for the period October 1, 1994 through March 31, 1995; to the Committee on Governmental Affairs.

EC–1014. A communication from the Secretary of Energy, transmitting, pursuant to law, the report under the Inspector General Act for the period October 1, 1994 through March 31, 1995; to the Committee on Governmental Affairs.

EC–1015. A communication from the Chairman of the Federal Maritime Commission, transmitting, pursuant to law, the report under the Inspector General Act for the period October 1, 1994 through March 31, 1995; to the Committee on Governmental Affairs.

EC–1016. A communication from the Secretary of Labor, transmitting, pursuant to law, the report under the Inspector General Act for the period October 1, 1994 through March 31, 1995; to the Committee on Governmental Affairs.

EC–1017. A communication from the Chairman of the Board of Governors of the Federal Reserve System, transmitting, pursuant to law, the report under the Inspector General Act for the period October 1, 1994 through March 31, 1995; to the Committee on Governmental Affairs.

EC–1018. A communication from the Administrator of the General Services Administration, transmitting, pursuant to law, the report under the Inspector General Act for the period October 1, 1994 through March 31, 1995; to the Committee on Governmental Affairs.

EC–1019. A communication from the Chairman of the National Credit Union Administration, transmitting, pursuant to law, the report under the Inspector General Act for the period October 1, 1994 through March 31, 1995; to the Committee on Governmental Affairs.

EC–1020. A communication from the Chairman of the Securities and Exchange Commission, transmitting, pursuant to law, the report under the Inspector General Act for the period October 1, 1994 through March 31, 1995; to the Committee on Governmental Affairs.

EC–1021. A communication from the Chairman of the Board of Directors of the Panama Canal Commission, transmitting, pursuant to law, the report under the Inspector General Act for the period October 1, 1994 through March 31, 1995; to the Committee on Governmental Affairs.

EC–1022. A communication from the Chairman of the Federal Election Commission, transmitting, pursuant to law, the report under the Government in the Sunshine Act for calendar year 1994; to the Committee on Governmental Affairs.

EC–1023. A communication from the Administrator of the Office of Independent Counsel, transmitting, pursuant to law, the report on audit and investigative activities; to the Committee on Governmental Affairs.

EXECUTIVE REPORTS OF COMMITTEES

The following executive reports of committees were submitted:

By Mr. THURMOND, from the Committee on Armed Services:

John P. White, of Massachusetts, to be Deputy Secretary of Defense.

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

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. GREGG:

S. 924. A bill to amend the Internal Revenue Code of 1986 to provide a reduction in the capital gains tax for assets held more than 2 years, to impose a surcharge on short-term capital gains, and for other purposes; to the Committee on Finance.

By Mr. MACK (for himself, Mr. LIEBERMAN, Mr. GRAMM, Mr. HELMS, and Mr. DOLE):

S. 925. A bill to impose congressional notification and reporting requirements on any negotiations or other discussions between the United States and Cuba with respect to normalization of relations; to the Committee on Foreign Relations.

By Mr. BRYAN:

S. 926. A bill to improve the interstate enforcement of child support and parentage court orders, and for other purposes; to the Committee on Finance.

By Mr. HELMS:

S. 927. A bill to provide for the liquidation or reliquidation of a certain entry of warp knitting machines as free of certain duties; to the Committee on Finance.

By Mr. INHOFE (for himself, Mr. BURNS, and Mrs. KASSEBAUM):

S. 928. A bill to enhance the safety of air travel through a more effective Federal Aviation Administration, and for other purposes; to the Committee on Commerce, Science, and Transportation.

By Mr. ABRAHAM (for himself, Mr. DOLE, Mr. FAIRCLOTH, Mr. NICKLES, Mr. GRAMM, and Mr. BROWN):

S. 929. A bill to abolish the Department of Commerce; to the Committee on Governmental Affairs.

By Mr. SHELBY (for himself, Mr. LOTT, Mr. BROWN, Mr. FAIRCLOTH, Mr. GRASSLEY, Mr. INHOFE, Mr. MACK, Mr. MCCONNELL, and Mr. SIMPSON):

S. 930. A bill to require States receiving prison construction grants to implement requirements for inmates to perform work and engage in educational activities, and for other purposes; to the Committee on the Judiciary.

By Mr. PRESSLER (for himself, Mr. DASCHLE, Mr. GRASSLEY, Mr. HARKIN, and Mr. WELLSTONE):

S. 931. A bill to authorize the construction of the Lewis and Clark Rural Water System and to authorize assistance to the Lewis And Clark Rural Water System, Inc., a nonprofit corporation, for the planning and construction of the water supply system, and for other purposes; to the Committee on Energy and Natural Resources.

By Mr. JEFFORDS (for himself, Mr. KENNEDY, Mr. CHAFEE, Mr. AKAKA, Mr. BINGAMAN, Mrs. BOXER, Mr. BRADLEY, Mr. DODD, Mr. FEINGOLD, Mrs. FEINSTEIN, Mr. GLENN, Mr. HARKIN, Mr. INOUYE, Mr. KERREY, Mr. KERRY, Mr. KOHL, Mr. LAUTENBERG, Mr. LEAHY, Mr. LEVIN, Mr. LIEBERMAN, Ms. MIKULSKI, Ms. MOSELEY-BRAUN, Mr. MOYNIHAN, Mrs. MURRAY, Mr. PACKWOOD, Mr. PELL, Mr. ROBB, Mr. SARBANES, Mr. SIMON, and Mr. WELLSTONE):

S. 932. A bill to prohibit employment discrimination on the basis of sexual orientation; to the Committee on Labor and Human Resources.

By Mr. SIMON:

S. 933. A bill to amend the Public Health Service Act to ensure that affordable, comprehensive, high quality health care coverage is available through the establishment of State-based programs for children and for all uninsured pregnant women, and to facilitate access to health services, strengthen public health functions, enhance health-related research, and support other activities that improve the health of mothers and children, and for other purposes; to the Committee on Labor and Human Resources.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

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

By Mr. DOLE (for himself and Mr. DASCHLE):

S. Res. 134. A resolution expressing the Senate's gratitude to Sheila P. Burke for her service as Secretary of the Senate; considered and agreed to.

S. Res. 135. A resolution to authorize production of documents, testimony by a former Senate employee and representation by Senate Legal Counsel; considered and agreed to.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. GREGG:

S. 924. A bill to amend the Internal Revenue Code of 1986 to provide a reduction in the capital gains tax for assets held more than 2 years, to impose a surcharge on short-term capital gains, and for other purposes; to the Committee on Finance.

THE LONG-TERM INVESTMENT INCENTIVE ACT OF 1995

• Mr. GREGG. Mr. President, I introduce a bill that will have a significant impact on the promotion of long-term investment through a reduction in the capital gains tax. I believe the Congress has a responsibility to enact laws promoting long-term capital investment and savings by all Americans. Part of fulfilling this obligation must include implementing a plan that would reduce the current capital gains tax rate on long-term investments.

We must also, however, balance this important economic goal against the moral issue of adding increasing debt onto our children's shoulders. This becomes an unavoidable issue in the capital gains debate because the Joint Committee on Taxation scores capital gains a big revenue loser. This scoring issue is an unfortunate fact that we in Congress cannot ignore.

Accordingly, I have developed legislation that would encourage long-term investment by amending the current capital gains tax using a sliding scale plan. My bill encourages an individual to hold an asset over a number of years, thus, allowing a greater tax reduction on investments, with the maximum benefit being reached after 4 years. It would reward individuals who look toward contributing to a savings plan over a number of years, while at the same time making quick fix investments less attractive. This sliding scale plan would encourage investments that benefit long-term savings,

such as a child's education, an individual's retirement, or other nonspeculative holdings.

The theory behind the sliding scale reduction on capital gains hinges upon an agreed goal: the promotion of savings and long-term investment through a capital gains cut, while recognizing our current fiscal realities. The Joint Committee on Taxation estimates this plan would lose just $7.4 billion in revenue over the 1995–2000 period.

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. 924

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

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This Act may be cited as the ''Long-Term Investment Incentive Act of 1995''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

SEC. 2. REDUCTION OF TAX ON LONG-TERM CAPITAL GAINS ON ASSETS HELD MORE THAN 2 YEARS.

(a) IN GENERAL.—Part I of subchapter P of chapter 1 (relating to treatment of capital gains) is amended by redesignating section 1202 as section 1203 and by inserting after section 1201 the following new section:

''SEC. 1202. CAPITAL GAINS DEDUCTION FOR ASSETS HELD BY NONCORPORATE TAXPAYERS MORE THAN 2 YEARS.

''(a) GENERAL RULE.—If a taxpayer other than a corporation has a net capital gain for any taxable year, there shall be allowed as a deduction an amount equal to the sum of—

''(1) 20 percent of the qualified 4-year capital gain,

''(2) 10 percent of the qualified 3-year capital gain, plus

''(3) 5 percent of the qualified 2-year capital gain.

''(b) DEFINITIONS.—For purposes of this title—

''(1) QUALIFIED 4-YEAR CAPITAL GAIN.—The term 'qualified 4-year capital gain' means the lesser of—

''(A) the amount of long-term capital gain which would be computed for the taxable year if only gain from the sale or exchange of property held by the taxpayer for more than 4 years were taken into account, or

''(B) the net capital gain.

''(2) QUALIFIED 3-YEAR CAPITAL GAIN.—The term 'qualified 3-year capital gain' means the lesser of—

''(A) the amount of long-term capital gain which would be computed for the taxable year if only gain from the sale or exchange of property held by the taxpayer for more than 3 years but not more than 4 years were taken into account, or

''(B) the net capital gain, reduced by the qualified 4-year capital gain.

''(3) QUALIFIED 2-YEAR CAPITAL GAIN.—The term 'qualified 2-year capital gain' means the lesser of—

''(A) the amount of long-term capital gain which would be computed for the taxable year if only gain from the sale or exchange of property held by the taxpayer for more than 2 years but not more than 3 years were taken into account, or

''(B) the net capital gain, reduced by the qualified 4-year capital gain and qualified 3-year capital gain.

''(c) ESTATES AND TRUSTS.—In the case of an estate or trust, the deduction under subsection (a) shall be computed by excluding the portion (if any) of the gains for the taxable year from sales or exchanges of capital assets which, under sections 652 and 662 (relating to inclusions of amounts in gross income of beneficiaries of trusts), is includible by the income beneficiaries as gain derived from the sale or exchange of capital assets.

''(d) COORDINATION WITH TREATMENT OF CAPITAL GAIN UNDER LIMITATION ON INVESTMENT INTEREST.—For purposes of this section, the net capital gain for any taxable year shall be reduced (but not below zero) by the amount which the taxpayer takes into account as investment income under section 163(d)(4)(B)(iii).

''(e) TREATMENT OF COLLECTIBLES.—

''(1) IN GENERAL.—Solely for purposes of this section, any gain or loss from the sale or exchange of a collectible shall be treated as a short-term capital gain or loss (as the case may be), without regard to the period such asset was held. The preceding sentence shall apply only to the extent the gain or loss is taken into account in computing taxable income.

''(2) TREATMENT OF CERTAIN SALES OF INTEREST IN PARTNERSHIP, ETC.—For purposes of paragraph (1), any gain from the sale or exchange of an interest in a partnership, S corporation, or trust which is attributable to unrealized appreciation in the value of collectibles held by such entity shall be treated as gain from the sale or exchange of a collectible. Rules similar to the rules of section 751(f) shall apply for purposes of the preceding sentence.

''(3) COLLECTIBLE.—For purposes of this subsection, the term 'collectible' means any capital asset which is a collectible (as defined in section 408(m) without regard to paragraph (3) thereof).

''(f) TRANSITIONAL RULE.—

''(1) IN GENERAL.—Gain may be taken into account under subsection (b)(1)(A), (b)(2)(A), or (b)(3)(A) only if such gain is properly taken into account on or after July 1, 1995.

''(2) SPECIAL RULES FOR PASS-THRU ENTITIES.—

''(A) IN GENERAL.—In applying paragraph (1) with respect to any pass-thru entity, the determination of when gains and losses are properly taken into account shall be made at the entity level.

''(B) PASS-THRU ENTITY DEFINED.—For purposes of subparagraph (A), the term 'pass-thru entity' means—

''(i) a regulated investment company,

''(ii) a real estate investment trust,

''(iii) an S corporation,

''(iv) a partnership,

''(v) an estate or trust, and

''(vi) a common trust fund.''

(b) DEDUCTION ALLOWABLE IN COMPUTING ADJUSTED GROSS INCOME.—Subsection (a) of section 62 is amended by inserting after paragraph (15) the following new paragraph:

''(16) LONG-TERM CAPITAL GAINS.—The deduction allowed by section 1202.''

(c) MAXIMUM CAPITAL GAINS RATE.—Clause (i) of section 1(h)(1)(A), as amended by section 3(a), is amended by striking ''the net capital gain'' and inserting ''the excess of the net capital gain over the deduction allowed under section 1202''.

(d) TREATMENT OF CERTAIN PASS-THRU ENTITIES.—

(1) CAPITAL GAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.—

(A) Subparagraph (B) of section 852(b)(3) is amended to read as follows:

''(B) TREATMENT OF CAPITAL GAIN DIVIDENDS BY SHAREHOLDERS.—A capital gain dividend shall be treated by the shareholders as gain from the sale or exchange of a capital asset held for more than 1 year but not more than 2 years; except that—

''(i) the portion of any such dividend designated by the company as allocable to qualified 4-year capital gain of the company shall be treated as gain from the sale or exchange of a capital asset held for more than 4 years,

''(ii) the portion of any such dividend designated by the company as allocable to qualified 3-year capital gain of the company shall be treated as gain from the sale or exchange of a capital asset held for more than 3 years but not more than 4 years, and

''(iii) the portion of any such dividend designated by the company as allocable to qualified 2-year capital gain of the company shall be treated as gain from the sale or exchange of a capital asset held for more than 2 years but not more than 3 years.

Rules similar to the rules of subparagraph (C) shall apply to any designation under clause (i), (ii), or (iii).''

(B) Clause (i) of section 852(b)(3)(D) is amended by adding at the end the following new sentence: ''Rules similar to the rules of subparagraph (B) shall apply in determining character of the amount to be so included by any such shareholder.''

(2) CAPITAL GAIN DIVIDENDS OF REAL ESTATE INVESTMENT TRUSTS.—Subparagraph (B) of section 857(b)(3) is amended to read as follows:

''(B) TREATMENT OF CAPITAL GAIN DIVIDENDS BY SHAREHOLDERS.—A capital gain dividend shall be treated by the shareholders or holders of beneficial interests as gain from the sale or exchange of a capital asset held for more than 1 year but not more than 2 years; except that—

''(i) the portion of any such dividend designated by the real estate investment trust as allocable to qualified 4-year capital gain of the trust shall be treated as gain from the sale or exchange of a capital asset held for more than 4 years,

''(ii) the portion of any such dividend designated by the trust as allocable to qualified 3-year capital gain of the trust shall be treated as gain from the sale or exchange of a capital asset held for more than 3 years but not more than 4 years, and

''(iii) the portion of any such dividend designated by the trust as allocable to qualified 2-year capital gain of the trust shall be treated as gain from the sale or exchange of a capital asset held for more than 2 years but not more than 3 years.

Rules similar to the rules of subparagraph (C) shall apply to any designation under clause (i) or (ii).''

(3) COMMON TRUST FUNDS.—Subsection (c) of section 584 is amended—

(A) by inserting ''and not more than 2 years'' after ''1 year'' each place it appears in paragraph (2),

(B) by striking ''and'' at the end of paragraph (2), and

(C) by redesignating paragraph (3) as paragraph (6) and inserting after paragraph (2) the following new paragraphs:

''(3) as part of its gains from sales or exchanges of capital assets held for more than 2 years but less than 3 years, its proportionate share of the gains of the common trust fund from sales or exchanges of capital assets held for more than 2 years but not more than 3 years,

''(4) as part of its gains from sales or exchanges of capital assets held for more than 3 years but less than 4 years, its proportionate share of the gains of the common trust fund from sales or exchanges of capital

assets held for more than 3 years but less than 4 years,

''(5) as part of its gains from sales or exchanges of capital assets held more than 4 years, its proportionate share of the gains of the common trust fund from sales or exchanges of capital assets held for more than 4 years, and''.

(e) TECHNICAL AND CONFORMING CHANGES.—

(1) Subparagraph (B) of section 170(e)(1) is amended by inserting ''(or, in the case of a taxpayer other than a corporation, the percentage of such gain equal to 100 percent minus the percentage applicable to such gain under section 1202(a))'' after ''the amount of gain''.

(2) Subparagraph (B) of section 172(d)(2) is amended to read as follows:

''(B) the deduction under section 1202 and the exclusion under section 1203 shall not be allowed.''

(3)(A) Section 220 (relating to cross reference) is amended to read as follows:

''SEC. 220. CROSS REFERENCES.

''(1) For deduction for net capital gains in the case of a taxpayer other than a corporation, see section 1202.

''(2) For deductions in respect of a decedent, see section 691.''

(B) The table of sections for part VII of subchapter B of chapter 1 is amended by striking ''reference'' in the item relating to section 220 and inserting ''references''.

(4) The last sentence of section 453A(c)(3) is amended by striking all that follows ''long-term capital gain,'' and inserting ''the maximum rate on net capital gain under section 1(h) or 1201 or the deduction under section 1202 (whichever is appropriate) shall be taken into account.''

(5) Paragraph (4) of section 642(c) is amended to read as follows:

''(4) ADJUSTMENTS.—To the extent that the amount otherwise allowable as a deduction under this subsection consists of gain from the sale or exchange of capital assets held for more than 1 year, proper adjustment shall be made for any deduction allowable to the estate or trust under section 1202 or any exclusion allowable to the estate or trust under section 1203(a). In the case of a trust, the deduction allowed by this subsection shall be subject to section 681 (relating to unrelated business income).''

(6) The last sentence of paragraph (3) of section 643(a) is amended to read as follows: ''The deduction under section 1202 and the exclusion under section 1203 shall not be taken into account.''

(7) Subparagraph (C) of section 643(a)(6) is amended by inserting ''(i)'' before ''there shall'' and by inserting before the period '', and (ii) the deduction under section 1202 (relating to capital gains deduction) shall not be taken into account''.

(8) Paragraph (4) of section 691(c) is amended by striking ''sections 1(h), 1201, and 1211'' and inserting ''sections 1(h), 1201, 1202, and 1211''.

(9) The second sentence of section 871(a)(2) is amended by inserting ''or 1203'' after ''1202''.

(10) Subsection (d) of section 1044 is amended by striking ''1202'' and inserting ''1203''.

(11) Paragraph (1) of section 1402(i) is amended by inserting '', and the deduction provided by section 1202 shall not apply'' before the period at the end thereof.

