use taxpayers' money to fund rural electric and rural development loans. The Rural Electrification and Rural Economic Development Improvement Act of 1995 would amend a law that clearly has not evolved in step with the industry.

The fact is, the growth of our Nation's population has greatly changed—and continues to change—the nature of electric service areas. People are moving into previously underpopulated areas and our current statutes do not address that growth. There was once a widespread need for Government incentives in order to provide ''affordable'' electric service to consumers in many areas, but that need too, has changed.

Many areas of our country which are no longer rural are still being served by Government-subsidized utilities, even though commercial utilities are willing to provide the service. The result is a current policy which puts the U.S. Government right into the fray. We end up with a policy that subsidizes one competitor over another and we charge the bill to the taxpayers. That terrible market distortion is the product of an outdated rural electric policy that must be changed.

Since I arrived in the Senate in 1978, I have watched the current REA system transfer billions of dollars in interest subsidies from taxpayers to rural electric borrowers. Today, many of those borrowers are perfectly capable of competing in the open-market without Government subsidies.

Certainly not all of the borrowers can compete. There are, indeed, many troubled cooperatives that need assistance. That is why the objective of this bill is to pare down the bloated system so that we can continue to fund hardship loans. Nobody wants to pass legislation that will push electric rates through the roof. I certainly do not, and that will not happen with this bill.

My aim is to get the healthy borrowers ''off the dole'' so we can focus scarce funds on the hardship cases. That should be very clear from the beginning. I do not propose eliminating the Rural Utilities Service [RUS] or the subsidized loan program. But we should target assistance to the co-ops that really are incapable of providing affordable electric service in an open market. And we should offer healthy borrowers a nonpunitive road to the free market. Indeed, that is something many of them need.

There are a great number of co-ops out there—both distributors and power suppliers—that are locked in to high cost Government loans. On top of that, many of those distributors are stuck with expensive power supply contracts. The co-ops cannot shop around because they are loaded down with Government-financed debt they cannot afford to privatize. So they must continue on—unable to openly compete—forced to purchase more expensive power and to offset it with Government interest subsidies, while their neighbors, the profit-driven corporations, become more efficient and more competitive.

I trust my colleagues will agree that we should make every effort to get the ''biggest bang for our buck.'' That has been one of the catch phrases of this Congress. And it applies to every Government program, not just the Rural Utilities Service. This week, members of the Budget Committee are confronting the difficult choices essential to balancing the budget by 2002. This means they must identify over $30 billion in cuts each year, for 7 years, more than 10 times the painful cuts we just passed in the rescissions bill. Everyone had best be prepared to take their lumps as we debate reductions in agricultural research, the arts, education, transportation and a host of other important areas—this electric program should not be exempted.

The overall size of the program is staggering. Current outstanding loans exceed $20 billion for distribution cooperatives—they call them ''discos''—they danced through $20 billion and over $40 billion for power supply co-ops—the generation and transmission facilities, or G&T's. This is a behemoth of a Government business. The legislation I am introducing would save taxpayers millions of dollars on interest subsidies alone without repealing the program.

As I say often; borrowers that really need loans should like this bill. Under current law, some of them must wait years to get loans because available funds are allocated on a ''first-come, first-served'' basis and there is not enough to go around. According to the latest rural electric survey there is a $405 million loan backlog this year. That will increase to more than $500 million next year and we still do not allow the RUS to prioritize the money, if you are in the back of the line, you just have to wait.

And please hear this. The system is clogged because any entity that has ever received an REA-approved loan remains eligible for rural electric loans—forever. Hear that. It is a deal. It is ''once a borrower always a borrower'' and there is no end in sight. Even if a co-op is fully able to obtain market-rate credit elsewhere, it can keep coming right back to suckle at the teat of the Federal treasury's low-interest loan program again and again, even sometimes when they have not paid up on the previous one. That is not appropriate and it is not fair and it is not just. My bill would subject RUS borrowers to the very same ''credit elsewhere'' test that all other agricultural borrowers must face.

For example, under current law, the Farmer's Home Administration can only give a loan to a farmer who is unable to obtain ''reasonable credit elsewhere.'' Farmer's Home is ''the lender of last resort.'' But RUS is instead a ''lender of first resort.'' If Congress is serious about privatizing unnecessary Government lending, then we must put a realistic means-test on RUS loans.

Some of the co-ops will tell you they already have a means-test, but let me tell you what that is. In 1992, we limited cheap Government financing for the really wealthy co-ops to 70 percent of their total debt-load. That is not a means-test. There is a big difference between 70 percent and a ''credit elsewhere'' test.

I believe we should retain the current three-tiered financing system that includes hardship loans, direct loans and guaranteed loans. I believe that applicants should only receive such assistance when they cannot get ''credit elsewhere.'' Then, they can come to the Government either for low-interest hardship loans, ''at-cost'' direct loans or a Government guarantee of up to 90 percent.

Under my legislation, the RUS would review the borrower's books every 2

years. If a borrower's circumstances have improved they would then be allowed to prepay their Government loans, without penalty, in order to move into the commercial credit market.

The budget savings in the legislation would come from a reduction in interest subsidies and administrative costs. In fiscal year 1995, the 5 percent hardship loan subsidy cost the taxpayers $10 million, but ''municipal rate'' direct loans cost over $46 million. On top of that, we spent $30 million on administration. Those interest subsidies provided $74 million in hardship loans and $536 million in direct loans from the revolving fund.

My proposal would save over $60 million by using the treasury interest rate for non-hardship direct loans. With direct loans at treasury rate interest, we would save over $60 million next year. Some of that money would go to increasing the appropriation for hardship loans to $25 million, which should more than double the availability of truly necessary loans.