(f) CLERICAL AMENDMENT.—The table of sections for part I of subchapter P of chapter 1 is amended by inserting after the item relating to section 1201 the following new item:

''Sec. 1202. Capital gains deduction for assets held by noncorporate taxpayers more than 2 years.''

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years ending after June 30, 1995.

(2) CONTRIBUTIONS.—The amendment made by subsection (e)(1) shall apply to contributions on or after July 1, 1995.

SEC. 3. SURCHARGE ON CAPITAL GAINS ON ASSETS HELD 1 YEAR OR LESS.

(a) IN GENERAL.—Subsection (h) of section 1 (relating to maximum capital gains rate) is amended to read as follows:

''(h) MAXIMUM CAPITAL GAINS TAXES.—

''(1) IN GENERAL.—If a taxpayer has a net capital gain for any taxable year, then the tax imposed by this section shall not exceed the sum of—

''(A) a tax computed at the rates and in the same manner as if this subsection had not been enacted on the greater of—

''(i) taxable income reduced by the amount of net capital gain, or

''(ii) the amount of taxable income taxed at a rate below 28 percent, plus

''(B) a tax of 28 percent of the amount of taxable income in excess of the amount determined under subparagraph (A).

For purposes of the preceding sentence, the net capital gain for any taxable year shall be reduced (but not below zero) by the amount which the taxpayer elects to take into account as investment income for the taxable year under section 163(d)(4)(B)(iii).

''(2) SURCHARGE ON NET SHORT-TERM CAPITAL GAIN.—

''(A) IN GENERAL.—If a taxpayer has a net short-term capital gain for any taxable year, the tax imposed by this section (without regard to this paragraph) shall be increased by an amount equal to the sum of—

''(i) 5.6 percent of the taxpayer's 6-month short-term capital gain, plus

''(ii) 2.8 percent of the taxpayer's 12-month short-term capital gain.

''(B) MAXIMUM RATE.—

''(i) IN GENERAL.—Subparagraph (A) shall not be applied to the extent it would result in—

''(I) 6-month short-term capital gain being taxed at a rate greater than 33.6 percent, or

''(II) 12-month short-term capital gain being taxed at a rate greater than 30.8 percent.

''(ii) ORDERING RULE.—For purposes of clause (i), the rate or rates at which 6-month or 12-month short-term capital gain is being taxed shall be determined as if—

''(I) such gain were taxed after all other taxable income, and

''(II) 12-month short-term capital gain were taxed after 6-month short-term capital gain.

''(C) DEFINITIONS.—For purposes of this paragraph—

''(i) 6-MONTH SHORT-TERM CAPITAL GAIN.—The term '6-month short-term capital gain' means the lesser of—

''(I) the amount of short-term capital gain which would be computed for the taxable year if only gain from the sale or exchange of property held by the taxpayer for 6 months or less were taken into account, or

''(II) net short-term capital gain.

''(ii) 12-MONTH SHORT-TERM CAPITAL GAIN.—The term '12-month short-term capital gain' means the lesser of—

''(I) the amount of short-term capital gain which would be computed for the taxable year if only gain from the sale or exchange of property held by the taxpayer for more than 6 months but not more than 12 months were taken into account, or

''(II) net short-term capital gain, reduced by 6-month short-term capital gain.

For purposes of clause (i)(I) or (ii)(I), gain may be taken into account only if such gain is properly taken into account on or after July 1, 1995.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years ending after June 30, 1995.●

By Mr. MACK (for himself, Mr. LIEBERMAN, Mr. GRAMM, Mr. HELMS, and Mr. DOLE):

S. 925. A bill to impose congressional notification and reporting requirements on any negotiations or other discussions between the United States and Cuba with respect to normalization of relations; to the Committee on Foreign Relations.

CUBA LEGISLATION

Mr. MACK. Mr. President, on May 2, the Clinton administration reversed 30 years of United States policy by agreeing with Fidel Castro that future refugees would be picked up by United States forces and returned to Cuba. The administration portrays its decision as an immigration control measure reached in secret for the good of misguided Cubans who might set out on rafts and inner tubes to reach the United States before the doors slammed shut. Apparently, it was necessary to keep senior United States officials responsible for Cuba policy in the dark as well. The Clinton administration has not satisfactorily explained its motives and objectives in reaching this agreement with the Castro regime. Therefore, I am introducing this bill which would deny funds for negotiations or other contacts related to normalization with the Castro regime unless the administration has notified Congress 15 days in advance.

This measure is not intended to interfere with the administration's ability to conduct diplomacy. It simply requires that if and when President Clinton decides to abandon the centerpiece of the United States' historic policy toward the Castro dictatorship, he does so in an open and public way.

For 36 years, Fidel Castro has terrorized Cuba's people, destroyed its economy, and used it as a base for subversion. I could never have imagined circumstances under which the United States would treat Castro's Cuba like just another negotiating partner. But last month, that's just what the Clinton administration did when it cut a deal reversing 30 years of United States policy on welcoming refugees from Castro's Cuba.

I will not dignify what the administration did by calling it ''secret diplomacy.'' It was a craven exercise. As A.M. Rosenthal wrote in the New York Times, the Clinton administration ''got a contemptuous zero from Castro for breaking its promises, not even the release of some political prisoners, not the grant of a single civil liberty.''

At a briefing on Capitol Hill the day the policy U-turn was announced, a Clinton administration official was asked whether, under the terms of a deal between the United States and Cuba on interdiction and repatriation of refugees, the Castro regime had pledged to repeal the Cuban law that makes it a crime to leave Cuba without

permission. The official didn't know. Then the official was asked how we can be sure the Castro regime won't use the law to retaliate against returned rafters. ''Prosecutorial discretion,'' replied the official.

In a nutshell, that anecdote illustrates the mindset of the Clinton administration. Administration officials—some of them anyway—cannot distinguish between the Castro regime and governments based on the rule of law. This is why many of my colleagues and I are so deeply disturbed by recent overtures to Castro. We don't know where they will stop. We have no reason to believe that the administration won't continue to make concessions at the expense of the Cuban people. My colleagues and I are introducing this bill to let the administration know that the friends of the Cuban people in the United States Congress will not stand by and let this administration engage in anything but a strong policy of support for democracy and freedom in Cuba.

By Mr. BRYAN:

S. 926. A bill to improve the interstate enforcement of child support and parentage court orders, and for other purposes; to the Committee on Finance.

THE CHILD SUPPORT ENFORCEMENT ACT

Mr. BRYAN. Mr. President, today I am introducing my Child Support Enforcement Act legislation from the last Congress to help further strengthen our efforts to get deadbeat parents to responsibly provide for their children.

Congress has recently taken many positive steps to increase the effectiveness of child support enforcement laws. In the 102d Congress, we were successful in enacting legislation, which I sponsored in the Senate, to require credit bureaus to indicate on an individual's credit file when he or she is delinquent in child support payments. This has provided a strong incentive for parents to stay current in their payments.

The 103d Congress enacted laws to make deadbeat parents who fail to pay child support ineligible for small business loans; to designate child support payments as priority debts when an individual files for bankruptcy; to strengthen State paternity establishment procedures and to require health insurers to carry out orders for medical child support; and to restrict a State court's ability to modify a child support order issued by another State.

As part of much needed welfare reform, we must include improvements to the child support enforcement system. I will introduce portions of this bill as an amendment when welfare reform is debated in the Senate, which I hope will be done before July 4. We need to find as many ways as possible to find delinquent parents, and hold them to their responsibilities.

We all lament the increasing number of unwed teenage girls who have children. This situation is particularly disheartening when these young mothers are themselves mere children. But too often in the past, our public policies have focused on the mother and ignored the responsibility of the father. Those fathers, who many times have already walked away before their children are even born, must face the reality of their parental and financial responsibilities.

During the past 2 months, I have visited child support enforcement offices in Las Vegas and Reno, NV. These visits included both the State welfare division and the district attorney child support enforcement offices. It was an eye-opening experience.

I was overwhelmed by the thousands of case files stacked throughout these offices. Employees in these offices are literally surrounded by files. They are joined by scores of investigators and attorneys who work ceaselessly to ensure as many deadbeat parents as possible are found, and legally persuaded to fulfill their financial responsibilities.

Although Nevada is the fastest growing State in the Nation, it is a comparatively small State with about 1.6 million people. Yet its State Child Support Enforcement Program had 66,385 cases in fiscal year 1994. The program was able to collect $62.7 million. The unfortunate fact, however, is that the total owed was almost $352 million, leaving an uncollected balance of almost $290 million. In April of this year, Nevada's caseload has already grown to over 69,000 cases.

These cases represent only those children whose families are receiving aid to families with dependent children, or who are using the services of the county district attorney offices to enforce child support. The many Nevadans using private attorneys are not included.

The facts are simple. Nationally, one in four children live in a single-parent household. But one of the most startling statistics is that only half of these single parents have sought and obtained child support orders.

This means 50 percent of these single mothers either have been unable to track down the father, have not pursued support, or are unaware of their legal child support enforcement rights.

Of the parents who have sought out and obtained child support, only half receive the full amount to which they are entitled.

Let me make this clear—50 percent of single mothers do not even have child support orders, and of the 50 percent that do, only half of them are getting what their children are entitled to receive. Thus 25 percent of the single parents who have child support orders actually receive nothing at all.

These facts should concern us. It is all too true that many single parents must seek public welfare assistance in order to be able to support their children. When we taxpayers are asked to lend a helping hand to these children, we should be assured every effort is being made to require absent deadbeat parents meet their financial responsibilities to those same children. Public assistance should not be the escape valve relied upon by those parents who want to walk away from their children.

No one who shares the responsibility for bringing children into this world should later be allowed to shirk that responsibility by refusing to admit paternity or failing to pay child support. The legislation I am introducing today adds to the arsenal available to those trying to enforce child support.

In April, I visited with eligibility workers in a local Las Vegas welfare office. I was incredulous when I learned many Federal welfare assistance programs do not require recipients to participate in State and Federal child support enforcement efforts. In fact, only Aid to Families with Dependent Children or AFDC, and Medicaid currently require their recipients cooperate with child support enforcement efforts.

For example, if a parent with children receives food stamps, there is no requirement, as a condition of receiving that assistance, that the parent cooperate with child support enforcement agencies to collect any child support payments to which he or she is entitled. Under my legislation, all welfare assistance programs receiving Federal funds will require all recipients to cooperate with efforts to collect child support benefits as a condition of receiving benefits.

Second, this legislation authorizes State and Federal Governments to deny delinquent parents an array of benefits. A delinquent parent can be denied an occupational, professional, or business license, a Federal loan or guarantee, and could even have his or her passport revoked if the threat of fleeing the country was likely. The goal is not to drive those who want to meet their obligations away, but rather to make sure those ignoring their children understand society will not tolerate that irresponsible behavior.

These provisions should be particularly effective in dealing with delinquent parents who are self-employed, and who are not covered by the mandatory employer child support payment withholding.

The bill also builds on our past efforts of using the credit reporting system. It permits State agencies to obtain credit files in order to track down delinquent parents, or to help determine the appropriate amount of child support payment.

The bill also improves the interstate enforcement process by establishing a jurisdictional basis for State court recognition of child support orders of other States. The problems associated with collecting child support are magnified when parents live in different States. Part of the difficulty stems from differences in State laws, policies, and procedures.

I have heard numerous cases of frustrating experiences in attempting to serve process on out-of-State delinquent parents, and in getting certain

evidence obtained in one State admitted at a hearing in another State. One in three children support orders involve parents in different States. On average, it takes 1 year to locate an absent parent, and 2 years to establish a court order if the parent has deserted a family.

Finally, the bill makes it more difficult for parents to hide assets in an attempt to avoid paying their fair share of child support. A difficult problem to resolve is when a delinquent parent transfers property to a friend or relative for little compensation to avoid child support payments. Under this bill, States would be allowed to void conveyances of property made to avoid paying child support.

We must give our courts and law enforcement agencies the tools they need to crack down on delinquent parents. We must assure taxpayers who lend the helping hand to impoverished single mothers and their children that every effort is being made to get the deadbeat parents to pay up. We must ensure the children receive adequate and consistent child support, so they are able to have the opportunity to become successful, productive and healthy adults.

I believe my legislation will move us a long way on the path to meet those goals. I request my colleagues to join with me in this effort to make this law before the end of the year. The children deserve no less.

By Mr. HELMS:

S. 927. A bill to provide for the liquidation or reliquidation of a certain entry of warp knitting machines as free of certain duties; to the Committee on Finance.

DUTY LEGISLATION

Mr. HELMS. Mr. President, I send to the desk, for appropriate referral, a bill on behalf of D&S International of Burlington, NC, which imported from Germany, four warp knitting machines at a duty-free rate which D&S then sold to a Venezuelan company, which decided not to keep the machines and returned them to D&S.

Upon reentry, the Customs Service mistakenly classified the machines first as a reentry of United States goods, instead of a German, then misclassified them at a duty rate of 4.4 percent.

D&S contacted Customs to protest the duty assessment. However, Customs ruled that the D&S memorandum did not qualify as a formal protest because D&S did not file form 19. Amazingly, no right of appeal exists within Customs on such rulings if a company misses the deadline for protesting. D&S would have to spend a lot of money going to court to try to rectify the mistake.

Mr. President, as a result of these mistakes, D&S now owes $25,000 in duties on machines that were supposed to be duty-free. This error by the Customs Service will be remedied by my bill, which instructs Customs to reclassify the machines as duty-free and refund to D&S the duties improperly assessed.

By Mr. INHOFE (for himself, Mr. BURNS and Mrs. KASSEBAUM):

S. 928. A bill to enhance the safety of air travel through a more effective Federal Aviation Administration, and for other purposes; to the Committee on Commerce, Science, and Transportation.

THE FEDERAL AVIATION ADMINISTRATION REFORM ACT OF 1995

Mr. INHOFE. Mr. President, today I will be introducing a major piece of legislation with Senator KASSEBAUM and Senator BURNS.

As a frequent user of the air traffic control system, I have a very real stake in addressing the persistent problems which have plagued the FAA for many years. Former Senator Barry Goldwater accurately described way back in 1975 the current FAA shortcomings when he introduced a bill to reestablish the FAA as an independent agency.

Senator Goldwater noted, and this was back in 1975, 20 years ago:

> In 1967, when the then new Department of Transportation was created, the Federal Aviation Agency was terminated and its powers and functions were transferred to and vested in the Secretary of DOT. The previously independent Federal Aviation Agency was in effect converted to a new bureau within the Department of Transportation, named the Federal Aviation Administration. The Administrator of this ''bureau'' reports to and is subject to the control of the Secretary of Transportation.

Barry Goldwater went on to say, 20 years ago:

> There is extensive evidence to show that subsequent to this transformation, there has been undue interference on the part of the Department of Transportation in the internal affairs of the Federal Aviation Administration, so much so that the FAA's procurement process has been slowed down to an average time period of 1½ years or more—

I understand it is more than that today, but I am quoting from 20 years ago.

> resulting in the cancellation of many procurement projects or unnecessary losses in the millions of dollars to companies involved. It is important to note, too, that aviation users, who pay much of the money which goes into the Airport and Airway Trust Fund, have no effective participation in the development of FAA finance plans so long as it is under the Department.

These words that were stated on the floor of the Senate by Senator Barry Goldwater 20 years ago are just as true today as they were then. Unfortunately, the Senate failed to pass the Goldwater bill. The problems Senator Goldwater identified in 1975 are yet to be resolved.

As a pilot, I have found holding town hall meetings in small towns and airports is an effective way of communicating with people. In doing these on the weekends—virtually every weekend, I do 10 or so—I talk to pilots, I talk to controllers. I do not think there is a controller that I do not know by their first name in Oklahoma.

They all agree that something needs to be done about changing the FAA. Even though Barry Goldwater attempted to do this back 20 years ago, what he said then is true today and we need to do it.

A careful analysis of these proposals that have been made in order to corporatize or privatize shows that they really do not work and there is a lack of understanding.

Mr. President, there has been an effort by the administration to privatize or corporatize the FAA. I think that while I do believe in privatizing, it is not appropriate in this case.

People who use the system oppose the privatization of the FAA. After working with users of the system, I am pleased to announce that we have been able to come up with a workable solution. Along with Senators CONRAD BURNS and NANCY KASSEBAUM, I am introducing legislation to reform the Federal Aviation Administration.

Our bill is similar to a bill introduced in the House by my good friend from Iowa, Representative JIM LIGHTFOOT, and also Representative JOHN DUNCAN. This bill provides dramatic yet realistic reform that will resolve the problems that were identified by Senator Goldwater in 1975 and continue today to plague the FAA.

It will restore the Federal Aviation Administration to an independent agency status. This will ensure that the agency is able to manage and regulate the safety of the air traffic control system without the second-guessing or interference by the politically appointed Department of Transportation officials and staff.

Our approach represents a reform from within Government. It offers a more prudent and realistic approach to the FAA reform than the extremely risky alternative of privatizing or corporatizing the air traffic control system.

As a former mayor of a major metropolitan area, I know something about privatizing. I have been a fan of privatizing for a long time. In fact, I privatized everything I could when I was mayor of the city of Tulsa, OK, many years ago.

One of the systems that has been emulated today by cities all over America was the privatization of the trash system. A refuge or trash system is not a sensitive system like air traffic control.

As a believer in the ability of the private sector to generally do a better job of managing than Government, I believe that there are some inherently governmental functions. Oversight of our air traffic control system is one. The safety implications are too great to allow a management team that has to worry about the bottom line to make these decisions.

Those who use the system and those who use it in commercial aircraft—it does not matter whether you are in an American Airline 747 as a pilot or a passenger, or you are with me in a 20-year-old Piper Aztec. The fact is that your lives are in the hands of these individuals on the ground.

In addition, our proposal provides for appointment of an FAA Administrator with a fixed term of 7 years. The average tenure of the FAA Administrator since I have been in Congress has been less than 2 years. By the time they find their way to the cafeteria, they are out of there. There is no continuity in planning for the FAA. Clearly, we need the continuity of leadership if real changes are to take hold.

This proposal establishes a personnel pilot program which would provide FAA greater latitude managing personnel by giving increased flexibility in measuring performance. The pilot program has been designed to improve performance of individuals and departments, rather than merely rewarding longevity.

Our bill establishes a procurement reform pilot program which will permit the FAA to simplify its procurement procedures by shifting from the rigid procurement rules to allow routine off-the-shelf purchases.

We have example after example of instances where complicated procurement practices have delayed the purchasing of technology and of products that are needed to save lives, until they are no longer current, in terms of their technology.

A good example is the microwave landing system. The MLS system is supposed to replace the ILS system. By the time they got around to implementing this program, the GPS, the global position system, had reached a degree of technology that allows for precision approaches.

The other areas are in the area of costs. I mean, the same thing regarding the GPS system. I happen to be the only Member of Congress in history to fly an airplane around the world. I did it a couple of years ago. In doing this I used a GPS system. Never, all the way around the world, did I lose a satellite. This system is a beautiful system. Yet that system that I used only 2 years ago flying around the world is one-fourth the cost today that it was then.