The National Rural Electric Cooperative Association—the NRECA—will surely mobilize to fight this bill. Oh, you bet they will. Its representatives will come to the hill saying that this legislation is going to destroy their industry, it will be a tragic portrait right straight out of ''The Grapes of Wrath.'' But I say that this bill will not cause rural America to wither up and die. Those images are an absolute fiction.

The reality is that the REA has accomplished its mission in many areas of our country. Proof of that lies in the simple fact that competition exists for electric service in many co-op territories. I would ask again, why should the Government continue to subsidize electric loans when private industry is ready and willing to provide reasonable service?

The NRECA will also say that their competitors are trying to gobble up their choice customers. I have heard that one. To that, I would suggest that healthy co-ops should take advantage of this bill and privatize their debt. Investors are out there who want to put money into the co-ops because many of them have rapidly growing residential service areas that are a great investment. Those co-ops should be going head-to-head with their competitors on an even playing field.

On the issue of annexation and territorial predation, I believe the leading role should be played by the State public service commissions. When there are difficult—perhaps even ancestral—disputes over territorial rights, State regulatory commissions are far better suited to make appropriate determinations than is the Federal Government. Local decisions should be made at the local level.

The NRECA will also point a finger at tax incentives that are enjoyed by their profit-driven competitors. They will call that an unfair advantage. But these electric co-ops do not pay any Federal income taxes. They claim they do, indirectly, and that is true. When a cooperative distributes dividends to its members, the members must pay tax on that income. But any ''Joe Citizen'' who owns stock in a power company must also pay income tax on the dividends.

The argument that investor-owned utilities have an unfair tax advantage is senseless. If the co-ops really want the same tax incentives, then we would have to start taxing them. I do not think they want that.

Another very important part of the bill would improve the delivery of rural development funds, specifically low-interest ''water and waste disposal'' loans. We want to ensure that priority here is being given to nonprofit organizations whose projects are included in a local, regional, or statewide development plan. This would assist in the coordination of rural development efforts and it is consistent with the desire to eliminate duplicative spending.

Another item that needs correction is a provision that—since 1987—has allowed electric borrowers to invest up to 15 percent of their total plant value in rural development projects without RUS approval—and without regard to their Federal debt status.

The problem with this is that a co-op which is receiving interest subsidies on its Federal debt could actually invest any excess capital—up to 15 percent of its plant value—in ''rural development projects.'' In theory, the taxpayers subsidize the RUS loans so that borrowers can plug low-interest funds into rural development. But a 1992 USDA inspector general's report uncovered a different picture. Of the more than $8 billion that had been invested by electric borrowers, less than 1 percent actually went to rural development investments.

The inspector general found a disturbing trend in which borrowers took their Government interest subsidies right to ''market-rate Wall Street'' and invested hundreds of millions of dollars not in rural development, but in mutual funds. My bill would reduce that limitation to 3 percent. I believe excess capital should be used to pay off taxpayer-subsidized debt before it is used to enrich the cooperatives.

Mr. President, I come from a State that has been magnificently served by the REA over the years. One of the first national directors of REA was one J.C. ''Kid'' Nichols, a Wyoming businessman who was a dear and lifelong friend of mine. He was there when the agency first embarked upon its mission in this country, a mission to bring electricity and lights to rural America. It was a stunning thing to see.

But if we are to better the lot of rural Americans—and we all know that rural America can use some real help—we need to be honest about how far we have come to where we are and how we can change where we are going. And change we must—with responsibility and with courage. The task we face is great because we have to deal with a massive national debt, an ever-dwindling Federal trough, and the wants of voracious voters.

The rural electric program is a microcosm of everything that is right—and wrong—with our country. On the one hand, the REA wired our homes for sound and light. It surely did that for the folks near my hometown of Cody, WY. And it changed the lives of rural people forever. On the other hand, we have allowed the program to grow so big and so far-reaching that we have lost sight of why it was created in the first place: it was to give rural Americans what the rest of the country had—electric power. Mr. President, that mission has been accomplished and the country has changed. Why does this program plod along—year after year—untouched by all sensibility and reason?

I have often said you show me where we need power lines in rural America today, and I will be right here to appropriate and assist in getting the money to do that in every way, discussing density, discussing all the geographical aspects, all the rest. But I have been watching this issue like a hawk for a lot of years.

I am pleased to offer this bill. I believe that it will save the integrity of the program. I will say it again. Congress must take its deficit cutting task seriously, and this legislation would be an important part of that.

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

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

S. 805

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Rural Electrification and Rural Economic Development Improvement Act of 1995''.

SEC. 2. FINDINGS.

Congress finds that—

(1) the Rural Electrification Administration was created to facilitate the electrification of rural America by providing low-interest loans to electric cooperative associations and other entities for the purpose of constructing and improving rural electric systems;

(2) more than 99 percent of the residents in rural areas of the United States now have affordable and reliable electric service;

(3) a large volume of loans, at subsidized interest rates, continue to be made under the Rural Electrification Act of 1936 to electric cooperative borrowers who could obtain financing at reasonable rates and terms from a source other than the Federal Government and these borrowers have become significant and successful participants in an increasingly competitive electric utility industry;

(4) the Federal Government should make electric loans only to entities that cannot otherwise obtain funding at reasonable rates and terms;

(5) the Rural Electrification Act of 1936 authorizes low-interest and zero-interest loans and grants to be made to borrowers under the Act for the purpose of rural economic development;

(6) these rural economic development programs do not provide benefits to most rural Americans since the majority of these residents receive electric utility service from entities that do not receive financing under the Rural Electrification Act of 1963;

(7) borrowers under the Rural Electrification Act of 1936 are directly eligible for some rural development programs under the Consolidated Farm and Rural Development Act of 1972;

(8) the limited funds made available each year for all rural economic development programs should not favor these individuals who reside in rural areas that are served by borrowers under the Rural Electrification Act of 1936; and

(9) borrowers under the Rural Electrification Act of 1936 should not have a competitive advantage in serving customers in rural areas of the United States.