That means if we and the FAA procure this highly technical machinery, the mechanics to run the system, by the time the system goes through following the procurement practices, that which you have purchased is much cheaper and it would be out of date. So, for cost purposes and technology purposes, this has to happen.

Under our bill, a select panel is created to review and report back to Congress on innovative financing mechanisms for long-term funding of our aviation infrastructure and needs. Panel members will review loan guarantees, financial partnerships with for-profit private sector entities, multiyear appropriations, revolving loan funds, mandatory spending authority, authority to borrow, and restructured grant programs.

Each of these proposals has the support of virtually all of the aviation industry. This bill is strongly supported by the Aircraft Owners and Pilots Association, who have, in just the State of Oklahoma, 4,500 general aviation pilots; and throughout America have 340,000 general aviation pilots. They support this.

In addition, the National Aviation Coalition Association, a consortium of 28 major aviation organizations representing all segments of the aviation community, has indicated that this proposal is a valuable contribution to a healthy debate concerning much needed reform of the FAA.

Mr. President, it is clear that everyone, the administration, Congress, and the aviation community, agrees on the need to reform the FAA. I urge my colleagues to join with Senators BURNS and KASSEBAUM, Representative LIGHTFOOT and Representative DUNCAN from the House, and Senator Goldwater and me in supporting a meaningful reform of the FAA.

By Mr. ABRAHAM (for himself, Mr. DOLE, Mr. FAIRCLOTH, Mr. NICKLES, Mr. GRAMM, and Mr. BROWN):

S. 929. A bill to abolish the Department of Commerce; to the Committee on Governmental Affairs.

THE DEPARTMENT OF COMMERCE DISMANTLING ACT OF 1995

Mr. ABRAHAM. Mr. President, when President Theodore Roosevelt sat down with his Cabinet for a meeting, he needed just nine chairs to accommodate everyone, including the Post-Master General. If he desired an impromptu gathering, he could just walk to the Old Executive Office Building next door. The offices of almost the entire executive branch were located there.

Ninety-four years later, a Cabinet meeting has almost twice as many participants—even without the Postmaster's presence—and includes the Secretaries of 14 Cabinet-level Departments spread all over the District of Columbia. These meetings don't include the heads of hundreds of administrations, commissions, boards, and other Federal agencies below the Cabinet level.

This tremendous growth in the size and scope of the Federal Government has resulted in enormous tax and debt burdens on our economy which, in turn, means lower living standards and fewer job opportunities for the American people. The Federal budget in 1901 consumed just over 2 percent of total national income. Today, it spends almost 25 cents for every dollar we produce. Measured against the size of the economy, the Federal Government is 12 times larger than it was at the turn of the century. In the meantime, a Federal budget that routinely enjoyed surpluses of 10 percent or more during Roosevelt's tenure hasn't seen the black in 25 years.

In restraining the growth of the Federal Government, we need to target those departments and agencies whose activities are unnecessary, duplicative, wasteful, and simply outside the limits of Federal power prescribed by the U.S. Constitution. While this description fits much of the Federal Government, Majority Leader BOB DOLE has set the standard by calling for the elimination of four Cabinet departments—Commerce, Energy, Housing and Urban Development, and Education. These four departments alone employ more than 74,000 bureaucrats and have combined budgets of $70 billion—133 times more than the entire Federal Government spent in Roosevelt's era. While some of the programs within these departments serve useful purposes, we don't need these huge bureaucracies and buildings to oversee them. Instead, these programs ought to be consolidated, privatized, and devolved to the States and localities.

Today, I am joined by Senators DOLE, FAIRCLOTH, NICKLES, GRAMM, and BROWN in introducing legislation to begin that process by abolishing the Department of Commerce. The Department of Commerce Dismantling Act of 1995 is the product of the Dole Task Force on the Elimination of Federal Agencies. It is the first of several bills the task force intends to introduce this Congress targeted at reducing the size of Government. It is the product of extensive work by several Senate offices, as well as the members of the House Freshmen Task Force, and it has been endorsed by the National TaxPayers Union, Citizens For a Sound Economy, the Business Leadership Council, Americans For Tax Reform, and the Small Business Survival Committee.

The Department of Commerce houses the least defensible collection of Federal agencies in Washington, many of which are either duplicated or outperformed by other Government agencies and private industry. According to the General Accounting Office [GAO], Commerce shares its mission with ''at least 71 Federal departments, agencies, and offices'' while former Commerce Secretary Robert Mosbacher recently called the Department ''nothing more than a hall closet where you throw in everything that you don't know what to do with.''

Ironically, regulating interstate commerce isn't one of them. That's handled by the independent Interstate Commerce Commission, itself a target for elimination. Commerce is a bit player in international trade as well. At least 10 Federal agencies are charged with promoting U.S. exports, but only a fraction of the funding is directed to Commerce. The Agriculture Department receives three-fourths.

So what's left for Secretary Ron Brown, 263 political appointees, and the 36,000 bureaucrats who work for Commerce? Over half of the Department's $3.6 billion budget is consumed by the National Oceanic and Atmospheric Administration [NOAA]—the Nation's weather and ocean mapping service. Another $400 million funds the notorious Economic Development Administration [EDA], a traditional source of

pork barrel spending on things like public docks and sewer systems. At one point in its history, 40 percent of the Administration's loans were in default, while economic assistance grants were distributed to such economically troubled areas as Key Biscayne, FL. Even when it is effective, the EDA duplicates the efforts of numerous other programs in other departments.

The Commerce Dismantling Act targets this waste and duplication. It transfers those functions that can be better served elsewhere, consolidates duplicative agencies, and eliminates the remaining unnecessary or wasteful programs. The terminations, transfers and consolidations are to be completed over a 36-month period under the direction of a temporary Commerce Programs Resolution Agency. According to preliminary Congressional Budget Office figures, the bill saves the American taxpayer $7.7 billion over 5 years. Let me quickly go through the bill.

While the activities of NOAA are only tangentially related to the promotion of commerce, it makes up over half of the Department of Commerce budget. The individual functions of this agency would be sent to more appropriate agencies or departments.

First, the enforcement functions of the National Marine Fisheries Service are transferred to the Coast Guard, while the scientific functions are transferred to the Fish and Wildlife Service. Seafood inspection is transferred to the Department of Agriculture, which already carries out most food inspection programs. The State fishery grants and commercial fisheries promotion activities are terminated.

Second, the geodesy functions of the National Ocean Service are transferred to the U.S. Geological Survey while coastal and water pollution research duplicated by the Environmental Protection Agency is terminated. Marine and estuarine sanctuary management would be transferred to the Interior Department, which already manages some fisheries. Nautical and aeronautical charting is privatized, as the private sector undertakes this activity already.

Third, the National Environmental Satellite, Data and Information Service's weather satellite of this agency are transferred to the National Weather Service to consolidate these functions which, in turn, is transferred to the Interior Department. The NESDIS data centers would be privatized.

Fourth, because many of its activities are duplicative of other Federal agencies or could be better served by the private sector, this office is terminated. The labs which could operate in the private sector will be sold and the remaining labs will be transferred to the Interior Department.

Finally, the NOAA Corps is terminated and its vessels sold to the private sector. Services can be obtained in the private sector and its fleet is in disrepair.

Another significant part of the Department of Commerce, the Economic Development Administration, is terminated under this legislation. The EDA provides grants and assistance to loosely defined ''economically depressed'' regions. EDA's functions are duplicated by numerous other Federal agencies including the Departments of Agriculture, HUD, and Interior, the Small Business Administration, the Tennessee Valley Authority and the Appalachian Regional Commission. The parochial nature of the program often targets EDA grants to locations with healthy economies which do not need Federal assistance. This bill terminates the EDA, transferring outstanding obligations to the Treasury Department for management or sale.

Although the Minority Business Development Administration has spent hundreds of millions on management assistance—not capital assistance—since 1971, the program has never been formally authorized by Congress. The MBDA's stated mission, to help minority-owned businesses get Government contracts, is duplicated by such agencies and programs as the Small Business Administration and its failed 8(a) loan program, and Small Business Development Centers, along with the private sector. The MBDA is terminated and its 98 field offices closed.

The U.S. Travel and Tourism Administration seeks to promote travel and tourism in the United States through trade fairs and other promotional activities. According to the Heritage Foundation, ''the agency often works with private sector organizations, including the Travel Industry Association of America, to organize events such as the 'Discover America Pow Wow' or the 'Pow Wow Europe.' There is no justification for Federal involvement in such promotional activities of a commercial nature.'' Because functions such as these are already extensively addressed by States, localities, public sector organizations, and the private sector, the USTTA is immediately terminated.

The Technology Administration currently works with industry to promote the use and development of new technology. Because Government in general, and the Federal Government in particular, is poorly equipped to pick winners and losers in the marketplace—frequently allowing political criteria rather than market criteria determine the choice—this agency is terminated, including the Office of Technology Policy, Technology Commercialization, and Technology Evaluation and Assessment.

The Industrial Technology Service programs, including the Advanced Technology Program [ATP] and the Manufacturing Extension Partnerships, are terminated; these programs are often cited as prime examples of corporate welfare, wherein the Federal Government invests in applied research programs which should be conducted in the private sector.

The weights and measures functions of the National Institute for Standards and Technology would be transferred to the National Science Foundation. The National Technical Information Service, a clearinghouse for technical Government information, would be privatized.

The National Telecommunications and Information Administration, an advisory body on national telecommunications policy, would be terminated, including its grant programs. Federal spectrum management functions would be transferred to the Federal Communications Commission.

Providing for patents and trademarks is a constitutionally-mandated Government function. Our proposal would transfer this office to the Justice Department, requiring the PTO to be supported completely through fee collection.

The Bureau of the Census, another constitutionally-mandated function, is transferred to the Treasury Department. Select General Accounting Office recommendations for savings at the Bureau would be implemented. The Bureau of Economic Analysis is transferred to the Federal Reserve System to ensure the integrity of data. The superfluous ESA bureaucracy would be eliminated.

The Bureau of Export Administration is one of several agencies responsible for monitoring U.S. exports that may compromise national security. Because this function remains important to the country, this legislation would reassign these functions as follows.

The determination of export controls is transferred to the Department of Defense. The United States Trade Representative would advise the Defense Department in disputed cases. The Customs Service, which already has the staff, expertise, and facilities, would enforce the export licensing determined by the DOD.

While the Department of Commerce claims to be the lead in trade promotion, it actually plays a small part. Five percent of Commerce's budget is dedicated to trade promotion, and it comprises only 8 percent of total Federal spending on trade promotion. The International Trade Administration is the primary trade agency within the Department of Commerce. This bill makes the following changes.

The Import Administration is transferred to the Office of the United States Trade Representative. The USTR, which already plays a role in this area, would make determinations of unfair trade practices.

The U.S. and Foreign Commercial Service is transferred to the Office of the U.S. Trade Representative. The domestic component of USFCS is terminated, and the foreign component would be transferred to the Office of the U.S. Trade Representative, which already takes the lead in trade policy.

The International Economic Policy is also terminated and these functions would continue to be carried out by the USTR.

Finally, the Trade Development functions are terminated and replaced with

a series of industry advisory boards, composed of representatives from the private sector to provide advice to policy makers, at no cost to the Federal Government.

Mr. President, the philosophy behind the Dole Task Force, and the underlying objectives of this bill, are based upon the same fundamental principles of limited and efficient government that the electorate overwhelmingly supported last November. It is a reasonable approach to restore some much needed fiscal sanity to our Federal Government; making it smaller, less costly, yet more efficient.

The new Republican Congress is committed to balancing the budget by the year 2002. While this commitment means we must do the heavy lifting of reducing the growth of Government, it also presents us an opportunity to establish a proper balance between States and the Federal Government that protects the vigor and diversity of our States and local communities. Only by recognizing the limits of the Federal Government can we restore the vitality that breeds character, innovation, and a sense of community.

This bill represents the first step in the process of achieving that goal. It conforms with both the Senate and House-passed budgets and it has the support of leadership in both House and the Senate. I encourage my colleagues to support it as well.

Mr. President, I ask unanimous consent that additional material be printed in the RECORD.

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

NATIONAL TAXPAYERS UNION,
June 14, 1995.

HON. SPENCER ABRAHAM,
U.S. Senate, Dirksen Senate Office Building, Washington, DC.

DEAR SENATOR ABRAHAM: National Taxpayers Union is pleased to endorse the ''Commerce Department Dismantling Act of 1995,'' as proposed by you and Congressman Dick Chrysler. Your excellent proposal will streamline the federal government and provide significant savings for America's taxpayers.

The terminations, transfers and consolidations provided in your proposed legislation would be completed over a thirty-six month period. The ''Abraham/Chrysler Act'' would save $7.765 billion over five years.

The General Accounting Office has reported that the Commerce Department ''faces the most complex web of divided authorities,'' sharing its ''missions with at least 71 federal departments, agencies, and offices.'' Your bill will finally end this wasteful duplication.

Again, NTU is pleased to endorse the ''Abraham/Chrysler Commerce Department Dismantling Act of 1995.'' We urge your colleagues to join you in this effort.

Sincerely,

DAVID KEATING,
Executive Vice President.

BUSINESS LEADERSHIP COUNCIL,
Washington, DC, June 9, 1995.

Hon. SPENCER ABRAHAM,
U.S. Senate, Dirksen Senate Office Building, Washington, DC.

DEAR SENATOR ABRAHAM: The Business Leadership Council, a newly-formed business association of entrepreneurial business leaders who are committed to working to limit the size of government and to expand global economic growth, strongly endorses the Abraham-Chrysler Commerce Department Dismantling Act of 1995.

BLC represents businesses of all types and sizes who want what is best for America, rather than a perk or subsidy that may be best in the narrow, short-term, self-interest of their individual business. Its members are willing to take bold, principled positions and are not afraid to confront the status quo. They recognize that, although some of their businesses may benefit from particular Commerce Department programs, it is clear America is better off saving the money, reducing subsidies, and eliminating unnecessary regulations.

For that reason, we enthusiastically support the dismantling of corporate welfare, whose voice in the cabinet has been the Commerce Department. The old established business groups fear the wrath of their members who enjoy corporate pork and therefore will not take a stand on this controversial issue. BLC, on the other hand, applauds your efforts to abolish unnecessary, duplicative, wasteful programs and save the taxpayers $7.8 billion over the next five years. In these times, when Congress is endeavoring to balance the budget and reduce the size and scope of the federal government, the business community must do its part.

Sincerely,

THOMAS L. PHILLIPS,
Chairman of the Board of Governors.

AMERICANS FOR TAX REFORM,
Washington, DC, June 14, 1995.

Hon. SPENCER ABRAHAM,
U.S. Senate, Dirksen Senate Office Building, Washington, DC.

DEAR SENATOR ABRAHAM: Americans for Tax Reform, a 60,000 member coalition of individuals, taxpayer groups and businesses concerned with federal tax policy and spending reduction, enthusiastically endorses the Abraham-Chrysler Commerce Department Dismantling Act of 1995.

The Commerce Department is a classic example of wasteful government spending run amok. Its own Inspector General referred to it as ''a loose collection of more than 100 programs.'' If we are ever to balance the budget, rein in federal spending and allow Americans to keep more of their hard-earned dollars, unnecessary departments must be eliminated. The Commerce Department is such a department.

We are impressed by the four principles used in drafting the legislation: terminating unnecessary or wasteful programs, consolidating programs duplicated by other departments or agencies, transferring programs that serve a valid purpose to other agencies, and privatizing programs better performed outside the government. If all federal agencies were scrutinized in this fashion, we would be well on our way toward the smaller and more efficient government that Americans are demanding. Indeed, your legislation alone would allow budget savings of almost $7.8 billion over five years, according to estimates by the Congressional Budget Office. That's $7.8 billion more for hard-working Americans to keep for themselves.

Certainly there will be howls of outrage from special interests which gain some advantage from a pet program. But for too long, Washington has ignored the concerns of the most important national interest: the American taxpayer. That era has come to an end. Americans have signalled that they have had enough of endless government taxing and spending. The Commerce Department Dismantling Act of 1995 begins the scaling back of the overgrown federal government. Americans for Tax Reform fully supports this important legislation.

Sincerely,

GROVER G. NORQUIST,
President.

SMALL BUSINESS SURVIVAL COMMITTEE,
Washington, DC., June 7, 1995.

Hon. SPENCER ABRAHAM,
U.S. Senate, Washington, DC.

DEAR SENATOR ABRAHAM: Every so often, a piece of legislation crosses my desk that the Small Business Survival Committee (SBSC) can support without any reservations. ''The Commerce Department Dismantling Act of 1995'' is such a legislative act.

First, let me compliment you on your four straightforward principles for evaluating the Commerce Department. They should serve as a guide for reviewing every federal government department:

Terminating unnecessary and wasteful programs;

Consolidating programs duplicative of other departments or agencies;

Transferring valid programs to more appropriate agencies; and

Privatizing programs which can be better performed in the private sector.

Federal government spending has been out of control for decades. The Commerce Department, with its myriad unnecessary and duplicative programs, serves as one of the most glaring examples of wasting taxpayer dollars. The elimination of the Department of Commerce will send a loud and clear message to the American people—business-as-usual, big-government politics is finished. Indeed, eliminating the Commerce Department would be an historic step toward bringing some sanity back to the federal government, while saving U.S. taxpayers an estimated $7.8 billion over five years.

''The Commerce Department Dismantling Act of 1995'' offers a sound plan for eliminating programs within the Commerce Department that government should not be undertaking in the first place (e.g., the United States Travel & Tourism Administration); for moving programs to more appropriate areas of the federal government (e.g., the Bureau of the Census and the Bureau of Economic Analysis); or for privatizing programs (e.g., the National Technical Information Service).

Naturally, every federal department or program has a vocal special interest attached to it. The Commerce Department is no different. Indeed, a small part of the business community likely will oppose the termination of the Commerce Department. Please rest assured that any business voices raised in support of the Commerce Department will be a very small minority. America's entrepreneurs have little use, if any, for the U.S. Department of Commerce.

The best agenda for entrepreneurs, business and the economy is clear: deregulation, tax reduction, and smaller government. Eliminating the Department of Commerce has the full support of SBSC and our more than 40,000 small business members. The time has come to rein in federal government spending, and the Department of Commerce is a fine place to start.

Sincerely,

KAREN KERRIGAN,
President.

S. 929

Mr. GRAMM. Mr. President, I am proud to be an original cosponsor of the Commerce Department Dismantling Act of 1995. I want to compliment Senator ABRAHAM and Senator

FAIRCLOTH for their hard work in producing this legislation, and I look forward to working with them as this legislation is considered in committee and the Senate. The Commerce Department is the only Cabinet-level agency terminated in the Senate budget resolution, and it is important that we keep our promise to the American people to put the Federal Government on a budget, say no to more Federal spending, and allow American families to keep more of what they earn.