TITLE I—IMPROVEMENTS TO THE RURAL ELECTRIFICATION LOAN PROGRAMS

SEC. 101. REFERENCES TO THE RURAL ELECTRIFICATION ACT OF 1936.

As used in this title, the term ''the Act'' shall mean ''the Rural Electrification Act of 1936'' (7 U.S.C. 901 et seq.).

SEC. 102. CONFORMING AMENDMENT.

The Act is amended by striking ''TITLE I—RURAL ELECTRIFICATION'' immediately prior to section 1 (7 U.S.C. 901).

SEC. 103. OBJECTIVE OF THE ACT; INVESTIGATIONS AND REPORTS.

Effective October 1, 1995, section 2 of the Act (7 U.S.C. 902) is amended to read as follows:

''SEC. 2. OBJECTIVE OF THE ACT; INVESTIGATIONS AND REPORTS.

''(a) The objective of this Act is to authorize and empower the Secretary to make loans for the purposes of (1) furnishing and improving electric energy services in rural areas of the several States and Territories of the United States, (2) assisting rural electric borrowers to implement demand side management practices, energy conservation programs, and on-grid and off-grid renewable energy systems, and (3) furnishing and improving telephone service in such areas.

''(b) The Secretary may make, or cause to be made, studies, investigations, and reports concerning the availability of adequate electric and telephone services in rural areas of the United States and its Territories and to publish and disseminate information with respect thereto.''.

SEC. 104. APPLICATION OF STATE LAWS OR ORDINANCES CONCERNING ELECTRIC SERVICE.

The Act is amended by adding, after section 2 (7 U.S.C. 902), the following new sections:

''SEC. 2A. STATE REGULATION OF ELECTRIC UTILITY SERVICE.

''Nothing contained in this Act shall be construed to deprive any State commission, board, or other agency of jurisdiction, under any State law, now or hereafter effective, to regulate electric service.

''SEC. 2B. APPLICATION OF STATE LAW.

''(a) Nothing in this Act is intended to prevent a State or political subdivision thereof from enacting and enforcing a law or ordinance concerning the curtailment, limitation, or geographic area of service provided by an electric borrower under this Act if such law or ordinance provides for the just compensation of the borrower for any condemnation, forfeiture, or involuntary sale of a facility, property, right, or franchise of the borrower that secures a loan made under this Act. Any such condemnation, forfeiture, or involuntary sale shall not be construed as interfering with the purposes of this Act.

''(b)(1) Not later than 30 days after a borrower receives such compensation, the Secretary shall require the borrower to use the proceeds of such compensation to prepay, without penalty, all or any portion of the outstanding balance on any loan that was made or guaranteed under this Act for which the Secretary holds a mortgage to, or other security interest in, the facility, property, right, or franchise for which the compensation was provided.

''(2) The Secretary shall also permit the borrower to use any proceeds of such compensation, in excess of the amount needed to prepay a loan under paragraph (1), to prepay, without penalty, all or any portion of any other loan of the borrower made under this Act.''.

SEC. 105. REPEAL OF AUTHORITY FOR TREASURY LOANS.

Section 3 of the Act (7 U.S.C. 903) is repealed.

SEC. 106. REPEAL OF AUTHORIZATION FOR 2 PERCENT INTEREST RATE ELECTRIC LOANS.

Section 4 of the Act (7 U.S.C. 904) is repealed.

SEC. 107. REPEAL OF AUTHORIZATION FOR 2 PERCENT ELECTRICAL AND PLUMBING EQUIPMENT LOANS.

Section 5 of the Act (7 U.S.C. 905) is repealed.

SEC. 108. AUTHORIZATION OF APPROPRIATIONS; REPEAL OF REQUIREMENT FOR TESTIMONY; FEES FOR NON-FINANCIAL ASSISTANCE AND SERVICES.

Section 6 of the Act (7 U.S.C. 906) is amended to read as follows:

''SEC. 6. AUTHORIZATION OF APPROPRIATIONS: USER FEES FOR NON-FINANCIAL ASSISTANCE AND SERVICES.

''(a)(1) Except as provided for in paragraph (2), there are hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such funds as necessary for the purpose of administering this Act and for the purpose of making the studies, investigations, publications, and reports provided for in section 2.

''(2) For each of the fiscal years 1996 through 2000, the amount authorized to be appropriated under paragraph (1), or otherwise made available pursuant to this Act, for the purpose of administering the rural electric program, shall not exceed $15,000,000.

''(b)(1) Effective October 1, 1995, the Secretary shall establish a schedule of fees to be charged for non-financial assistance and services provided by the Secretary to loan applicants, borrowers, and others pursuant to this Act. Such assistance and services shall include, but not be limited to, those relating to accounting, personnel training, engineering, management, auditing, data processing and information system support, duplication of documents, consolidations, and compliance with the provisions of other Federal laws or State laws.

''(2) In establishing the schedule of fees under paragraph (1), the Secretary shall ensure that the amount of each fee shall be sufficient to cover the reasonable cost of the assistance or service provided, as determined by the Secretary.

''(3) The recipient of any non-financial service or assistance provided by the Secretary shall pay to the Secretary the amount of the fee as established in the fee schedule for such service or assistance at such time as the Secretary may require. All fees paid to the Secretary pursuant to this subsection shall be deposited in the Treasury and shall be available to the Secretary, without fiscal year limitation, to pay the cost of providing such non-financial assistance and services pursuant to this Act.''.

SEC. 109. CONFORMING AMENDMENTS.

Section 7 of the Act (7 U.S.C. 907) is amended by—

(a) in the first sentence, striking out ''from the sums authorized in section 3 of this Act'', and inserting in lieu thereof ''from funds made available for the purposes of this Act''; and

(b) in the second sentence, by striking out ''No borrower of funds under sections 4 or 201'' and inserting in lieu thereof ''No borrower liable for the repayment of any telephone loan made under section 201, and, except as otherwise provided for in section 2B or any other provision of this Act, no borrower who is liable on any rural electric loan made under this Act''.

SEC. 110. REPEAL OF OBSOLETE PROVISION RELATING TO TRANSFER OF CERTAIN FUNCTIONS.

(a) Section 8 of the Act (7 U.S.C. 908) is repealed.

(b) Any action made pursuant to section 8 prior to its repeal by subsection (a) shall remain valid and in effect unless otherwise revoked.

SEC. 111. EXPENDITURES FOR PERSONAL SERVICES, SUPPLIES, AND EQUIPMENT.

Section 11 of the Act (7 U.S.C. 911) is amended by adding after ''from sums appropriated pursuant to section 6'' the following: ''or from funds otherwise made available for the purposes of administering this Act''.

SEC. 112. PAYMENT DEFERRAL AUTHORITY.

Section 12 of the Act (7 U.S.C. 912) is amended to read as follows:

''SEC. 12. EXTENSION OF TIME FOR REPAYMENT OF LOANS.—The Secretary may extend the payment of interest or principal of any loan made under this Act if the Secretary determines that the borrower is experiencing a financial hardship. Any payment of interest or principal shall not be extended for more than 5 years after the date on which such was originally due, and interest shall accrue on the amount of any such payment at the rate of interest on the underlying loan, which interest shall become due and payable at the same time as the payment for which the extension was made.''.

SEC. 113. DEFINITION OF RURAL AREA.

Section 13 of the Act (7 U.S.C. 913) is amended by adding at the end thereof the following: ''Any determination with respect to whether an area is a rural area, under the preceding sentence, shall be made at the time the application is filed, and, under no circumstances, shall any previous determination that the area was rural for the purposes of this Act be used to make such determination.''.

SEC. 114. GENERAL PROHIBITIONS; ORIGINATION FEES; USE OF CONSULTANTS.

Section 18 of the Act (7 U.S.C. 918) is amended by—

(a) in subsection (a), striking out ''reduce any loan or loan advance'' and inserting in lieu thereof ''reduce any rural telephone loan or loan advance'';

(b) in subsection (b), after ''connection with any'', inserting ''telephone''; and

(c) striking out subsection (c).

SEC. 115. AUTHORIZATION OF LOANS TO RURAL ELECTRIC PROVIDERS.

Effective October 1, 1995, the Act is amended by adding after section 18 (7 U.S.C. 918), a new Title I as follows:

''TITLE I—RURAL ELECTRIFICATION LOANS.

''SEC. 101. LIMITATION ON AUTHORITY TO MAKE, INSURE, AND GUARANTEE ELECTRIC LOANS.—No electric loan shall be made, insured, or guaranteed, under this Act after September 30, 1995, except as authorized in sections 102 and 103.

''SEC. 102. DIRECT ELECTRIC LOANS.—(a) The Secretary is authorized and empowered to make loans to corporations, States, Territories, and subdivisions and agencies thereof,

municipalities, peoples' utility districts, and cooperative, nonprofit, or limited-dividend associations, organized under the laws of any State or Territory of the United States, for the purpose of financing the construction and operation of generating plants, electric transmission and distribution lines or systems for the furnishing of electric energy to persons in rural areas and for furnishing and improving electric service to persons in rural areas, including assisting electric borrowers to implement demand side management, energy conservation programs, and on-grid and off-grid renewable energy systems.

''(b) Loans made under this section shall be on such terms and conditions relating to the expenditure of the money loaned and the security therefore as the Secretary shall determine.

''(c)(1) The Secretary shall prioritize the making of loans authorized by this section to ensure that eligible applicants with the greatest need for Federal assistance shall have the highest priority for available loan funds.

''(2) In establishing such priorities, the Secretary shall consider the following indicators of need:

''(A) The net income before interest of the applicant;

''(B) The weighted average of per capita personal income for the area served or to be served by the applicant;

''(C) The weighted average unemployment rate of the area served or to be served by the applicant;

''(D) An average annual rate of growth in the total kilowatt hour sales of the applicant during the five year period preceding the date on which the application is made;

''(E) The rate of disparity, measured as the difference between the residential rate of the applicant and the average residential rate in the State for all electric utilities, including utilities that are not borrowers under this Act;

''(F) The rate level, measured by the average revenue per kilowatt hour that is sold by the applicant to residential and farm consumers;

''(G) The cost of power per kilowatt hour purchased or generated by the applicant;

''(H) The total kilowatt hour sales per mile of distribution and transmission line, excluding large commercial and industrial consumers and sales for resale; and

''(I) The value of distribution and transmission plants in service per kilowatt hours of electricity sold.

''(d)(1)(A) The Secretary shall not make any loan under this section if the Secretary determines that the applicant is capable of producing net income before interest of more than 500 percent of the interest requirements on all of the outstanding and proposed loans of the applicant for which the final maturity is greater than one year.

''(B) If the Secretary determines that the applicant is capable of producing net income before interest of more than 200 percent of the interest requirement of all of the outstanding and proposed loans of the applicant for which the final maturity is greater than one year, the Secretary shall require the applicant to secure at least 10 percent of the total financing required for the proposed project with a loan from a commercial, cooperative, or other legally organized non-governmental lending institution, which loan may not be guaranteed under section 103.

''(2) The Secretary shall not make a loan under this section unless the Secretary determines that the applicant is capable of producing income sufficient to repay the loan in accordance to its terms within the agreed time, pay interest on the loan as it becomes due, and repay all other outstanding and proposed indebtedness of the applicant, together with any interest thereon, as payments become due.