Mr. President, I do have concerns about some specific transfers of Commerce authority to other Departments and feel that, with further study, we can find a more appropriate destination for those functions that are retained. Nevertheless, I am strongly supportive of our effort to eliminate the Commerce Department, and will work with my colleagues to strengthen the bill we are introducing today.

By Mr. PRESSLER (for himself, Mr. DASCHLE, Mr. GRASSLEY, Mr. HARKIN, and Mr. WELLSTONE):

S. 931. A bill to authorize the construction of the Lewis and Clark Rural Water System and to authorize assistance to the Lewis and Clark Rural Water System, Inc., a nonprofit corporation, for the planning and construction of the water supply system, and for other purposes; to the Committee on Energy and Natural Resources.

THE LEWIS AND CLARK RURAL WATER SYSTEM ACT OF 1995

Mr. PRESSLER. Mr. President, today I am introducing legislation that authorizes construction of the Lewis and Clark Rural Water System. This system, when complete, will provide much needed, safe drinking water for hundreds of communities in southeastern South Dakota, northwestern Iowa, and southwestern Minnesota.

Joining me in introducing this legislation are Senators DASCHLE, GRASSLEY, HARKIN, and WELLSTONE.

Mr. President, this is the second year I have introduced legislation to authorize this water project. I am proud of the citizens of South Dakota who have worked extremely hard on this project. They are to be commended. Nothing is more important to the health of the South Dakota ranchers, farmers, and people living in towns and cities than the availability of safe drinking water. The bill I am introducing today will achieve that goal.

Since first coming to Congress, I have continually fought for the development of South Dakota water projects. In return for the sacrifices South Dakota made for the construction of the dams and reservoirs along the Missouri River, the Federal Government made a commitment to South Dakota. That commitment was to support water development in my State. This water project, in part, helps to meet that commitment.

In this day of fiscal austerity, only projects of the greatest public benefit can be brought forward. The Lewis and Clark Rural Water System is the only feasible means of ensuring that future supplies of good quality water will be available well into the next century. The Lewis and Clark Rural Water System will provide a supplemental supply of drinking water that is expected to serve over 180,500 people.

Mr. President, water development is a health issue, economic development issue, and a rural development issue. The ability of rural America to survive and grow is intrinsically related to its ability to provide adequate supplies of safe drinking water. Without a reliable supply of water, these areas cannot attract new businesses and cannot create jobs. The creation of jobs is a paramount issue to a rural State such as South Dakota. The Lewis and Clark Rural Water System will help assure job growth in the areas to be served.

It is extremely difficult for rural communities and residents to maintain a healthy standard of living if they do not have access to good quality drinking water.

I urge my colleagues to take a close look at this legislation. We would greatly appreciate their support for it.

Mr. DASCHLE. Mr. President, I join my colleague, Senator PRESSLER, in introducing legislation to authorize the Lewis and Clark Rural Water System. The Lewis and Clark Rural Water System is seeking authorization for the construction of a rural water system to provide clean water to southeastern South Dakota, northwest Iowa, and southwest Minnesota.

The need for this project is clear. In Sioux Falls, and in the rural counties that rely on Sioux Falls as a center of economic growth, we are now face-to-face with water shortages. Population growth is outstripping existing supplies of clean water.

Despite heroic efforts by the city of Sioux Falls to conserve water, supplies are not keeping up with demand. Sioux Falls has imposed water restrictions every year since 1987. Water rights for the Big Sioux aquifer, which supplies water to Sioux Falls, have been committed. Therefore, Sioux Falls has been forced to explore other long-term options. Similar problems exist in the nearby rural counties in southeastern South Dakota, Iowa and Minnesota, areas where water use restrictions are not uncommon. Unless the water supply problem is resolved, it could affect the long-term growth and development of the city.

Not only are there shortages of water, but much of the water that currently supplies the area is contaminated with high levels of iron, manganese, sulfate, and total dissolved solids. In many cases, drinking water is at or above EPA limits, leading to concern over public health in those areas.

There is a solution; the people of this region can tap the enormous resources of the Missouri River to provide long-term public health and economic development benefits. But they cannot do this alone. It will require a partnership between local, State, and Federal governments.

With the Missouri River carrying billions of gallons of water by this area each year, I am reminded of the ironic line ''water, water everywhere, but not a drop to drink.'' With the construction of the Lewis and Clark system to convey Missouri River water to the people of this region, that irony will cease. Impacts of this project on the flow of the Missouri River will be negligible. Nearly all the water would be returned to the Missouri River via the James, Vermillion, Big Sioux, Little Sioux, Rock, and Floyd Rivers.

In conclusion, there is a strong need for this project throughout the three-State area. The water supply shortages, the poor water quality, and the need to allow this region to grow economically, all demand that a solution be found that allows the people of this region access to clean, safe drinking water. The Lewis and Clark project is a sensible and timely answer to those needs. I encourage my colleagues to lend their support to this project in hopes that Congress will authorize its construction in the near future.

By Mr. JEFFORDS (for himself, Mr. KENNEDY, Mr. CHAFEE, Mr. AKAKA, Mr. BINGAMAN, Mrs. BOXER, Mr. BRADLEY, Mr. DODD, Mr. FEINGOLD, Mrs. FEINSTEIN, Mr. GLENN, Mr. HARKIN, Mr. INOUYE, Mr. KERREY, Mr. KERRY, Mr. KOHL, Mr. LAUTENBERG, Mr. LEAHY, Mr. LEVIN, Mr. LIEBERMAN, Ms. MIKULSKI, Ms. MOSELEY-BRAUN, Mr. MOYNIHAN, Mrs. MURRAY, Mr. PACKWOOD, Mr. PELL, Mr. ROBB, Mr. SARBANES, Mr. SIMON, and Mr. WELLSTONE):

S. 932. A bill to prohibit employment discrimination on the basis of sexual orientation; to the Committee on Labor and Human Resources.

THE EMPLOYMENT NON-DISCRIMINATION ACT OF 1995

Mr. JEFFORDS. Mr. President, today I am pleased to introduce the Employment Non-Discrimination Act of 1995. I am joined in doing so by nearly one-third of the Members of the Senate.

In my view, Mr. President, this bill is perhaps the most important civil rights legislation to come before Congress this year. I am honored to be a principal sponsor of the legislation in the Senate.

The legislation extends to sexual orientation the same federal employment discrimination protections established for race, religion, gender, national origin, age, and disability. The time has come to extend this type of protection to the only group—millions of Americans—still subjected to legal discrimination on the job.

The principles of equality and opportunity must apply to all Americans.

Success at work should be directly related to one's ability to do the job, period. People who work hard and perform well should not be kept from leading productive and responsible lives—from paying their taxes, meeting their mortgage payments and otherwise contributing to the economic life of the nation—because of irrational, non-work-related prejudice.

Mr. President: As a 61-year-old white male who grew up in a rural area, I fully understand how one could feel prejudice. I was not immune to it myself. However, through education and understanding, we must overcome such prejudice, as individuals and as a nation.

When this issue has been raised in the states, the debate has often turned on the phrase ''special rights.'' This bill does not create any ''special rights.'' Rather, it simply protects a right that should belong to every American, the right to be free from discrimination at work because of personal characteristics unrelated to successful performance on the job.

I'm proud to say that my home state of Vermont is one of several states that have enacted sexual orientation discrimination laws. It is no surprise, Mr. President, that the sky has not fallen. I am not aware of a single complaint from Vermont employers about the enforcement of the state law. However, I do know that thousands of Vermonters no longer need to live and work in the shadows.

My little state of Vermont was the first to abolish slavery, the first to answer Lincoln's call to arms, and the only state I know of with the audacity to declare war on Germany before Pearl Harbor. Once again, I think it is time for the federal government to follow the lead of Vermont, and the other states and cities across the country that have declared war on this, the final front of discrimination. The bill we introduce today takes important steps in that direction. I look forward to the day when we can see it signed into law.

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

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

SUMMARY—EMPLOYMENT NON-DISCRIMINATION ACT OF 1995

The Employment Non-Discrimination Act of 1995 (ENDA) extends federal employment discrimination protections currently provided based on race, religion, gender, national origin, age and disability to sexual orientation. Thus, ENDA will ensure fair employment practices—not special rights—for lesbians, gay men and bisexuals.

ENDA prohibits employers, employment agencies, and labor unions from using an individual's sexual orientation as the basis for employment decisions, such as hiring, firing, promotion, or compensation.

Under ENDA, covered entities cannot subject an individual to different standards or treatment based on that individual's sexual orientation, or discriminate against an individual based on the sexual orientation of those with whom the individual associates.

The ''disparate impact'' claim available under Title VII of the Civil Rights Act of 1964 (Title VII) is not available under ENDA. Therefore, an employer is not required to justify a neutral practice that may have a statistically disparate impact based on sexual orientation.

ENDA exempts small businesses, as do existing civil rights statutes, and does not apply to employers with fewer than fifteen employees.

ENDA exempts religious organizations, including educational institutions substantially controlled or supported by religious organizations.

ENDA prohibits preferential treatment, including quotas, based on sexual orientation.

ENDA does not require an employer to provide benefits for the same-sex partner of an employee.

ENDA does not apply to the uniformed members of the armed forces and thus does not affect the current law on lesbians and gay men in the military.

ENDA provides for the same remedies (injunctive relief and damages) as are permitted under Title VII and the Americans with Disabilities Act (ADA).

ENDA applies to Congress, with the same remedies as provided by the Congressional Accountability Act of 1995.

ENDA is not retroactive.

Mr. KENNEDY. Mr. President, from the beginning, civil rights has been the great unfinished business of America—and it still is. In the past thirty years, this nation has made significant progress in removing the burden of bigotry from our land. This ongoing bipartisan peaceful revolution of civil rights is one of the great hallmarks of our democracy and an enduring tribute to the remarkable resilience of the nation's founding principles.

Federal law now rightly prohibits job discrimination on the basis of race, gender, religion, national origin, age, and disability. Establishing these essential protections was not easy or quick. But they have stood the test of time—and they have made us a better and a stronger nation.

Today, we seek to take the next step on this journey of justice by banning discrimination based on sexual orientation.

The Employment Non-Discrimination Act is a significant step in that direction. The Act parallels the protections against job discrimination already provided under Title VII of the Civil Rights Act. It prohibits the discriminatory use an individual's sexual orientation as the basis for decisions on hiring, firing, promotion, or compensation. This kind of prohibition on job discrimination is well-established in the civil rights laws and can be easily applied to sexual orientation.

Our bill is not about granting special rights—it is about righting senseless wrongs. Its goal—plain and simple—is to eliminate job discrimination against fellow Americans. It does not allow for disparate impact claims, it prohibits quotas, it does not require domestic partners benefits, and it does not apply to the armed forces.

What it does require is basic fairness for gay men and lesbians, who deserve to be judged in their job settings—like all other Americans—by their ability to do the work.

Today, job discrimination on the basis of sexual orientation is too often a fact of life. From corporate suites to plant floors, qualified employees live in fear of losing their livelihood for reasons that have nothing to do with their skills or their job performance. Yet in 42 states a person can be fired—just for being gay.

This bill is not about statistics. It is about real Americans whose lives are being shattered and whose potential is being wasted. They are American heroes who paid dearly for being true to themselves as they pursued their professions. They performed well and were rewarded by being fired or brutally beaten. For them, ability didn't count—bigotry did.

That kind of vicious discrimination happens every day, in communities across America. The price of this prejudice, in both human and economic terms, is unacceptable. It is time for Congress to take a stand against it.

Job discrimination is not only un-American—it is counterproductive. It excludes qualified individuals, lowers workforce productivity, and hurts us all. For the nation to compete effectively in a global economy, we have to use all our available talent, and create a workplace environment where everyone can excel.

This view is shared by many leaders in labor and management. They understand that ending discrimination based on sexual orientation is good for workers, good for business, good for the economy, and good for the country.

In the absence of federal action, many state and local governments have acted responsibly to prohibit job discrimination based on sexual orientation. Over a hundred mayors and governors, Republicans and Democrats, have signed laws and issued orders protecting gay and lesbian employees. It is time for the federal government to make this protection nationwide.

We know we cannot change attitudes overnight. But the great lesson of American history is that changes in the law are an essential step in breaking down barriers of bigotry, exposing prejudice for what it is, and building a strong and fair nation.

I am honored to join my colleagues in introducing the Employment Non-Discrimination Act of 1995. This bipartisan legislation has the support of a broad bipartisan coalition that includes Coretta Scott King and Barry Goldwater—the conscience of civil rights and the conscience of conservatives.

Today's action brings us one step closer to the ideals of liberty. Our case is strong, our cause is just, and we intend to prevail.

I urge the Senate to support this essential effort.

By Mr. SIMON:

S. 933. A bill to amend the Public Health Service Act to ensure that affordable, comprehensive, high quality health care coverage is available

through the establishment of State-based programs for children and for all uninsured pregnant women, and to facilitate access to health services, strengthen public health functions, enhance health-related research, and support other activities that improve the health of mothers and children, and for other purposes; to the Committee on Labor and Human Resources.

HEALTHY MOTHERS, HEALTHY CHILDREN ACT OF 1995

Mr. SIMON. Mr. President, we have a serious problem in health care. We have almost 41 million now who do not have health care coverage.

As the Presiding Officer knows, because he has now been designated to lead the effort for the Republican Party, and he and I last year had some discussions about what kind of a practical compromise could be made.

This is a compromise. I would love to have universal coverage for everyone. This is a practical compromise that says ''Let's protect pregnant women and children 6 and under.'' It provides affordable, comprehensive, quality private health care coverage for these groups.

The health of America's mothers and children is simply unacceptable. The U.S. is No. 1 in wealth; we are 22d in infant mortality; we are 18th in maternal mortality.

Mr. President, 24 percent of the children of our country live in poverty. No other Western industrialized nation has anything like these figures. Many developing countries have much more coverage in terms of immunization.

Mongolia is a country I have had a chance to visit. Very few Americans visit Mongolia. It is really remote. Talk about developing nations that have problems, and yet they have a higher percentage of their children immunized than we do.

Mr. President, 22 percent of pregnant women do not have prenatal care in the first trimester. Uninsured children of the United States today, 11.1 million, or 1 out of 6, and it is getting worse.

What is going to happen, whether the Clinton bill passes in terms of the budget or the Republican budget passes—and obviously it is more likely to be the Republican budget—what if the distinguished junior Senator from Utah were a hospital administrator and the amount you get for coverage for Medicare and Medicaid goes down, what happens is you shift the burden to the nonMedicaid/nonMedicare patient and health insurance premiums go up? As health insurance premiums go up, the percentage of employers providing insurance will go down.

The estimate is the year 2002, somewhere between 17 million and 20 million children will not be covered.

Incidentally, I would love to have a bill that covers all children, covers 18 and under. But I know, realistically, that does not have a chance of passage.

But if we were to say let us at least cover pregnant women and children 6 and under, of the 1.1 million net increase in uninsured persons from 1992 to 1993, 84 percent, 922,000, were children. That is the increase for children. That is the increase for adults. Obviously, we are talking about the future of our Nation when we talk about the children.

Guiding principles of this act, the Healthy Mothers, Healthy Children Act? Coverage is independent of family income, employment, or health status. Everyone can get insurance.

This is a single-tier health care system for everyone.

Coverage is affordable for all families. We have some flexibility here. Health services are comprehensive. And we ensure quality.

Eligibility? All children under the age of 7 and pregnant women; replaces Medicaid for those groups. The States save money and the Federal Government would save money. And it calls for a report on possible future expansion.

Enrollment? There would be a national open enrollment month; plus, if you go to the hospital, if you go to a physician, if you are not enrolled, you can enroll at that point. It is administratively simple. Plans must accept any eligible person, no preexisting conditions. And within the State, you would have competition among the insurers so we keep the rates down.

Cost sharing is part of it. Our friends in Canada say they made a great mistake in not having all people contribute something. There is overutilization of the system when you do not have everyone contributing something. So we have all families contributing. Families receive premium subsidies ranging from 99 percent to 5 percent, depending on income. And there is a cap because even a family of upper income, if you have a devastating kind of an illness—we just heard Senator CHAFEE talk about someone who had a $3 million medical bill.

State flexibility and accountability—States and plans are given maximum flexibility; States develop and administer the program; States and Federal Government and health plans are accountable for meeting certain objectives.

There is a matching rate. The Federal matching rate is more generous than Medicaid. The national average would be 80 percent. That means very substantial savings for Illinois, for Utah, and for the other States. The maximum matching rate would be 90 percent.

Comprehensive health care services, and there are some limits here, let me just say, because—which I will outline in a minute. Preventive health, ambulatory care, laboratory services, prescription drugs, hospital, and in-home services, mental health services, dental and vision care—this is an example where there are limitations. We do not cover orthodontia services. We do not cover cosmetic surgery. There are obviously limitations that have to be here.

Long-term health care for children with disabilities and chronic health conditions, durable medical equipment, allied health services. Here is the way it would work. A family of four at 250 percent of poverty, that is $37,000 with one child under 7, the mother is pregnant, the father works in a small business, with no dependent health care coverage, they would have the option to enroll into this plan. They would receive comprehensive coverage for the mother and the child—not for the father, not for any children over the age of 6. With their income, they would receive a 40 percent premium subsidy. In other words, they would have to pay 60 percent of the costs and they would pay a maximum, during the course of the year, of $1,830 per year. Then, if their costs exceed that $1,830, the Federal Government would pay.

Here is a lower-income family, a family of four at 100 percent of poverty, $15,000 with two children under 7, a single parent who works part time and is covered by Medicaid. Both children are automatically enrolled. Everyone who is on Medicaid is automatically enrolled into the Healthy Mothers, Healthy Children Act. The parent remains in Medicaid also, but we do not cover that parent. The Medicaid Program continues as is for that parent. They would have a choice of provider, get quality services, and coordination of care improves. They would receive a 90-percent subsidy. In other words, if they have a problem, they would have to pay 10 percent, even a poor family. So we do not have overutilization. But they would pay a maximum of $80 per year. For a family that is on the poverty level or below, that is still a sizable amount of money but it is a restraining factor. But then the Federal Government picks the tab up after that.

An upper-income family, a family of four, at 500 percent of poverty, $75,000, with two children under 7, one parent works for a large company and has a health plan through the employer but no coverage for preexisting conditions. They have the option of staying with the company plan or enrolling in this plan. They receive complete coverage, including preexisting conditions. They receive only a 5 percent premium subsidy. They would have to pay 95 percent. Obviously, at $75,000 a year, they can afford that.

But they can pay a maximum of $6,000 per child for a year. So if you have a child who is a diabetic, who has a serious problem—if you have the kind of problem that Senator CHAFEE just mentioned, with somebody who had a $3 million expenditure—that would be covered.