''(3)(A) The Secretary shall not make any loan under this section unless the Secretary determines that the applicant is unable to obtain all or any part of the funds needed by the applicant elsewhere, including from (i) general funds of the applicant that are in excess of an amount needed for a reasonable reserve, or (ii) loans (with or without a guarantee under section 103) from commercial, cooperative, or other legally organized lending institutions at reasonable rates and terms for loans for similar purposes and periods of time.

''(B) The Secretary shall require the applicant to certify in writing that the applicant is unable to obtain sufficient credit elsewhere to finance all or any part of the actual needs of the applicant at reasonable rates and terms, taking into consideration prevailing rates for loans and obligations for similar purposes and periods of time.

''(4) The Secretary shall not make a loan under this section unless the Secretary determines that the security for the loan will be adequate to ensure full payment of the loan.

''(5) The Secretary shall not make any loan under this section unless the applicant has agreed to comply with the requirements of the graduation program established under section 105.

''(6) The Secretary shall not make any loan under this section unless all additional requirements of section 104 have been met.

''(e) The term of each loan made under this section shall be determined by the Secretary and shall not exceed 35 years, or the expected useful life of the assets being financed, whichever is less.

''(f)(1) Except as provided for in paragraph (2), the rate of interest on loans under this section shall be equal to the then current costs of money to the Government of the United States for obligations of comparable maturity.

''(2)(A) If the Secretary determines that the applicant is not capable of producing net income before interest of more than 200 percent of the interest requirements on all of the outstanding and proposed loans of the applicant for which the final maturity is greater than one year, the rate of interest on the loan shall be the rate established under paragraph (1) but not more than 5 percent per year, except as provided under subparagraph (B).

''(B) For any loan whose term is 10 years or more and whose interest rate is limited to 5 percent per year under subparagraph (A), the Secretary shall review the financial status of the borrower every 2 years, and, if the Secretary determines that the borrower is capable of producing net income before interest of more than 200 percent of the interest requirements on all of the outstanding and proposed loans of the applicant for which the final maturity is greater than one year, the 5 percent limitation shall no longer apply to the loan and the rate for the remaining term of the loan shall be the original rate established under paragraph (1).

''(g) The Secretary shall charge a loan origination fee of one percent of the amount of the loan if the Secretary determines that the applicant is capable of producing net income before interest of more than 200 percent of the interest requirements on all of the outstanding and proposed loans of the applicant for which the final maturity is greater than one year.

''(h) The Secretary may provide a borrower the right to make payment in full on a loan made under this section in advance of final maturity on terms consistent with those provided for commercial loans for similar purposes and maturities.

''SEC. 103. GUARANTEES OF ELECTRIC LOANS FROM NON-GOVERNMENTAL SOURCES OF CREDIT' LIEN ACCOMMODATIONS.—(a)(1) To the extent set out in Paragraph (2), the Secretary is authorized and empowered, to guarantee loans that are made by commercial, cooperative, or other legally-organized non-governmental lending institutions to any entity, and for any purpose, described in section 102(a).

''(2) The Secretary shall guarantee only the payment of that portion of the principal of the loan, and that portion of the interest thereon, that the lender requires as a condition for making the loan. The amount of any such guarantee shall not exceed 90 percent of the principal of the loan and the interest thereon.

''(3) The Secretary shall not guarantee any loan to an entity that the Secretary determines is capable of producing income before interest of more than 600 percent of the interest requirements on all of the outstanding and proposed loans of the entity for which the final maturity is greater than one year.

''(4) The Secretary shall impose such fees and charges to cover the administrative expense related to any guarantee made under this section as the Secretary determines reasonable.

''(5) Any contract of guarantee executed by the Secretary under this section shall be an obligation supported by the full faith and credit of the United States and incontestable except for fraud or misrepresentation of which the holder of the guarantee had actual knowledge at the time it become a holder.

''(6) The Secretary shall not guarantee any loan under this section unless all additional requirements of section 104 have been met.

''(b) In order to encourage non-governmental lenders to make loans to eligible entities, or to provide a greater portion of the credit needs of an applicant for a loan under section 102, the Secretary is authorized to share the Government's lien on the loan applicant's or borrower's assets or to subordinate the Government's lien on the property to be financed by the lender. The Secretary shall not offer such accommodation or subordination unless the Secretary determines that the security for all loans made or guaranteed under this Act, the payment of which the borrower is liable, will remain reasonably adequate.

''SEC. 104. ADDITIONAL REQUIREMENTS AND PROVISIONS RELATING TO LOANS AND GUARANTEES.—(a) The Secretary shall not make any loan under section 102 or guarantee any loan under section 103—

''(1) if all or any part of the loan to be made or guaranteed will be used to expand the service territory of the applicant or borrower, as the case may be, into an area in which consumers are being served by another utility;

''(2) if the applicant or the borrower, as the case may be, has not agreed to follow generally accepted accounting procedures and management practices;

''(3) if the applicant or borrower, as the case may be, is prohibited by a charter, bylaw, statute, or regulation, or is otherwise prohibited, from disposing of any or all of the property of the applicant or borrower by a vote greater than a majority of the membership of the applicant or borrower voting in person or by proxy; and

''(4) if the applicant or borrower fails to agree to provide to the Secretary a complete and current set of all residential, commercial, or industrial tariffs or rate schedules, power sale agreement, and transmission agreements, and any subsequent changes made thereto, and any additional power sale and transmission agreements entered into by the borrower, during the term of the loan; any such tariffs, schedules, and agreements

provided to the Secretary shall be deemed public information and shall be made available within 10 working days of receipt of a verbal, written or electronically transmitted request reasonably describing the information sought.