Financing sources? Medicaid funds, that we have right now. Here is the tough one. We increase the tax on a package of cigarettes by $1.50. There is no question that is going to be tough. Some of our colleagues are going to resist it strongly. I add, even if we were not providing any benefits for anybody,

we would have a healthier America if we increase the tax on cigarettes $1.50 per pack. Young people, particularly, like these pages—if I may pick on them here—they are very price sensitive. That really would make a difference.

The State has to match. They will not have to match as much as they have been. The States would save some money; some employers would save some money. The family has to contribute. I think that is proper. There would be savings from elimination and reduction of duplicative programs.

In controlling costs, they are controlled by market competition. They have to bid within the State. Premium subsidies are based on the lowest-priced plan. Obviously, quality has to be there. The funding increases to States limited to the national rate of inflation.

If, for example, in Utah you have a plan and it increases the cost 20 percent while the national average is 5 percent, we say to Utah: Sorry, you can only have a 5-percent increase. So there is that limitation.

Specific options for reducing program costs to ensure financial integrity of the program.

Then, finally, a quote from this radical by the name of Herbert Hoover. Herbert Hoover said:

> The greatness of any nation, its freedom from poverty and crime, its aspirations and ideals are the direct quotient of the care of its children.
>
> There should be no child in America that is not born and does not live under sound conditions of health.

That is not the case today. We ought to make Herbert Hoover's dream for America a reality.

So I have this bill. I think it is appropriate that the two Members on the Republican side who are here right now are Senator BENNETT and Senator CHAFEE. Senator CHAFEE provided excellent leadership last session. We were not able to put the package together. Senator BENNETT now has that mantle on the Republican side.

We ought to do something. My proposal is let us provide coverage for pregnant women and children 6 and under. That would be a great initial step for the future of our country, and would protect 11 million children in our country today. I hope we take a look at this. At some point, whether the Finance Committee approves this idea or not, I am going to offer it as an amendment on the floor so we get a vote on it.

My instinct is you have to be pretty hardhearted to vote against coverage for pregnant women and children 6 and under. I think this might be politically acceptable. I certainly know the American people would favor it.

So I am introducing this bill today. I hope we will consider it. I commend it to my colleagues who have done more work in the health care field on the other side of the aisle than any others—Senator CHAFEE and Senator BENNETT.

The purpose of this act is to ensure that affordable, comprehensive, high quality private health care coverage is available through State-based programs for all children, initially for those under seven, and for all uninsured pregnant women.

Mr. President, friends, yesterday was Flag Day. A day for all Americans to reflect upon our country, where we've been and where we are heading. When I think about the future of this country, I realize that the future is already here—in our children. What should be our national direction? Let me share with you my vision for our children. I suggest that we move towards a society where every child at least has adequate health care, receives a good education, lives in a caring family, and grows up in a safe community.

THE POOR HEALTH OF AMERICA'S MOTHERS AND CHILDREN

How are we doing in fulfilling that vision? My friends, I have to tell you that we as a country are failing to properly care for our children. We are the wealthiest Nation in the world. But if our wealth was measured by the health status of mothers and children, we fall well behind the other major industrialized nations. Despite the highest per capita spending on health care of any country, we currently rank 22d in infant mortality and 18th in maternal mortality. Approximately 24 percent of all our children live in poverty. Many developing countries including Albania, Malawi, Mongolia, and Turkmenistan, have higher childhood immunization rates than we do. In addition, approximately 22 percent of mothers did not receive prenatal care in the first trimester. We can do better.

LACK OF HEALTH INSURANCE AMONG CHILDREN AND PREGNANT WOMEN IS INCREASING

What about health care coverage? Unfortunately, the lack of insurance among children and pregnant women is unacceptable and is getting worse. A recent report by the Employee Benefit Research Institute shows that between 1992 and 1993, the number of uninsured people increased by 1.1 million or 17.8 percent to 40.9 million. The most alarming finding is that children accounted for the largest proportion of the net increase in the number of the uninsured: Of the 1.1 million net increase between 1992 and 1993, 922,500 or 84 percent, were children under 18.

In 1993, 11.1 million or one of every six children did not have health insurance or publicly-financed health care, up from 10.2 million or 15 percent in 1992. Despite recent expansions in Medicaid, 22 percent of all poor children were uninsured, and approximately 500,000 pregnant women did not have health insurance in 1992.

In addition, if this Congress significantly reduces the Medicaid budget as proposed under the current Senate and House budget resolutions, it is estimated that between five and seven million children in addition to the 12.6 million children already projected to be uninsured under the current health care system, will not have health coverage by the year 2002.

It is important to note that lack of health insurance is not solely a problem of poverty. A large proportion of children in middle class families are uninsured. For example, among children in families with incomes between 100 and 199 percent of poverty, 25 percent are uninsured. And among children in families with incomes between 200 and 399 percent of poverty, 12 percent lack insurance.

My friends, we can do better. We must do better.

INVESTING IN THE HEALTH OF MOTHERS AND CHILDREN

Given the state of the Federal deficit, some of you may question whether the Government should be expanding health coverage for children. You may ask, ''Is this a proper role for government?''

I think the words of Abraham Lincoln are helpful. He said: ''The legitimate object of government, is to do for a community of people, whatever they need to have done, but cannot do, at all, or cannot, so well do, for themselves—in their separate, and individual capacities.'' Children do not have the capacity to ensure their health. Yes, families have primary responsibility for ensuring that their children receive medically necessary care. The Government's role is to ensure that health coverage is accessible and affordable for all. It is clear that the private sector has been unable to accomplish this goal.

There are more reasons why we should invest in our children's health. Investing in health services for children substantially increases their potential to be productive members of society and averts more serious or more expensive conditions later in life. Similarly, ensuring that all pregnant women receive adequate prenatal care is cost saving to society. Ensuring coverage for children is also relatively inexpensive: In 1993, the Medicaid program spent an average of $1,012 per child compared to $8,220 per elderly adult.

Therefore, if the question to me is ''Can we afford to invest in the health of our children?,'' I reply by asking you, ''How can we afford not to?''

GUIDING PRINCIPLES FOR THE HEALTHY MOTHERS, HEALTHY CHILDREN ACT

In developing the Healthy Mothers, Healthy Children Act, I considered 10 fundamental guiding principles that I believe should be the basis for any national health care program for children and pregnant women. They are:

First, coverage is independent of family income, employment, or health status;

Second, there is a single-tier health care system;

Third, coverage is affordable for all families;

Fourth, health services are comprehensive;

Fifth, ensuring quality is a primary goal;

Sixth, everyone shares responsibility for mothers and children;

Seventh, health, not just health care, is emphasized;

Eighth, States and health plans have maximum flexibility and accountability;

Ninth, administrative costs and complexity are minimized; and

Tenth, program costs and fraud and abuse are controlled.

SUMMARY OF THE HEALTHY MOTHERS, HEALTHY CHILDREN ACT

Let me summarize the legislation I am introducing:

A national trust fund is established to support state-based programs that involve private health plans. Participation is voluntary for states, health plans, and families.

All children under age seven are eligible, regardless of family income, employment, or insurance status. Pregnant women without employer-based coverage are eligible. Medicaid-eligible children and pregnant women are brought into the program to enhance their choice of providers and to avert a multi-tier health care system. There is no impact on the Medicaid program for nonparticipating States for noneligible children seven years of age and older. Every 2 years, if sufficient funds are available and the public is supportive of the program, the Secretary will increase eligibility to older children on a national basis. A State that has achieved universal coverage for children under seven in their State can extend coverage to older children before such children are eligible on a national basis.

In my legislation, children are enrolled during a national open enrollment period. States ensure that the enrollment process is simple and is not a barrier to care. Participating plans must accept any eligible person who wishes to enroll and cannot deny coverage for pre-existing conditions or any other reason.

All families contribute according to their ability to pay and receive a premium subsidy, ranging from 99 percent to 5 percent, based on a sliding scale of income. There is a cap on annual family medical expenses and a required $5 copayment for most services, except for preventive services.

The legislation is based on a management by objectives approach: States and health plans are given maximum flexibility to determine how they will meet program objectives, but are also fully accountable for results. States develop and administer the program, and are evaluated on an annual basis regarding their progress in achieving program objectives.

State funds are matched by Federal funds at a rate based on the State per capita income that is more generous than the State's current Medicaid matching rate. The average Federal matching rate for all States is 80 percent with a maximum matching rate of 90 percent.

Health services in the Healthy Mothers, Healthy Children Act are provided by private health plans. States certify health plans and negotiate premium rates with all interested plans. Participating plans compete to deliver the highest quality care at the lowest price. There are a series of standards to prevent adverse selection and discrimination, ensure access to primary and specialty care, and ensure that all participating plans compete on a ''level playing field.'' The program encourages innovation by existing plans and formation of new health plans.

All participating health plans must provide a comprehensive package of services.

The services will be specified by the Secretary and health professional groups. In general, services include: preventive health, ambulatory care, laboratory services, prescription drugs, hospital and in-home services, mental health services, dental and vision care, long-term health care for children with disabilities and chronic health conditions, durable medical equipment, and allied health services.

Because I believe that we must emphasize quality and accountability, the bill includes a series of standards to ensure quality at the health plan, State, and Federal levels. National guidelines for quality assessment and improvement, utilization review, and other programs are developed in consultation with private health plans and other nongovernmental organizations. All participating States must have a program for preventing, monitoring, and controlling fraud and abuse. As a check and balance, nongovernment advisory council provides program oversight and advises the Secretary on program administration and modifications. A national maternal and child health information system and a national childhood immunization database are established to monitor program quality and to increase childhood immunization rates.

How would employers be affected by this bill? Experience from the last Congress demonstrates that the issue of the role of employers in health care reform is extremely difficult to resolve. I propose that employers who drop coverage of employee-dependent children as a result of this Act must pay a temporary (5-year) annual maintenance of effort fee equivalent to 50 percent of health coverage costs for their employees' children. To discourage dropping of coverage, families whose coverage is dropped by their employers are not eligible for the program for 6 months.

In my legislation, there is a strong emphasis on prevention. Up to 5 percent of trust monies can be used to fund activities by States and nonprofit organizations to improve the health of mothers and children. Eligible activities include: supporting school-based clinics, increasing the use of telecommunications and computer technology to increase health care access, supporting biomedical and health-related research, enhancing core public health functions, and supporting health promotion and disease prevention activities. To minimize duplicative programs, existing Federal and State maternal and child health programs are integrated and coordinated under the bill.

Controlling health care costs is crucial. Therefore, I have several mechanisms designed to control costs in the program. Costs are controlled by market competition and delivery of care primarily through management care plans. Because premium subsidies for families are based on the lowest priced plan in an area, plans have an incentive to control costs. Because annual funding increases to the States are limited to the average increase in medical care costs for children and pregnant women on a national basis, states have an incentive to control program costs. There are also mechanisms in the bill that allow the Secretary to reduce program costs or request additional funds as necessary to ensure the financial integrity of the program. I am asking the Congressional Budget Office to score the bill.

How will we pay for the program? Funding sources for my legislation include shifting of Federal Medicaid funds for targeted groups, increase in Federal excise taxes on cigarettes of $1.50/pack, state matching funds, partial premiums from families, savings from elimination/reduction of duplicative Federal and State programs, and charitable contributions.

Perhaps I can best summarize my legislation by illustrating how it affects different families.

First, let's take the example of a middle class family of four at 250 percent of poverty with one child under seven, a pregnant mother, and a father who works in a small business that does not offer dependent coverage. In this situation, the mother and child may be enrolled into the Healthy Mothers, Healthy Children Program. They would receive comprehensive health care coverage and 40 percent of the cost would be subsidized. The family would pay a maximum of $1,830 per year for total medical expenses for the mother and child.

Now let's look at a lower income, single parent family at 100 percent of poverty with two children under 7, the parent works part time and the family is covered by Medicaid. In this case, the children would be automatically enrolled into the Healthy Mother, Healthy Children program. Under this program, the choice of provider, quality of care, and coordination of care would improve. Ninety percent of the cost of the coverage would be subsidized, and the family would pay a maximum of $80 per year for total medical expenses for both children.

Finally, what about higher income families? Let's consider a family at 500 percent of poverty with two children under 7, one parent works in a large company that provides family coverage but does not cover the children's preexisting conditions. This family may

elect to stay with their coverage or enroll their children into the Healthy Mothers, healthy Children program. The children would receive comprehensive health coverage including for pre-existing conditions. The family would also receive a 5 percent premium subsidy, and pay a maximum of $6,000 per year for total medical expenses for the mother and child.

TOWARD A HEALTHY FUTURE FOR OUR NATION

Mr. President, I am introducing this bill today as a starting point for discussions towards a bipartisan bill to ensure that the most vulnerable members of our society have a chance to lead productive lives regardless of the circumstances of their birth. I urge all of my colleagues who are concerned with our Nation's future to join me and further develop my proposal.

As Congress revisits health care reform this year, it is likely that we will agree to at least provide for portability of coverage for employed individuals and limit exclusions for pre-existing conditions. These insurance reforms will improve access for some, but such reforms unfortunately fall far short of what we should and can do to expand coverage for children and pregnant women. We can do better.

There is a health care crisis in this country. Should we accept a society where children in many neighborhoods have better access to drug and handguns than to doctors? A society that ensures health care for all prisoners but does not extend that guarantee to all children?

I recognize that health care reform is complex. We must move cautiously and incrementally. A sensible approach is to start by at least ensuring that every child under seven and all uninsured pregnant women have affordable, comprehensive, high quality health care coverage.

In accepting the Republican nomination for President in 1928, Herbert Hoover said ''* * * the greatness of any nation, its freedom from poverty and crime, its aspirations and ideals are the direct quotient of the care of its children.'' And that ''* * * there should be no child in America that is not born and does not live under sound conditions of health * * *''

Sixty-seven years later, we are the only developed Nation that does not ensure that all children and pregnant women have health coverage as part of national maternal and child health policy. I know we can do better.

There is a saying that children will treat us as they have been treated. I urge that we, our society, start treating them well.

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

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

HEALTHY MOTHERS, HEALTHY CHILDREN ACT OF 1995

Purpose.—Amends the Public Health Service Act to ensure that affordable, comprehensive, high quality health care coverage is available through the establishment of state-based programs for all children and for all uninsured pregnant women; and to facilitate access to health services, strengthen public health functions, enhance health-related research, and support other activities that improve the health of mothers and children.

TITLE 1—NATIONAL HEALTH TRUST FUND FOR MOTHERS AND CHILDREN

Sec. 101. Establishment

Amends subchapter A of chapter 98 of Internal Revenue Code of 1986.

PART II—HEALTH CARE TRUST FUNDS

Sec. 9551. National Health Trust Fund for Mothers and Children

Establishes the National Health Trust Fund for Mothers and Children to support state-based programs that ensure affordable, comprehensive, high quality health care coverage for all children, and for all uninsured pregnant women.

Transfers into the Trust Fund shall include: (1) revenue from an increased tobacco tax, (2) shifting of funds from the Medicaid program, (3) designation of overpayments on tax returns and charitable contributions, and (4) savings from duplication of services or functions of existing federal programs.

Expenditures from the Trust Fund shall include: (1) funding state-based programs to cover children and pregnant women; (2) up to 5% of Trust Fund monies for awarding grants to states, universities, and other nonprofit organizations for activities to improve the health of mothers and children; and (3) up to 0.2% of the annual revenue from the increased tobacco tax to fund activities at the Office of Smoking and Health, Centers for Disease Control and Prevention to prevent the use of tobacco products by children and to coordinate federal and state tobacco control initiatives.

TITLE 2—HEALTHY MOTHERS, HEALTH CHILDREN PROGRAM

Sec. 201. Establishment and Allocation of Funds

Amends the Public Health Service Act (42 USC 201).

TITLE XXVII—HEALTHY MOTHERS, HEALTHY CHILDREN PROGRAM

Sec. 2700. Establishment of Program

States that wish to participate in this program must establish a state program to provide for or cover comprehensive, high quality health services for eligible individuals.

PART A—ALLOCATION OF FUNDS

Sec. 2701. Allocation of Funds to Participating States

For the first two years, the amount of funds allocated to each participating state will be determined by the Secretary of Health and Human Services, hereafter referred to as the Secretary, based on three factors: the estimated number of eligible children under seven years, the number of uninsured pregnant women in the state, and a geographic adjustment factor that is dependent on the average cost of health care in the state. In subsequent years, to encourage enrollment of all eligible persons, allocations to each state shall also be based on the number of persons enrolled in the state program in the previous year (the greater the number of eligible persons enrolled in the previous year, the greater the funds to the state).

After the first two years of funding to participating states, the annual per capita allocation to the states shall be increased each year up to an amount as determined by a formula, calculated and established annually by the Secretary. The formula shall be based on an index that reflects the estimated national average rate of inflation or health care expenditures for children and a similar index for pregnant women. The Secretary may consider state-specific waivers to this requirement on an annual basis if the state can demonstrate that extenuating circumstances within the state caused unavoidable increases in the cost of health services to children and pregnant women, and that the state has considered all reasonable strategies to control costs, including, but not limited to, working with certified plans to control costs, reducing administrative costs, restructuring the state program, and minimizing fraud and abuse.

Sec. 2702. State Trust Funds and Matching Contribution

Each state shall establish its own state trust fund (or in the case of regional programs, a regional trust fund) in which allocated federal funds and matching state funds shall be deposited. States are allowed to deposit additional funds into their trust fund at any time, but these state funds shall not be subject to federal matching unless they are deposited for the purposes specified in sections 2732, 2735, and 2753. Monies from the state or federal trust funds may be used only for activities directly related to the provision of health services or other activities specifically covered by this Act. Monies from the Trust Fund shall be transferred directly to the state's trust fund on an annual basis and the states shall deposit their matching funds on an annual basis. The annual transfer of funds to the states is contingent on a satisfactory annual evaluation of the state's program and approval of the state's annual plan by the Secretary as specified in section 2731.

Each participating state is required to match federal funds to the state trust fund at a rate determined by a formula developed by the Secretary that takes into account each State's annual per capita income. The Secretary shall ensure that: 1) each State's matching requirement is more generous for the State than the State's matching requirement under the Medicaid program at the time of the approval of the State program, 2) the average State matching requirement for all States is $2 for every $8 of Federal funds under the allocation (average Federal matching rate for all States of 80%), and 3) no State shall have a matching requirement less than $1 for every $9 of Federal funds under the allocation (maximum Federal matching rate of 90%).

States may elect to accept a donation of funds, services, or equipment toward a state program under this Act from individuals and the private sector. However, the state shall ensure that donations from individuals and for-profit entities do not result in a conflict of interest in terms of the state giving preference to the individual or entity related to the award of contracts for a federal or state health program.

Sec. 2703. Excess and Insufficient Funds in Trust Funds

In the case that monies exist in the Trust Fund that are not transferred to participating states or awarded for activities under this Act, such monies shall remain in the Trust Fund and be available for use in subsequent years. In the event that there exists a surplus of monies in a state trust fund, such monies do not need to be transferred back to the Trust Fund. However, such surplus state monies must be used to expand eligibility to older children.