''(b) The Secretary shall ensure that funds shall not be advanced under any loan made section 102 or guaranteed under section 103 unless the approval of any State or Federal agency required with respect to the project to be financed by the loan, or its financing, has been obtained and remains in effect.

''(c) If the Secretary determines that the level of general funds of an applicant or borrower is in excess of that needed for a reasonable reserve, the Secretary shall reduce (A) the amount of the loan request in the case of an applicant under section 102, (B) the amount of any advance on a loan made under section 102, or (C) the amount of any guarantee under section 103.

''(d) Loans may be made under section 102, or guaranteed under section 103, only to the extent that electrical service to consumers in rural areas will be provided or improved by the facility being financed.

''SEC. 105. GRADUATION PROGRAM.—(a) The Secretary shall establish a program under which at least once every 2 years each loan made under section 102 shall be reviewed to determine whether the borrower (1) is able to repay all or any part of the loan with general funds in excess of that needed for a reasonable reserve, or (2) may be able to obtain credit from a commercial, cooperative, or other legally organized non-governmental lending institution in an amount sufficient to meet all or any part of the credit needs of the borrower at reasonable rates and terms, taking into consideration prevailing rates for loans and obligations for similar purposes and periods of time.

''(b)(1) To the extent that the Secretary determines that the borrower is able to repay all or any part of the loan from general funds, the borrower shall make payment in full or in part on the loan, without penalty, at such time as the Secretary may require prior to the final maturity date of the loan.

''(2) If the Secretary determines that the borrower may be able to meet all or any part of its credit needs from other lenders, with or without a loan guarantee under section 103, the borrower shall be required to—

''(A) apply for and accept credit from such lenders, and purchase any stock necessary in connection with the loan if the source is a cooperative lending institution; and

''(B) use the proceeds of such credit to make payment, in full or in part, without penalty, on any loan made to the borrower under section 102 at such time as the Secretary may require prior to the final maturity date of such loan.

''SEC. 106. FAILURE TO COMPLY WITH THE ACT.—If a borrower of a loan made under section 102 fails to comply with any provision of this Act, or any agreement between the borrower and the Secretary made pursuant thereto, including, but not limited to, the provisions of section 104(a)(6) and section 105, the amount outstanding on the loan shall become due and payable upon receipt of a written notice of such failure issued by the Secretary to the borrower. Such notice shall be given to the borrower as soon as possible after such failure to comply with the Act occurs.

''SEC. 107. LIMITATION ON AUTHORIZATION FOR APPROPRIATIONS.—In the case of each fiscal year 1996 through 2000, there are authorized to be appropriated to the Secretary for the cost, as defined in Section 502 of the Congressional Budget Act of 1974, of loans made and guaranteed under this title, $25,000,000.''.

SEC. 116. CONFORMING AMENDMENT.

Section 201 of the Act (7 U.S.C. 921) is amended, in the first sentence, by—

(a) striking out ''section 3 of''; and

(b) striking out ''as are provided in section 4 of this Act'' and inserting ''as was provided in section 4 of this Act prior to its repeal.''.

SEC. 117. RURAL ELECTRIFICATION AND TELEPHONE REVOLVING FUND.

Section 301 of the Act (7 U.S.C. 931) is amended by—

(a) redesignating subsection (a) as subsection (b);

(b) adding a new subsection (a) as follows:

''(a) The provisions of this title shall be applicable only to rural electric loans made prior to October 1, 1995, and to rural telephone loans.''; and

(c) in subsection (b), as redesignated,

(1) in paragraph (1), striking out ''under sections 4, 5, and 201 of this Act'' and inserting in lieu thereof ''under sections 4 and 5, prior to their repeal, and section 201 of this Act'';

(2) in paragraph (2), striking out ''under sections 4, 5, and 201'' and inserting in lieu thereof ''under sections 4 and 5, prior to their repeal, and section 201 of this Act''; and

(3) in paragraph (3)—

(A) striking out ''notwithstanding section 3(a) of title I''; and

(B) striking out ''held under titles I and II of this Act'' and inserting in lieu thereof ''held under sections 2 through 18 of this Act, prior to the amendments made thereto by the ''Rural Electrification and Rural Economic Development Improvement Act of 1995, and title II of this Act''.

SEC. 118. CONFORMING AMENDMENTS.

Section 302 of the Act (7 U.S.C. 932) is amended by—

(a) in subsection (a), striking out ''under sections 4, 5, and 201 of this Act'' and inserting in lieu thereof ''under sections 4 and 5, prior to their repeal, and section 201 of this Act''; and

(b) in subsection (b)—

(1) in paragraph (1), striking our ''under sections 4, 5, and 201 of this Act'' and inserting in lieu thereof ''under sections 4 and 5, prior to their repeal, and section 201 of this Act''; and

(2) in paragraph (2), adding after ''pursuant to section 3(a) of this Act'' the following: ''prior to its repeal''.

SEC. 119. COST OF MONEY RATES FOR CERTAIN ELECTRIC BORROWERS.

Section 305(c)(2) of the Act (7 U.S.C. 935(c)(2)) is amended to read as follows:

''(2) COST OF MONEY LOANS.—

''The Secretary shall make insured electric loans, to the extent of qualifying applications, to eligible applicants that do not meet the requirements for hardship loans under paragraph (1) at the rate of interest equal to then current cost of money to the Government of the United States for loans of similar maturity.''.

SEC. 120. LIMITATION OF TERMS OF LOANS.

Section 305(c) of the Act (7 U.S.C. 935(c)) is amended by adding at the end thereof a new paragraph (4) as follows:

''(4) LIMITATION ON TERMS OF LOANS.—

''The term of any loan made under this subsection may not exceed the expected useful life of the assets being financed or 35 years, whichever is less.''.

SEC. 121. ACCOMMODATION AND SUBORDINATION OF LIENS TO ASSIST CERTAIN BORROWERS IN ACQUIRING CREDIT AFTER OCTOBER 1, 1996.

Effective October 1, 1995, section 306 of the Act (7 U.S.C. 936) is amended by—

(a) Adding ''(a)'' before the first sentence; and

(b) Adding at the end thereof a new subsection (b) as follows:

''(b) In order to assist borrowers with outstanding electric loans made under this Act prior to October 1, 1995, who are not eligible for loans under section 102 to meet their further credit needs from commercial, cooperative, or other legally organized lending institutions, the Secretary is authorized to share the Government's lien on the borrower's assets or to subordinate the Government's lien on the property to be financed by the lender to the extent that the Secretary determines that the security for all loans of the borrower made or guaranteed under this Act will remain reasonably adequate.''.

SEC. 122. REPEAL OF AUTHORIZATION TO REFINANCE FEDERAL FINANCING BANK LOANS.

Section 306C of the Act (7 U.S.C. 936c) is repealed.

SEC. 123. REPEAL OF REQUIREMENT FOR SPECIAL TREATMENT OF CERTAIN ELECTRIC BORROWERS.

Section 306E of the Act (7 U.S.C. 936e) is repealed.

SEC. 124. REPEAL OF 30 PERCENT LIMITATION ON REQUIRED FINANCING FROM OTHER SOURCES.

Section 307 of the Act (7 U.S.C. 937) is amended by striking out the last sentence thereof.

SEC. 125. REPEAL OF AUTHORIZATION TO REFINANCE CERTAIN RURAL DEVELOPMENT LOANS.

Section 310 of the Act (7 U.S.C. 940) is repealed.

SEC. 126. USE OF FUNDS.

Section 312 of the Act (7 U.S.C. 940b) is repealed.

SEC. 127. REPEAL OF CUSHION OF CREDIT PAYMENTS PROGRAM.

Section 313 of the Act (7 U.S.C. 940c) is repealed.

SEC. 128. REPEAL OF CERTAIN AUTHORIZATIONS FOR APPROPRIATIONS.

Section 314 of the Act (7 U.S.C. 940d) is amended in subsection (b) by—

(a) striking out paragraphs (1) and (2); and

(b) renumbering paragraphs (3) and (4) as paragraphs (1) and (2), respectively.

TITLE II—PRESERVATION OF EXCLUSIVE STATE JURISDICTION OVER RETAIL ELECTRIC SERVICE TERRITORIES.

SEC. 201. AMENDMENT TO THE FEDERAL POWER ACT OF 1935.

Section 201 of the Federal Power Act of 1935 (16 U.S.C. 824) is amended by adding at the end thereof the following new subsection:

''(h) EXCLUSIVE STATE JURISDICTION OVER ALLOCATION OF RETAIL ELECTRIC SERVICE TERRITORIES.—

''Notwithstanding any other provision of law, the regulation and allocation of service territories or service areas to providers of electric service shall be subject only to State law and shall not be subject to the requirements of this Act, or any other provision of Federal law. No Executive agency (as defined in section 105 of title 5, United States Code) shall have authority to preempt or interfere with the operation of any law of a State or a political subdivision of a State relating to a service territory or service area allocation to providers of electric service.''.

TITLE III—IMPROVEMENTS TO THE DELIVERY OF RURAL DEVELOPMENT PROGRAMS

SEC. 301. ELIGIBILITY FOR WATER AND WASTE LOAN AND GRANT PROGRAMS.

The Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) is amended by—

(1) in subsection (a) of section 306 (7 U.S.C. 1926(a)), striking out the second sentence; and

(2) in section 365 (7 U.S.C. 2008), striking out subsection (h).

SEC. 302. REGULATIONS UNDER SECTION 370 OF THE CONSOLIDATED FARM AND RURAL DEVELOPMENT ACT.

If the Secretary of Agriculture has not issued final or interim final regulations to ensure compliance with the provisions of section 370(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2008e) on or before September 30, 1995, the Secretary shall not make any loan, loan advance, or grant for rural development purposes under any provision of such Act or any loan, loan advance, or grant under any provision of the Rural Electrification Act of 1936 until such regulations are issued.

SEC. 303. ADMINISTRATION OF RURAL DEVELOPMENT PROGRAMS.

The Consolidated Farm and Rural Development Act of 1972 (7 U.S.C. 1921 et seq.) is amended by adding at the end therefore the following new section:

"SEC. 372. ADMINISTRATION OF RURAL DEVELOPMENT PROGRAMS.

''Notwithstanding any other provision of law, in administering all rural development programs and activities, other than rural development programs relating to rural businesses and industry development, the Secretary shall give priority, in the awarding of all loans and grants (including, but not limited to, grants and loans provided under Title V of the Rural Electrification Act of 1936), to rural development projects that are included in a local, regional, or State-wide development plan and the Secretary shall give the highest priority to public bodies and nonprofit entities that operate on a nonprofit basis.''.

SEC. 304. EQUAL ACCESS TO FEDERAL RURAL DEVELOPMENT FUNDS.

Section 502 of the Rural Electrification Act of 1936 (7 U.S.C. 950aa–1) is amended—

(a) in paragraph (1) of subsection (b)—

(1) in the first sentence, by striking out ''Borrowers under this Act'' and inserting in lieu thereof ''Borrowers under this Act and all nonprofit entities''; and

(2) by striking out the second sentence.

(b) in section (b), by adding at the end thereof the following new paragraph:

''(4) PREFERENCE FOR NONPROFIT ENTITIES.—In reviewing applications for assistance, the Secretary shall give the highest priority to those applications and preapplications submitted by nonprofit entities that operate on a nonprofit basis.''; and

(c) in subsection (e), by striking out the second sentence.

SEC. 305. ELIMINATION OF DUPLICATIVE PROGRAMS.