In the case that there exist insufficient monies in the Trust Fund, or it is expected that insufficient funds will exist, in any given year to fully transfer to the states the amount ordinarily allocated by the Secretary, then the National Advisory Council

for Mother's and Children's Health as established under section 2742, and to be referred to hereafter as the Council, shall recommend to the Secretary, within 60 days of the Council's discovery, strategies for correcting the discrepancy. The Council may choose to recommend additional sources of revenue for the Trust Fund, adjusting the state matching requirements under section 2702, adjusting the range or nature of health benefits provided under section 2721, adjusting the cost sharing requirements for families under sections 2725–2728, decreasing grants awarded under Part F, or other measures as deemed appropriate by the Council. In consultation with the Council, the Secretary shall submit implementing legislation to Congress, within 60 days of the Council's recommendations, for correcting the problem.

In the event that a state does not have sufficient monies in the state trust fund to meet its obligations during a given year, the state may petition the Secretary for additional monies and the Secretary shall make a decision for funding or a loan from the Trust Fund within 90 days of the petition. However, the Secretary shall not transfer any additional funds to the state if it is determined that the state mismanaged funds, failed to prevent foreseeable fiscal problems, or failed to control fraud and abuse.

PART B—ELIGIBILITY AND ENROLLMENT

SUBPART I—ELIGIBILITY

Sec. 2710. Eligibility of Individuals

The following groups are eligible under this Act:

1. All children under seven years of age regardless of income or insurance status, plus older children (up to 21 years) as the Secretary or states expand eligibility as funds are available.

2. All pregnant women, regardless of income, who are not insured through their own employer or their family's employer. However, pregnant women who have employer-based coverage, but do not have coverage for pregnancy-related health benefits, shall also be eligible. (The 1978 Pregnancy Discrimination Act, which applies to employers who have 15 or more employees and requires that any health insurance provided to employees must cover expanses for pregnancy-related conditions on the same basis as expenses for other medical conditions, shall remain in effect.)

3. Legal residents or United States citizens only. States may elect to extend eligibility to other residents, but no federal funds shall be used to provide for such coverage.

An individual is not eligible under this program if he/she was covered under an employer-based health plan and coverage was dropped by the employer within the six-month-period prior to the individual's application.

Sec. 2711. Election of Eligibility

Children who are eligible for or receive health services from the Department of Defense (military medicine or the Civilian Health and Medical Program of the Uniform Services (CHAMPUS)), the Indian Health Service, or the Department of Veterans' Affairs, may continue to use such services or elect to enroll in a certified plan under this Act.

All age-eligible children who are enrolled in Medicaid at the time of full implementation of this Act in their state of residence shall be automatically enrolled in the respective state program under this Act. In the case of an age-eligible child in state-supervised care or a child who does not live with his/her parents, the child shall be enrolled in a plan by the state agency or guardian that has been awarded temporary or permanent custody of the child unless there is a specially designed health care system for such children.

Pregnant women who are enrolled in Medicaid at the time of full implementation of this Act in their state of residence shall be automatically enrolled in the respective state program under this Act. Pregnant women who are eligible for health services under the Department of Defense, the Indian Health Service, the Department of Veterans' Affairs, and other federally sponsored health plans are not eligible under this Act.

In the case where an individual elects or is automatically enrolled in a state program under this Act, all privileges (such as choice of certified plans) and responsibilities (such as payment of premiums or copayments) accorded to their families or themselves under this Act shall apply.

Sec. 2712. Eligible Health Plans and Providers

All health plans and providers who are licensed and credentialed, or otherwise legally authorized by their state, to provide the health services specified under this Act, under the respective rules and regulations of their state, are potentially eligible to participate in the state program if they meet all relevant state and federal requirements under this Act.

SUBPART II—ENROLLMENT

Sec. 2715. Enrollment of Eligible Persons

Families with eligible children may enroll their children during a national open enrollment period as defined by the Secretary. Congress shall designate this one-month period as National Healthy Mothers, Healthy Children's Month.

Participating states shall establish a system for enrolling eligible children and pregnant women that minimizes barriers to enrollment. The application process shall be reasonably convenient, efficient, and available through a wide range of methods. At a minimum, enrollment shall be available through the mail, telephone (via a toll free number), and in person.

Enrollment materials shall be available from health care providers, health provider organizations, hospitals, health clinics, and at facilities that provide health and nutrition services to children and women, and from local and state government health offices. The Secretary, in consultation with the states and representatives of certified plans, shall develop the essential data elements for a standardized enrollment form and it shall not be more than one page in length. However, additional data collection instruments for the purposes of program assessment and improvement may be allowed as long as they are not a requirement for enrollment.

States shall process enrollment applications and give a final decision on the application to the family and relevant plan within 30 days of application submission. Approval of the application shall be dependent on eligibility and income verification and must occur within 30 days. Upon approval, the state shall notify the family and relevant plan of the family's expected annual premium contribution, the first payment of which must be received by the plan or the state within 30 days of application approval. Income verification mechanisms and requirements shall be developed by the state. States may elect to waive income verification requirements for families who are already subject to similar requirements under other state or federal programs or in other situations deemed to be appropriate by the state.

Children may also be enrolled by their family at any time outside of the open enrollment period, but a late enrollment surcharge, to be determined by the state, will be imposed for doing so. Families shall be given the opportunity to enroll their newborn before or at the time of delivery (through the hospital or birthing center). In order to avoid a surcharge, newborns must be enrolled into the program prior to their birth, within 30 days of their birthdate, or during the open enrollment period.

Upon enrollment application, the family shall indicate their choice of certified plan. The period of enrollment shall not be less than one year for a child, and in the case of a pregnant woman, the period shall be for the duration of her pregnancy and eligible post-partum period. Families with enrolled children in a certified plan may freely elect to change plans during the next open enrollment period. Families with enrolled children may also change plans outside of the open enrollment period but the state shall impose a substantial surcharge, to be determined by the state, for doing so. However, there shall be no surcharge for families with enrolled children or pregnant women if the change of certified plans is due to the family moving to another area not served by the current plan, in the case of a plan withdrawing from a market area, or for other justifiable and legitimate reasons as determined by the state.

A pregnant woman may enroll at any time after the diagnosis of pregnancy is confirmed by a physician or qualified health professional, or she may enroll in order to confirm her pregnancy. Women who plan to become pregnant may also enroll in the program, but covered benefits are available only after the pregnancy is confirmed by a physician or qualified health professional.

There shall be no waiting period for covered health services; access to services shall be effective immediately at the time of enrollment application. All applicants shall be presumed to be eligible until the state has determined otherwise. Certified plans must provide covered health services to any pregnant woman or child who has not been enrolled in a certified plan under this Act and who reasonably appears to be of an eligible age until such time that the state has notified the plan that the applicant is not eligible under this Act. In these cases, however, an application for enrollment in the certified plan must be submitted by the pregnant woman or on behalf of the child during the initial point-of-service visit. The state shall impose a surcharge, to be determined by the state, for enrollment at the point-of-service. States may elect to directly compensate plans for services delivered to persons who are subsequently deemed ineligible, or allow plans to factor in the estimated costs of providing services to such persons in their rate negotiations with the state.

Waivers to any enrollment surcharge may be obtained from the state if the applicant can demonstrate that he/she was out-of-state during the open enrollment period or for other unavoidable and legitimate reasons as determined by the state, including, but not limited to, sudden loss of health coverage due to unemployment, divorce, and financial crisis.

Sec. 2716. Transition from Eligibility

When a child enrolled in a certified plan reaches the end of an enrollment period on the day of or after attaining his/her seventh birthday, he/she shall no longer be eligible for premium subsidies under this Act. However, the child's health plan in effect immediately prior to the individual attaining his/her seventh birthday must continue to provide coverage indefinitely, at the discretion of the child's family, for as long as the full unsubsidized premium and copayments are paid. There shall not be any exclusion of coverage for pre-existing conditions. In addition, if the individual's family elects to leave

the current health plan for another plan or for an employer-provided plan that provides similar benefits to employee dependents, the plan or employer must accept the individual into the plan and is not allowed to exclude coverage for any pre-existing conditions.

A woman shall no longer be eligible for health benefits under the program two months after the end of pregnancy. If the woman was covered under a health plan or employer-based plan (without pregnancy-related benefits) immediately prior to her enrollment in the state program, her previous plan and employer must readmit her into the plan with no exclusions for pre-existing or pregnancy-related conditions at a cost comparable to what she had paid prior to her enrollment in the state program.

Sec. 202—Comprehensive Health Benefits and Cost Sharing Requirements

Amends title XXVII of the Public Health Service Act.

PART C—COMPREHENSIVE HEALTH BENEFITS AND COST SHARING REQUIREMENTS

SUBPART 1—COMPREHENSIVE HEALTH BENEFITS

Sec. 2721. Comprehensive Health Benefits Package

Within 180 days of enactment of this Act, the Secretary, in consultation with specific health care professional and health-related organizations, shall develop a specific comprehensive benefits package for children and pregnant women based on the general groups of benefits outlined in section 2722. The Secretary shall determine the organizations that will be consulted in development of the benefits package. At a minimum, the American Academy of Pediatrics, the Association of Maternal and Child Health Programs, and the American Dental Association shall be consulted in developing the benefits package for children, and the American College of Obstetricians and Gynecologists and the Association of Maternal and Child Health Programs shall be consulted in developing the benefits package for pregnant women. To the extent possible, periodicity schedules for preventive services shall be specified in the benefits packages.

As a guide for development of the comprehensive benefits packages for children and pregnant women, the Secretary shall ensure that the specific comprehensive benefits packages are consistent with the following ''floor'' and ''ceiling'': The actuarial equivalent of the specific comprehensive benefits packages must exceed the average actuarial equivalent of health benefits offered to the children and pregnant women by all states under the Medicaid program on the date of enactment of this Act. In addition, the actuarial equivalent of the specific comprehensive benefits packages shall not exceed the actuarial equivalent of health benefits provided to children and pregnant women in the specifics state(s) with the most generous Medicaid benefits package for these populations on the date of enactment of this Act.

In addition to developing the specific benefits package, the Secretary, in consultation with selected health professional organizations, shall determine which types of services shall be subject to utilization copayments under section 2727. At a minimum, preventive services shall be exempt from any utilization copayment.

The benefits packages shall be reviewed and revised as necessary every two years by the Secretary in conjunction with relevant professional organizations and the Council. Revision of the benefits packages shall be consistent with changes in the age group of eligible children, standard medical practice, new technologies, emerging health problems and health care needs. The benefits package may be revised immediately if children seven and older are eligible on a national basis or in a state within two years of the development of the initial benefits package.

Certified plans operating under this Act shall cover or provide the comprehensive health services as specified by the Secretary. Certified plans may not offer any plan to eligible individuals under this Act that does not cover or provide for all the benefits specified by the Secretary. However, certified plans may offer additional plans that have more generous benefits than those specified by the Secretary.

In the case where the State has determined that no participating health plan is able to provide for or cover all the services in the comprehensive benefits package, or the State has determined that certain services are most effectively delivered by providers other than participating health plans, then the State may elect to develop an alternative mechanism, such as entering into agreements with other providers, to provide for or cover specific services. In all cases, however, the State must ensure that all services covered under the comprehensive benefits package are of high quality and are fully coordinated and integrated.

Sec. 2722. General Categories of Health Benefits

At a minimum, the following general categories of health services shall be provided for or covered by certified plans participating under this Act:

For children, from birth up to seventh birthday (or end of enrollment period after birthday): preventive services (including immunizations as recommended by the Advisory Committee on Immunization Practices (ACIP), well baby/child care, routine exams and check ups, recommended screening tests, dental prophylaxis and exams, preventive health counseling and health education); ambulatory care; laboratory services; prescription drugs; inpatient care; vision, audiology and aural rehabilitative, and other rehabilitative services (including prescription eyeglasses, hearing aids); durable medical equipment (including orthotics, prosthetics); dental care (excludes orthodontic care); mental health and substance abuse services; long-term and chronic care services; special health care services for children with disabilities or chronic health conditions; occupational, physical, and respiratory therapy; speech-language pathology services; investigational treatments (limited to participation in a clinical investigation as part of an approved research trial as defined by the Secretary. Services or other items related to the trial normally paid for by other funding sources need not be covered.)

For pregnant women, from diagnosis of pregnancy through 60 days after the end of pregnancy: maternity care (including prenatal, delivery, and postpartum care, including preventive services such as routine exams and check ups, recommended immunizations and screening tests, family planning services, preventive health counseling including nutrition and health education); ambulatory care; laboratory services; prescription drugs; inpatient care; inpatient hospital and nonhospital delivery services; mental health and substance abuse services; any other pregnancy- or nonpregnancy-related health condition; investigational treatments (limited to participation in a clinical investigation as part of an approved research trial as defined by the Secretary. Services or other items related to the trial normally paid for by other funding sources need not be covered.)

States may elect to extend comprehensive coverage or coverage of selected health services to pregnant women beyond the two-month postpartum period as long as federal funds are not used for such additional coverage.

During the first two years of the implementation of this Act, the items and services in the comprehensive benefits package shall not be subject to any duration or scope limitation. In addition, there shall be no cost sharing that is not required or allowed under this Act. In subsequent years, however, the Secretary, in consultation with selected professional organizations and the Council, may implement utilization or other limitations on covered benefits on a national basis if such limitations are deemed to be absolutely necessary for the solvency of the program and Congress fails to authorize and appropriate additional monies to the Trust Fund. However, alternatives to decrease program costs such as minimizing administrative costs, increasing cost sharing requirements, and increasing federal or state funding shall be considered before limitations on covered benefits are considered. In no case, however, shall preventive services in the benefits package be subject to such limitations.

Certified plans need not provide coverage for health services that are greater in frequency than that specified in recommended periodicity schedules, to the extent they are specified under section 2721. However, certified plans must cover any health services, within the general scope of the comprehensive benefits package, that are medically necessary or appropriate for children and pregnant women.

Nothing in this Act shall be construed as limiting the ability of states or certified plans from providing additional health services not covered by this Act, as long as federal funds are not used to pay for such additional services. However, a certified plan may provided for extra contractual services and items determined to be appropriate by the plan and individual (or family).

Nothing in this Act shall be construed as limiting the ability of individuals to obtain additional health services that are not covered by the benefits package as long as federal funds are not to pay for such services.

In the interest of ensuring that all children in the United States receive comprehensive health services, employer-based, self-insured, and other health plans not participating under this Act, are encouraged to, but are not required to, provide comprehensive benefits to children and pregnant women similar to those specified in this Act.

SUBPART II—COST SHARING REQUIREMENTS

Sec. 2725. Principles of Cost Sharing

All families who participate under this Act shall contribute towards the cost of their own or their child's health care. There shall be two types of costs for individuals participating in a state program: a premium and copayments. There are no deductibles allowed under this Act.

The following schedules for determining premium subsidies, copayments, and maximum annual family contributions are intended as a guide for participating states. States may elect to develop their own specific cost sharing requirements as long as they are consistent with the principles that all participating families contribute towards the program and all families receive premium subsidies, all families pay the same copayment for services, and coverage is affordable for all income levels. In addition, state cost sharing schedules shall not result in any overall funding obligations to the federal government in excess of that based on the cost sharing schedules specified in this Act. In all participating states, the annual family contribution under this Act shall not be less than $10 per child and $20 per pregnant woman.

States may not require additional cost sharing for families with annual incomes less

than 150% of the federal poverty level that exceed the cost sharing amounts specified in this title. States may elect to provide additional premium or copayment subsidies for families whose income is less than 400% of the federal poverty level if there are sufficient funds in the state trust fund and no additional federal monies are used for such additional subsidies.

Participating states, in conjunction with certified plans, shall monitor the impact of cost sharing requirements (premiums and copayments) on low income families and ensure that any cost sharing requirements are not significant barriers that prevent such families from enrolling in a certified plan or from obtaining medically appropriate care. An analysis of the impact of cost sharing on low income families shall be presented to the Secretary in the State's annual quality assessment and improvement plan specified in section 2741.

Sec. 2726. Premiums and Premium Subsidy

All families are responsible for paying their portion of the premium to enroll into a certified plan. Premium payments are payable directly to the plan or the state (as elected by the state) on a monthly, quarterly, or other basis. Upon final approval of an enrollment application, states shall transfer funds directly to certified plans for the amount of the premium subsidy calculated for each individual enrolled.

All families, regardless of income, shall receive a subsidy on their premiums. The annual premium amount to be paid by families to the plan is the annual per capita premium negotiated by the state with each certified plan minus the premium subsidy provided by the state. In no case shall the annual premium subsidy be greater than the annual premium negotiated with the plan.

In the case where multiple certified plans are available in a geographic area or a certified plan offers additional benefits package options at additional cost, the premium subsidy shall be calculated based on the lowest priced certified plan that is available in the area. Families shall be responsible for any costs not covered by the premium subsidy as a result of enrolling in higher priced plans. In addition, any such premium amounts that result from the selection of higher priced plans shall not be credited toward the maximum annual family contribution amounts under section 2728.

In the case where the calculated annual premium contribution for a family after applying the appropriate premium subsidy exceeds the maximum annual family contribution, the difference shall be paid by the state directly to the plan.

In the case of a single eligible individual enrolled, the percentage of the annual premium subsidy shall apply to the individual annual premium, and, in the case of multiple eligible individuals enrolled from one family, the premium subsidy percentage shall be applied to the total annual family premium.

The annual premium subsidy percentage is based on the following scale of adjusted annual family gross income as a percentage of federal poverty level (FPL):

Annual Income (% FPL) and Percentage Subsidy:

<50, 99%.
50–149, for each 10% point increase in FPL, decrease subsidy by 1.5% points.
150–299, for each 10 % point increase in FPL, decrease subsidy by 4% points.
300–399, for each 10% point increase in FPL, decrease subsidy by 1.5% points.
<400, 5%.

The following are examples of premium subsidies at various incomes.

Annual income (% FPL):	*Percentage subsidy*
<50	99
<100	90
150	80
250	40
350	15
>=400	5

For example, if the annual premium negotiated by the state with a certified plan is $500 per child, a family of four with two children enrolled and an annual family income at 250% of the federal poverty level ($37,875 in 1995), would contribute $600 (i.e. $1000—$1000(.40)=$600).

Sec. 2727. Utilization Copayments

There shall be a $5 copayment for selected services or items covered by this Act as designated by the Secretary under section 2721, which is payable to the certified plan. Preventive services are exempt from copayments.

In addition to plans with a standard $5 copayment, a state may also choose to offer plans that have higher copayments and lower annual premiums. However, the premium subsidy for a family who selects a high copayment plan shall not be greater than that calculated for the plan with a $5 utilization copayment. In all cases, the copayment amount shall be the same for all income levels and the minimum copayment amount shall be $5.

Utilization copayments are waived by the plan after a family's annual contribution (includes premiums and copayments) has exceeded the maximum annual family contribution.

Sec. 2728. Maximum Annual Family Contribution

For families with children, the maximum annual family contribution towards health care (inclusive of premiums and copayments) for each child shall be capped according to the following scale based on adjusted annual family gross income:

Annual Income (% FPL and Maximum Contribution Per Child

< 50, $10.
50–149, $15 increased by $5 for each 10% increase in annual income in excess of 49%.
150–299, $110 increased by $50 for each 10% increase in annual income in excess of 149%.
300–399, $960 increased by $150 for each 10% increase in annual income in excess of 299%.
>=400, $3,000.

The following are examples of maximum family contribution per child at various income levels.

Annual Income (% FPL):	*Maximum contribution per child*
< 50	$10
100	40
150	110
250	610
350	1,710
>=400	3,000

The above caps represent the maximum annual family contribution for a family with one child. Maximum contribution for families with two children are double the above amounts. For a family with three children enrolled, the maximum annual family contribution shall increase by an additional 40% beyond the cap for a family with two children. For a family with four or more children enrolled, the maximum annual family contribution shall increase by an additional 80% beyond the cap for a family with two children.

For example, a family of four with two children enrolled and an annual family income at 250% of the federal poverty level ($37,875 in 1995), would contribute a maximum of $1,220 annually (i.e., $610 2=$1,220). A family of six with four children enrolled and an annual family income at 250% of the federal poverty level ($50,675 in 1995), would contribute a maximum of $2,196 annually ($610 2 1.8=$2,196).

For families with a pregnant woman, the maximum annual family contribution towards health care (inclusive of premiums and copayments for the pregnant woman) for each pregnant woman, shall be capped according to the following scale based on adjusted annual family gross income:

Annual Income (% FPL and Maximum Contribution Per Woman:

< 50, $20.
50–149, $30 increased by $10 for each 10% increase in annual income in excess of 49%.
150–299, $220 increased by $100 for each 10% increase in annual income in excess of 149%.
300–399, $1,820 increased by $200 for each 10% increase in annual income in excess of 299%.
>=400, $5,000.

The following are examples of maximum family contribution per pregnant woman at various income levels.

Annual Income (% FPL):	*Maximum contribution per woman*
< 50	$20
100	80
150	220
250	1,220
350	2,820
>=400	5,000

For example, for a family of four with one pregnant woman and one child enrolled with an annual family income at 250% of the federal poverty level ($37,875 in 1995), the maximum annual family contribution would be $1,220 + $610=$1,830.

These maximum family contribution caps shall be in effect for the first two years of the program. In subsequent years, the maximum annual contribution shall be adjusted upwards annually to the nearest $5 indexed directly to the indexes used by the Secretary to calculate funding allocations to the states under section 2701.

The premium contribution or copayments assessed for families under this Act shall not be subject to any increase during the one-year-period of enrollment until the subsequent open enrollment period. However, the amount of the premium subsidy and maximum annual family contribution assessed may be adjusted during the one-year-period of enrollment before the subsequent open enrollment period, if the family can demonstrate a sufficient decrease in income that allows them to receive a larger premium subsidy. The premium contribution for the family shall then be recalculated based on the larger premium subsidy for the remainder of the period up to the next open enrollment period. Families must apply directly to the state for income reconciliation adjustments and each family shall be limited to one income reconciliation adjustment on their cost sharing amounts per year. In cases where premium subsidies have been subject to income reconciliation, the state shall appropriately adjust its payments to the respective plan.

Sec. 203. State Program Development and Administration

Amends Title XXVII of the Public Health Service Act.

PART D—STATE PROGRAM DEVELOPMENT AND ADMINISTRATION

Sec. 2731. Application and Date of Implementation

States that wish to participate in the program must implement their coverage for children and pregnant women under this Act by January 1, 2000. However, states may elect to implement their program as early as January 1, 1996.

States intending to participate in this program may submit their initial five-year strategic plan to the Secretary at any time after the enactment of this Act. The Secretary, in consultation with the Maternal and Child Health Bureau, shall provide specific guidance to the states on the elements of an acceptable plan within 90 days of the enactment of this Act. At a minimum, the initial plan must describe the current health status of the target population, short- and long-term health objectives with time schedules, performance and outcome measures and mechanisms for monitoring health indicators, details of the proposed structure, comparative analyses of at least one alternative structure considered, and cost estimates. In addition, the strategic plan must outline how coverage for all eligible persons can be achieved within five years under the proposed structure. In the case that a State proposes a structure that is different from that described in this title, the plan must include a comparative analysis of the State's proposed structure and the structure described in this title, including an analysis of achievement of the objectives of this title and program costs.

The initial plan may incorporate elements required under current state Title V program applications. If the plan is not accepted, the Secretary shall work with the state to improve it and give specific guidance on how to achieve an acceptable plan. The Secretary must give a final decision on the proposal within 90 days of receiving the state submission. States with plans that are not approved may submit another initial strategic plan in the following year.

Not later than 90 days after the date of enactment of this title, the Secretary, in consultation with the Maternal and Child Health Bureau, shall develop and make available specific criteria that will be the basis for evaluation and approval of state strategic plans.

Regardless of the proposed structure, the state program must be likely to ensure affordable, comprehensive, high quality health care coverage for all children under seven years and pregnant women within a reasonable time period. In addition, the proposed program must offer the comprehensive benefits package specified in section 2721, be consistent with the principle that all families contribute towards their own or their children's health care, have a quality assessment and improvement program and utilization review program under section 2743, fulfill health information systems requirements under sections 2744–2745, and have a program for preventing and controlling fraud and abuse under section 2746.

Participating states shall, at a minimum, offer a program consistent with the guidelines and principles outlined in this Act. States must consider a program similar in structure to that described in this Act, but are encouraged to be innovative and may propose structures or a blend of structures for their program that are different from that described in this Act. Such structures may include, but are not limited to, modifications of existing state or federal programs, capitated programs, fee-for-service programs, subsidy programs for individual purchase of insurance, and programs where the state is the direct payer for services. However, such structures must be as effective in meeting the program objectives and containing program costs as the structure described in this title. States shall be allowed to establish a state-specific program or establish regional programs with neighboring states.

Sec. 2732. Special Status States

If a state considers that their existing health care program has achieved, or is expected to achieve within one year, affordable, comprehensive, high quality care coverage for all children under seven and pregnant women, the state may petition the Secretary to designate it as a special status state in their initial five-year strategic plan. In addition, states participating under this Act that have achieved this objective may petition for special status in their annual quality assessment and improvement plan after the first year of state program implementation. For the purposes of this section, a state will be considered as fulfilling the requirements for special status if the state can demonstrate that at least 95% of all eligible children and pregnant women in the state are covered either by the state program or other sources of health insurance.

Special status states so designated by the Secretary may submit proposals to expand health services for children under seven years and pregnant women or to expand comparable coverage for health services for older children up to age 21. Funding for expanded eligibility programs shall be subject to the respective state federal matching requirement under section 2702. Proposals from special status states shall receive the same priority for funding as non-special status states. Any expanded eligibility programs, however, must be consistent with the requirements and guidelines under this Act. The Secretary shall make a final decision on the state petition for special status within 90 days of receiving the state proposal.

Sec. 2733. States with Medicaid Waivers

States that have Medicaid waivers under sections 1115 or 1915 of the Social Security Act are eligible to be a participating state under this Act. Such states that elect to participate shall be subject to all program guidelines and responsibilities that apply to non-waiver states. States with Medicaid waivers may also elect to petition for designation as a special status state if it qualifies as such under section 2732.

Sec. 2734. Development Grants for State Programs.

Upon approval of a state's initial five-year strategic plan under section 2731, the Secretary shall make a one-time program development grant available from the Trust Fund to the state for a period not to exceed two years. The amount of funds distributed to each state shall be based on a formula developed by the Secretary. Such funds may be used only for the purposes of developing and implementing the approved proposed state program including the development of community-based health networks and plans. There is no requirement for states to match federal development grant funds.

Sec. 2735. Expansion of Eligibility

Every two years after the enactment of this Act, the Secretary, in consultation with the Council, shall determine if sufficient public support and funds exist to expand eligibility coverage to additional groups of children up to 21 years of age. If the Secretary has determined that sufficient public support and monies exist in the Trust Fund to expand coverage to additional age groups on a national basis, then he/she must do so. If public support exists but funds are insufficient, then the Secretary may recommend to Congress that legislation be passed to expand the program to cover additional age groups with appropriate additional federal funding.

States that do not qualify as special status states under section 2732 may also petition to expand their program to cover additional age groups in their annual evaluation report to the Secretary, if sufficient funds are available in the state's trust fund or if additional state funds are deposited into the state's trust fund. Additional state funds deposited into the state fund for the purposes of expanding eligibility to older children in the state not eligible on a national basis shall be matched by monies from the Trust Fund on an equal basis (1.1 state/federal ratio) if the Secretary approves the expansion petition. Such expanded eligibility programs, however, must be consistent with the requirements and guidelines under this Act. The approved expanded eligibility component of the state program shall be considered for funding only after funds for all participating states with approved programs covering the regular target population (children under seven and pregnant women) and approved expanded eligibility programs of special status states are allocated. The Secretary shall give a final decision on a state request for expanding eligibility within 90 days of receiving the state petition.

Sec. 2736. Failure of State to Administer a Program in Compliance with Title

If the Secretary has determined that a participating state's program has failed to meet the program guidelines in this Act, including cost containment and the prevention and control of fraud and abuse, the state must demonstrate that it has made a reasonable effort to address the deficiencies or the Secretary may elect to directly administer, or enter into agreement with a non-state government organization to administer, the state program. Premiums and copayments for federal or non-state government administered programs shall not be greater than those ordinarily charged by a state administered program. The budget for running the federal or non-state government administered program shall not be greater than that ordinarily allocated to the state. Under a federal or non-state government administered program, the state must continue to provide matching funds at the respective state: federal matching ratio.

Sec. 2737. Limits on State and Federal Administrative Costs

States and the Secretary shall ensure that administrative complexity and costs of programs under this Act are minimized to the extent possible. Administrative costs for state programs shall not exceed 5% of the annual budget for any given year subsequent to the first two years of the program. The state shall be responsible for any administrative costs in excess of 5%. Similarly, the administrative costs for federal or non-state government administered programs shall not exceed 5% of the annual budget for any given year subsequent to the first two years of the program.

PART E—ENSURING QUALITY, ESTABLISHING INFORMATION SYSTEMS, AND PREVENTING ABUSE

Sec. 2741. Annual Quality Assessment and Improvement Plans

Subsequent to the approval of the initial strategic plan, participating states in coordination with existing state Title V health programs, shall submit a quality assessment and improvement plan to the Secretary on an annual basis. The Secretary, in consultation with the Maternal and Children Health Bureau, shall provide guidance on the elements of an acceptable annual quality assessment and improvement plan within 180

days of the enactment of this Act. At a minimum, the plan shall include an assessment of the state's progress toward ensuring coverage for all eligible persons, cost containment, assurance of quality care, impact on the health status of the target population (including outcome measures and process objectives), a financial statement, and proposed changes to the state program. The Secretary shall give feedback and make a final decision on proposed modifications to the state program within 90 days of receiving the state's evaluation and quality improvement plan. Evaluations of the state program by the Secretary shall be based on an assessment of the performance of the state program in meeting program objectives rather than on the specific methods used to achieve such objectives.

Sec. 2742. Establishment of National Advisory Council for Mothers' and Children's Health

The National Advisory Council for Mothers' and Children's Health, to be referred to hereafter as the Council, shall be established to advise the Secretary regarding the administration of and modifications to programs under this Act.

The Council shall have the responsibility for evaluating programs under this Act and advising the Secretary on improving the health of children and pregnant women. The Council evaluates and makes recommendations in the following areas: covered benefits; cost sharing; allocation and management of funds; eligibility and enrollment issues; standards and responsibilities of certified plans, of the states, and of the federal government; quality improvement programs; development of practice guidelines; information systems and reporting requirements; general program administration; and any other relevant areas identified by the Council. As part of its evaluation, the Council shall provide an assessment of the impact of programs under this Act on the health status of children and pregnant women.

The Council shall be comprised of 11 individuals, appointed by the Secretary within 90 days of the enactment of this Act, confirmed by the Senate, who were not employed by the federal government within the one-year period prior to their appointment. Members of the Council shall represent pediatricians, obstetricians, and other health care providers, consumers, health policy experts, state and local government health officials, public health and maternal and child health professionals, experts in population-based health information systems, experts in health promotion and disease prevention, health care managers and economists, medical ethicists, representatives of the health care industry, and other related disciplines as deemed appropriate by the Secretary. The ratios of affiliations may vary, but no less than three members shall be health care providers and no less than three members shall represent consumers (members representing health care providers or consumers must be different individuals). After the initial appointment of consumer representatives, subsequent consumer representatives must be from families currently enrolled in a certified plan under this Act.

Members of the Council shall be appointed on the basis of their experience and expertise. No member shall have a substantial financial interest in the issues addressed by the Council. Each member shall be appointed for a two year term and six of the initial Council members shall be appointed to three year terms. No member may serve more than two complete terms. The Secretary shall appoint one chairperson and one vice chairperson of the Council for a term of two years. No chairperson shall serve in that capacity for more than one term. In the case that a member does not complete a full term, the Secretary shall appoint a replacement, subject to Senate confirmation, to serve the remainder of the term.

The Council shall meet on a regular basis, not less than four times a year, to review the operations of the program and to make specific recommendations to address identified problems. The Council may elect to appoint professional or technical task groups, as necessary, to carry out specific functions if appropriate expertise is not sufficient in the Council. The Council shall submit a summary of their activities, analyses, and evaluation of the program with their recommendations for program improvement to the Secretary on an annual basis. The Secretary shall provide all necessary logistic, administrative, and financial support to the Council. Council members shall be compensated for each day spent on official Council business and reimbursed for official travel and business expenses. Compensation shall not exceed the maximum rate of basic pay for level IV of the Executive Schedule under section 5315 of title 5, U.S. Code.

In cases where the Council and the Secretary irreconcilably differ on major policy related to programs under this Act or the Council has evidence that the Secretary is not fulfilling his/her responsibilities under this Act to ensure affordable, comprehensive, high quality health care coverage for all eligible individuals, the Council may elect to issue a report to Congress.

Sec. 2743. Establishment of National Quality Assessment and Improvement Program Guidelines and Utilization Review Program Guidelines

Within one year of the enactment of this Act, the Secretary, in consultation with relevant government and non-government organizations as determined by the Secretary, shall develop national guidelines for quality assessment and improvement programs and national utilization review guidelines for certified plans under this Act. At a minimum, the National Committee on Quality Assurance, the National Association of Insurance Commissioners, private health care accreditation organizations, representatives of certified plans, and relevant maternal and child health care professional organizations shall be consulted. The quality assessment and improvement guidelines should be consistent with the concepts and principles of Continuous Quality Improvement/Total Quality Management (CQI/TQM). The national guidelines shall be specific for pediatric and maternal health care delivery systems to the extent possible. The guidelines shall be flexible and adaptable, and serve as the basis for each certified plan's quality assessment and improvement program and utilization review program.

At a minimum, certified plans must ensure that the following attributes are incorporated into a utilization review program: The utilization review program is clearly documented; only qualified licensed or certified health professionals with training/experience in pediatric or obstetrical care are used for specific case utilization reviews; persons involved in specific case utilization review do not have a financial interest or incentive to deny or limit utilization; descriptions and protocols for utilization review are disclosed to enrollees, affiliated providers, and appropriate state officials upon demand while protecting proprietary business information; criteria for review must be based on sound scientific principles and standard medical practice; and there is a mechanism for regular evaluation and modification of the program.

Sec. 2744. National Health Information Systems for Mothers and Children

Within one year of enactment of this Act, the Secretary shall implement the National Health Information System for Mothers and Children. The Secretary, in consultation with states and representatives of certified plans, the Agency for Health Care Policy Research, the Health Resources and Services Administration, the Centers for Disease Control and Prevention, other agencies or non-government organizations as deemed fit by the Secretary, shall develop the specific data elements and operating procedures for a national information system.

Data from the information system shall be used for the purposes of: Monitoring and evaluation of certified plans, monitoring the health status of the population; supporting core public health functions; increasing capacity for health policy and program evaluation, planning, and research; quality assessment and improvement activities; improving provider coordination and access to care; and other purposes related to the public health.

States shall require that each certified health plan submit the requested data in electronic form under the guidelines established by the Secretary. The Secretary shall develop and freely distribute computer software that will allow states and certified plans to efficiently collect and transmit the requested data. States and certified plans are not required to use such software if they can fully comply with the data collection and reporting requirements with their own information system.

To ensure privacy of medical information, the Secretary and the states shall implement safeguards against unauthorized access to medically confidential information, and penalties shall be developed under section 2746 for such violations. Applicable state laws that protect medical confidentiality shall also apply to data collected under this Act excepting such laws that interfere with the uses of the data as specified in this Act. The state is responsible for ensuring reporting of data from certified plans and transmitting the data from all plans within the state to the Secretary. Data collected by certified plans shall be available to the plan, and data collected by the state shall be available to the state. States shall use these data and other information as deemed relevant by the state as the basis for their monitoring and evaluation of certified plans.

Certified plans must use the standards established by the Secretary and the state for all relevant administrative, financial, quality improvement, and public health activities covered under this Act. The Secretary and states shall ensure that any similar data reporting requirements for certified plans under other state and federal health programs are integrated with those established under this Act to the extent possible. In addition, the Secretary and states shall ensure that the resources and time required for certified plans to comply with the Secretary's and state's information standards are reasonable and not excessive.

Any state law that requires medical or health records, including billing information, to be maintained in written, rather than electronic, form shall be satisfied if such records are maintained in a manner consistent with the information system standards developed by the Secretary in this section.

Sec. 2745. National Childhood Immunization Database

To reduce missed opportunities for immunization with the goal of 100% age-appropriate immunization coverage for children, the Secretary shall establish a National Childhood Immunization Database as part of

the National Health Information System for Mothers and Children. The database shall contain up-to-date information regarding childhood immunization on every child enrolled in a certified plan under this Act. This database would ensure that current immunization information is available on a real time basis to health care providers who need the information to access appropriate immunizations. Information in this database shall be accessible to the child's enrolled plan electronically or by toll free telephone. If the child presents to a certified plan other than his/her enrolled plan, the presenting plan or public health authorities may access the child's immunization record if it is needed to assess the need for appropriate immunization. Certified plans shall ensure that electronic immunization records are brought up-to-date as required under the guidelines developed by the Secretary and the state.

All certified plans participating in a State program under this title and all other health plans not participating under this title but located in a participating State under this title and providing 10,000 or more childhood immunizations per year, shall participate in the National Childhood Immunization Database.