Section 2322 of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 1926–1) is repealed.

ADDITIONAL COSPONSORS

S. 158

At the request of Mr. BREAUX, his name was added as a cosponsor of S. 158, a bill to provide for the energy security of the Nation through encouraging the production of domestic oil and gas resources in deep water on the Outer Continental Shelf in the Gulf of Mexico, and for other purposes.

S. 256

At the request of Mr. DOLE, the name of the Senator from New York [Mr. MOYNIHAN] was added as a cosponsor of S. 256, a bill to amend title 10, United States Code, to establish procedures for determining the status of certain missing members of the Armed Forces and certain civilians, and for other purposes.

S. 494

At the request of Mr. KYL, the name of the Senator from Mississippi [Mr. LOTT] was added as a cosponsor of S. 494, a bill to balance the Federal budget by fiscal year 2002 through the establishment of Federal spending limits.

S. 650

At the request of Mr. SHELBY, the names of the Senator from New Hampshire [Mr. GREGG], the Senator from Indiana [Mr. COATS], the Senator from Mississippi [Mr. LOTT], and the Senator from Mississippi [Mr. COCHRAN] were added as cosponsors of S. 650, a bill to increase the amount of credit available to fuel local, regional, and national economic growth by reducing the regulatory burden imposed upon financial institutions, and for other purposes.

SENATE CONCURRENT RESOLUTION 3

At the request of Mr. SIMON, the names of the Senator from Missouri [Mr. ASHCROFT] and the Senator from Connecticut [Mr. LIEBERMAN] were added as cosponsors of Senate Concurrent Resolution 3, a concurrent resolution relative to Taiwan and the United Nations.

AMENDMENTS SUBMITTED

THE ALASKA POWER ADMINISTRATION SALE ACT TRANS-ALASKA PIPELINE AMENDMENT ACT OF 1995

MURKOWSKI AMENDMENT NO. 1078

Mr. MURKOWSKI proposed an amendment to the bill (S. 395) to authorize and direct the Secretary of Energy to sell the Alaska Power Administration, and for other purposes; as follows:

Strike the text of Title II and insert the following text:

TITLE II

SEC. 201. SHORT TITLE.

This Title may be cited as ''Trans-Alaska Pipeline Amendment Act of 1995''.

SEC. 202. TAPS ACT AMENDMENTS.

Section 203 of the Act entitled the ''Trans-Alaska Pipeline Authorization Act,'' as amended (43 U.S.C. 1652), is amended by inserting the following new subsection (f):

(f) EXPORTS OF ALASKAN NORTH SLOPE OIL.—

(1) Subject to paragraphs (2) through (6), of this subsection and notwithstanding any other provision of law (including any regulation), any oil transported by pipeline over right-of-way granted pursuant to this section may be exported after October 31, 1995 unless the President finds that exportation of this oil is not in the national interest. In evaluating whether the proposed exportation is in the national interest, the President—

(A) shall determine whether the proposed exportation would diminish the total quantity or quality of petroleum available to the United States; and

(B) shall conduct and complete an appropriate environmental review of the proposed exportation, including consideration of appropriate measures to mitigate any potential adverse effect on the environment, within four months after the date of enactment of this subsection.

The President shall make his national interest determination within five months after the date of enactment of this subsection or 30 days after completion of the environmental review, whichever is earlier. The President may make his determination subject to such terms and conditions (other than a volume limitation) as are necessary or appropriate to ensure that the exportation is consistent with the national interest.

(2) Except in the case of oil exported to a country pursuant to a bilateral international oil supply agreement entered into by the United States with the country before June 25, 1979, or to a country pursuant to the International Emergency Oil Sharing Plan of the International Energy Agency, any oil transported by pipeline over right-of-way granted pursuant to this section, shall, when exported, be transported by a vessel documented under the laws of the United States and owned by a citizen of the United States (as determined in accordance with section 2 of the Shipping Act, 1916 (46 U.S.C. App. 802)).

(3) Nothing in this subsection shall restrict the authority of the President under the Constitution, the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.), or the National Emergencies Act (50 U.S.C. 1601 et seq.) to prohibit exportation of the oil.

(4) The Secretary of Commerce shall issue any rules necessary for implementation of the President's national interest determination within 30 days of the date of such determination by the President. The Secretary of Commerce shall consult with the Secretary of Energy in administering the provisions of this subsection.

(5) If the Secretary of Commerce finds that anticompetitive activity by a person exporting crude oil under authority of this subsection has caused sustained material crude oil supply shortages or sustained crude oil prices significantly above world market levels and further finds that these supply shortages or price increases have caused sustained material adverse employment effects in the United States, the Secretary of Commerce may recommend to the President appropriate action against such person, which may include modification of the authorization to export crude oil.

(6) Administrative action with respect to an authorization under this subsection is not subject to sections 551 and 553 through 559 of title 5, United States Code.

SEC. 203. ANNUAL REPORT.

Section 103(f) of the Energy Policy and Conservation Act (42 U.S.C. 6212(f)) is amended by adding at the end thereof the following:

''In the first quarter report for each new calendar year, the President shall indicate whether independent refiners in Petroleum Administration for Defense District V have been unable to secure adequate supplies of crude oil as a result of exports of Alaskan North Slope crude oil in the prior calendar year and shall make such recommendations to the Congress as may be appropriate.''.

SEC. 204. GAO REPORT.

The Comptroller General of the United States shall conduct a review of energy production in California and Alaska and the effects of Alaskan North Slope crude oil exports, if any, on consumers, independent refiners, and shipbuilding and ship repair yards on the West Coast. The Comptroller General shall commence this review four years after the date of enactment of this Act and, within one year after commencing the review, *shall* provide a report to the Committee on Energy and Natural Resources in the Senate and the Committee on Resources in the House of Representatives. The report shall contain a