Nothing in this title shall be construed as preempting existing state or federal statues regarding disease reporting or reporting of other health-related data to local, state, and federal health authorities. However, in the design of the National Health Information System for Mothers and Children, the Secretary and the states shall integrate existing health data reporting requirements with the proposed system to the extent possible.

Within one year of enactment of this Act, the Secretary shall establish penalties for unauthorized use of data collected under the requirements of this Act, including the sale or transfer of data for commercial use or use of data for illegal activities.

Sec. 2746. Prevention, Monitoring, and Control of Fraud and Abuse

Within 180 days of the enactment of this Act, the Secretary and the U.S. Attorney General shall establish a federal program and develop state guidelines for preventing, monitoring, and investigating fraud related to this program. The duties of the federal program include assisting states in monitoring and control of fraud and abuse, and investigating and prosecuting individuals and certified plans whose activities cross state lines.

Within 180 days of the enactment of this Act, the Secretary and the U.S. Attorney General shall submit to Congress a legislative proposal for civil and criminal penalties for fraud and abuse or other violations by individuals and certified plans related to any aspect of this Act unless such penalties are already specified in this Act.

Prior to transfer of federal funds to a state, the state health department and state attorney general shall establish a system for preventing, monitoring, and investigating fraud and abuse that occurs within the state. The state program must have the authority to prosecute individuals or certified plans for criminal activities. This state program shall also solicit consumer feedback, investigate complaints and assist in the resolution of consumer complaints against certified plans. Such a state system may be integrated with existing systems for controlling Medicaid fraud and abuse. The state system shall have a formal mechanism for sharing information and working with its federal counterpart. The state system shall submit an annual report summarizing its activities to the program established by the Secretary and the U.S. Attorney General.

Federal or state guidelines developed and implemented under this section shall be developed in recognition of the differences among the various types of health plans and be applicable to all health plans.

Any funds recovered or fines collected related to fraud and abuse shall be deposited in the trust fund of the state where the fraud and abuse occurred. Funds recovered on a national or regional level shall be apportioned by the Secretary among the states involved.

Any certified plan, health care provider, or other individual or entity participating in a state or federal program under this Act, that has been found guilty of fraud or abuse, shall not be allowed to continue or renew a contract with a state or federal government program under this Act, or otherwise participate in a program under this Act, for a period not less than five years, unless there is compelling reason to allow such participation (e.g., in the case where the plan or provider is the only source of services in an area) as determined by the Secretary.

Sec. 204. Grants to Improve the Health of Children and Pregnant Women

Amends title XXVII of the Public Health Service Act.

Sec. 2751. Establishment of Program and Eligible Activities

Authorizes the Secretary to use monies in the Trust Fund to award grants to states, universities, and other nonprofit organizations, for the following purposes: increasing capacity of the primary care health system; developing and enhancing enabling services; increasing access to health services in rural and underserved areas (including the use of telecommunications and computer technology such as telemedicine and information systems); supporting school-based health programs; enhancing core public health functions of state and local health departments; supporting health promotion and disease prevention, including population- and community-based health assessments and interventions; supporting biomedical, social science, health policy, and public health research; supporting pediatric- and maternal-specific quality assessment and outcomes research to improve health plan and program accountability including quality assessment of services for children with disabilities and chronic health conditions; development and implementation of clinical practice guidelines; and other purposes related to improving the health of children and pregnant women.

All funded activities must be primarily targeted, but need not be exclusively targeted towards children (under 21 years) or pregnant women.

All grant proposals will be evaluated on a competitive basis. The Secretary shall ensure, however, that at least 50% of funds awarded annually to states, universities, or organizations within a specific state, support activities that are not directly related to the delivery of health care services, such as research, public health, community health, and health promotion and disease prevention activities.

The Secretary may elect to designate existing Department of Health and Human Services agencies to administer the grants in this title. However, the Secretary shall ensure that any monies transferred from the Trust Fund are only used to support grant awards under this title, there is a full accounting of such monies, and that there is maintenance of effort regarding current federal grant funding for maternal and child health activities. In addition, the Secretary shall ensure that all federally-funded activities related to material and child health are coordinated and integrated to the extent possible, and that such activities are consistent with the strategic plan outlined by the Secretary in section 2754.

Sec. 2752. Eligibility and Application Process

To be eligible for funding, states must be a participating state under this Act, and universities and other nonprofit organizations must be located in a participating state. There shall be a single application procedure for all grants awarded under this title.

Sec. 2753. Matching of Federal Funds and State Maintenance of Effort

There is a matching of federal funds requirement for grants awarded under this title. States, universities, and nonprofit organizations shall match federal funds on a 1:9 basis (States or other applying entities shall provide $1 in funding for every $9 in federal funds). Matching funds may be in cash or in kind such as equipment, facilities, personnel, or services. Private sector funds may be solicited to partially or fully subsidize matching funds on behalf of states, universities, and nonprofit organizations.

States receiving grant awards under this title shall also be subject to a maintenance of effort requirement that the state maintains a level of state funding for the activity covered by the grant award that is at least equal to the level in the year previous to the grant award for the duration of the grant award.

Sec. 2754. Development of Priority Areas and Funding Criteria

Within 180 days of this Act's enactment, the Secretary shall develop a five-year strategic plan that outlines the national priorities for maternal and child health, including priority areas for funding, short- and long-term objectives, specific criteria for determining merit of funding proposals, standards for monitoring and evaluating funded activities (including outcome and performance measures), and administrative procedures for processing proposals. In addition, the strategic plan should specifically review existing federal programs related to maternal and child health and develop national priorities for research, population-based activities, and other activities outlined in section 2751.

In determining the evaluation criteria for funding proposals, the Secretary shall consider the following attributes: technical and scientific merit, relative need of the population or geographic area targeted, potential positive impact of activity on advancing the goals of the Healthy People 2000 objectives, innovation in program design and cost effectiveness, application of current scientific and medical knowledge, integration with existing similar health programs or research, quality control and program accountability, and other attributes deemed to be relevant by the Secretary.

Sec. 2755. Coordination and Integration of Funded Activities

The Secretary shall ensure that the functions of funded activities are fully integrated and coordinated with similar existing federally funded activities, and the states shall ensure that funded activities are fully integrated and coordinated with similar state and locally funded activities.

To ensure coordination of related activities and programs within the state, universities and other nonprofit organizations that apply for funds under this section must initially submit their proposal to the state for review and comment before submitting the proposal to the Secretary. Proposals submitted to the Secretary shall be accompanied by the state's comments and the submitting organization's response to the state's comments. All proposals must describe existing similar programs in the targeted community and describe how the proposed program will be coordinated and integrated with existing similar programs, including state Title V maternal and child health programs.

Sec. 2756. Annual Budget

The total annual budget for such grants shall not exceed 5% of the total federal funds transferred into the Trust Fund in that year.

Sec. 205. Responsibilities of Families, Certified Plans, Employers, States and the Federal Government

Amends Title XXVII of the Public Health Service Act.

PART G—RESPONSIBILITIES OF FAMILIES, CERTIFIED PLANS, EMPLOYERS, STATES, AND THE FEDERAL GOVERNMENT

Sec. 2761. Responsibilities of Families

Families with uninsured children under seven years of age and uninsured pregnant women are responsible for: enrolling their age-eligible children or themselves into a certified plan; paying their share of premiums and copayments; and assuming an active role and participating in the health care system to ensure that their children receive appropriate, high quality health care.

Sec. 2762. Responsibilities of Certified Plans

All certified health plans participating in state programs under this Act shall: be certified by their state and fulfill all requirements for such certification or recertification and participate in a national open enrollment period and allow for point-of-service enrollment.

In the case of families who have at least one eligible child enrolled in the plan and other children who are not eligible under this Act due to age limitations, also offer optional family enrollment for additional older children who are not eligible under this Act as a reasonable cost. (The premium subsidy, however, shall be calculated based on the prorated portion of the premium assessed for the eligible children. The family shall be responsible for the portion of the family premium amount in excess of that ordinarily assessed for the eligible children under this Act.)

In the case of a family that has at least one eligible child enrolled in the certified plan and one or more other children who are eligible for health services under Medicaid but not eligible for coverage under this title, offer health services under Medicaid for such other children in the family.

Not discriminate against persons during marketing, enrollment, or provision of services based on pre-existing conditions, genetic predisposition of health conditions, medical history, expected utilization of services or health expenditures, race, ethnicity, national origin, religion, age (within the eligible age group), gender, income, or disability. The plan must accept any applicant who is eligible within the geographic area served by the plan and may not deny enrollment to any eligible person except on the basis of documented plan capacity. In addition, in the case of currently enrolled individuals who are re-enrolling in the plan, such persons cannot be denied re-enrollment even on the basis of plan capacity.

Not use excessive pressure, misleading advertising or marketing, or other unethical practices to coerce or discourage certain persons or groups from enrolling into the plan or disenrolling from the plan.

Establish a system for collecting premiums and copayments; not drop an individual from the plan except in cases of failure to pay for premiums or copayments, fraud and abuse, or withdrawal of the health plan from the market. The plan must notify the state of its intention to drop an enrolled individual not later than 60 days before discontinuing the enrollee's coverage.

Not impose a waiting period before coverage begins and provide for and cover all health benefits as specified under sections 2721 and 2722, and shall consider the premium amount negotiated by the state under this Act to be the full premium. Other than authorized copayments, there shall not be any additional charges for covered services.

Not exclude coverage or deny care for any pre-existing conditions, congenital conditions, or genetic predispositions to conditions that are covered by the comprehensive benefits package.

Ensure that a choice of primary care providers is available, and that primary care and preventive services are readily available and convenient to all plan members within the geographic area served, and that emergency services are available on a 24-hour basis, seven days a week.

Establish a program for credentialing and performance monitoring of providers. In addition, adequate health provider to enrolled ratios shall be established.

Provide strong, comprehensive preventive health and patient education services.

Ensure that the special health needs of children with disabilities or chronic health conditions are adequately met. If sufficient capacity to deliver health services for such children do not exist within the certified plan, including pediatric specialty and subspecialty care, the plan must enter into agreements with such providers or facilities to provide appropriate care.

To the extent that such resources or services are not available within the plan, provide access to an integrated child and maternal health care network, which consists of a network of providers who together can provide for the full continuum of health care, including preventive, primary, secondary, tertiary, rehabilitation, chronic and long-term care, home care, and hospice care. This network must specifically include access to pediatric and maternal specialty and subspecialty care. In areas covered by the plan, the plan shall enter into cooperative agreements with providers or facilities to provide the continuum of care if resources to provide such care are not available within the plan. If medically-indicated subspecialty care is not available within the geographic area, the plan shall provide transportation to the nearest appropriate facility.

Cover emergency care obtained in out-of-area or out-of-state facilities as long as the health condition was certified to be an emergency by the attending physician or could have been reasonably assumed to be an emergency by the family; and cover deliveries of newborns at nonhospital facilities in areas where such facilities are available.

Make a reasonable effort to provide language translation services in areas where languages other than English are relatively common.

Implement disincentives (e.g., high copayments) for inappropriate use of emergency rooms for nonemergency care; and provide incentives (e.g., reduced premiums, premium rebates, additional services) for enrollees and their families to follow medical and public health recommendations for immunizations, prenatal care, health behaviors, or other preventive health guidelines.

Implement an information system to collect and report data as specified in sections 2744 and 2745; implement a quality assessment and improvement program and utilization review program as specified in section 2743; and within the guidelines developed by the state, submit an annual evaluation and quality improvement plan, including an evaluation of the plan's cost containment measures, assurance of quality care, impact on the health status of the enrolled population (including outcome measures and process objectives), a financial statement, proposed changes in premium rates, and other relevant changes to the plan. The state shall provide guidance to certified plans on the elements of an acceptable annual evaluation and quality improvement plan. The state may use the annual evaluation and quality improvement plan as the basis for recertification of plans.

Establish a program for consumer feedback and resolution of consumer complaints that includes specified time frames for decision. The program shall be clearly documented and made available to all enrollees.

In consultation with local health departments and maternal and child health programs under title V of the Social Security Act, establish, support, or substantially participate in a community-based maternal and/or child health program in the coverage area served by the plan.

Comply with any other relevant state or federal regulations

In order to minimize regulatory burden and potentially duplicative standards and regulations, a certified plan shall be considered as fulfilling a requirement or complying with a standard under this Act, if the plan is already meeting an existing state or federal requirement or standard that has been deemed to be identical or at least as effective as that specified under this Act, by the state or the Secretary (as appropriate).

The requirements and guidelines specified in this Act shall not apply to health plans that do not participate in a state program under this Act, and shall not apply (unless the plan elects for such requirements to apply), to the care and treatment of individuals in the plan who are not enrolled in the state program under this Act.

Sec. 2763. Responsibilities of Employers

Under this Act, employers shall: in the case of an employer who provides health benefits to pregnant women, not drop such coverage as result of this Act; and in the case of an employer who provides health benefits to employee dependents under seven years of age, not drop such coverage unless the employer agrees to pay the temporary maintenance-or-effort fee specified in section 2771. The employer is restricted from dropping such coverage until 180 days after the implementation date of the State program.

Sec. 2764. Responsibilities of States

Under this Act, participating states shall:

Develop and submit an approved initial five-year strategic plan and annual evaluation and quality improvement plans to the Secretary.

Develop a process for certifying and re-certifying health plans under this Act. The criteria for certification shall include, but are not limited to, an evaluation of minimum capital requirements, solvency requirements, and other standards related to financial stability, premium rating methodology, quality of services provided by the plan, and ability of the plan to provide required services. Certified plans shall be re-certified at least once every four years and when the plan has undergone significaticant changes such as a merger or other changes as determined by the state.

Establish a system whereby the state shall solicit and evaluate proposals from all interested certified plans operating in the state, and enter into cooperative agreements with certified plans. In order to maximize the choice of plans in an area, states shall ensure that any certified health plan that fulfills all state and federal requirements and guidelines under this Act, and is otherwise in good standing with the state, is allowed to participate in the state program. In addition, states may elect to enter into risk and/or profit sharing agreements with all or selected certified plans. States may elect to implement rate margin provisions in their agreements with certified plans such that, at the end of a contract period, certified plans

would be reimbursed by the state if incurred costs exceeded anticipated costs, and states could recover excess premiums from the plan if incurred costs are less than anticipated costs at the time of rate negotiation.

Implement risk adjustment methods, reinsurance mechanisms, or other mechanisms to ensure that state payments to specific certified plans are reflective of the expected utilization or expenditure rates of its enrollees and to protect specific certified plans that enroll a disproportionate share of persons who are expected to have higher than average utilization or expenditure rates.

Ensure that the plans' premium rating methodologies are well documented, actuarially sound, and minimize large variations in annual premium rates; and directly reimburse each certified plan for the state's portion of the negotiated premium for enrolling eligible children and pregnant women.

Ensure that the premiums negotiated with each certified plan applies for all eligible children and applies for all eligible pregnant women who enroll in the plan; negotiate with certified plans discounted premiums for families with multiple children (i.e., if the premium for a family with a single child enrolled is $100, the premium for a family with two children enrolled shall be less than $200); and ensure that negotiated premium rates fairly compensate certified plans for their services, but that such rates do not result in excessive profits by plans.

Offer families a choice of certified plans to the extent possible as long as at least one managed care plan for children is available to all eligible children regardless of geographic location.

May use financial or other incentives to encourage adequate coverage of rural and undeserved areas.

Develop and implement an open enrollment system during the national open enrollment period consistent with the guidelines specified in section 2715; and implement an outreach program to maximize enrollment of eligible individuals.

Ensure that certified plans accept any applicant who is eligible within the geographic area and do not discriminate or use coercive or unethical practices to encourage or dissuade enrollment into their plan.

In determining or approving the boundaries of coverage areas for certified plans, ensure that the coverage areas are consistent with the anti-discrimination standards specified in section 2762, and that such boundaries do not result in plans avoiding enrollment of persons who are expected to have higher than average rates of utilization or expenditures.

Impose a surcharge for persons who enroll outside of the regular open enrollment period as specified in section 2715; and monitor, evaluate, and address the potential barriers, including cost sharing requirements, that may prevent certain families, especially low income families, from enrolling in the state program or from obtaining health services after enrollment.

Develop a mechanism to assist families who cannot temporarily pay for premiums or copayments due to unexpected shortfalls in income; in the case of fee-for-service plans, the state must use pediatric- and maternal-specific prospective payment schedules for the reimbursement of services. Such schedules shall be negotiated between providers, plans, and the state.

Ensure that any relevant health services provided by local and state health departments are integrated and coordinated with the state program under this Act; and establish a state advisory council analogous to the national council under section 2742, except that the composition, organization, and other guidelines for the state council shall be determined by the state. The majority of state council members, however, must be comprised of health care providers and consumers.

Develop and implement standards for dissemination of consumer information provided by certified plans, provide consumers with comparative information on certified plans during the open enrollment period as requested, and set up hotlines and other mechanisms to assist consumers. Standards for consumer information must address services for children with special health care needs. States shall approve all advertising or other marketing materials from participating plans to ensure that such materials do not contain misleading or false information, and that the content of the material does not selectively encourage or selectively discourage certain groups of persons from enrolling in or disenrolling from the plan. States may elect to contract with non-government entities to perform these functions. States shall ensure that decisions regarding the approval of advertising or other marketing materials are made in a reasonable time frame and are based on consistently applied criteria as determined by the state.

Establish a mechanism for consumer feedback, collection of complaints, filing of grievances, and assist in the resolution of complaints against certified plans. Establish at least one alternative dispute resolution mechanism for malpractice claims filed by persons enrolled in a certified plan.

Address deficiencies in enabling services to ensure access to health services among underserved areas or populations; and ensure that primary care services are accessible by public transportation in municipalities that have a public transportation system.

For a period not less than five years, ensure that health facilities that provide care to large numbers of children, pregnant women, children with special health care needs, or low income persons, including non-investor-owned hospitals, community health centers, school-based health clinics, rural health clinics, and local health departments, are able to participate fully in the state program, are adequately reimbursed for their services, and are able to enter into agreements with certified plans. In cases where such providers are not affiliated with a certified plan, the state may encourage such providers to form their own certified plan.

Enter into agreements with bordering states to ensure that persons who need to travel across state borders for medically necessary health services that are otherwise not accessible may do so without penalty.

May elect to implement laws to take legal action against families who fail to enroll their children or who fail to pay premiums for children under their care who require medical treatment for a health condition.

Establish a system for preventing, monitoring, and controlling fraud and abuse as specified in section 2746. In addition, establish a system to prevent and address any conflicts of interest on the part of the state or its designated representatives regarding the award, management, or evaluation of contracts with certified plans, ensure that certified plans are in compliance with state and federal guidelines under this Act.

Sec. 2765. Responsibilities of the Secretary of HHS

Establish and administer the Trust Fund as specified in Part A; approve, evaluate, and monitor state programs as specified in Parts D and E; provide states with technical and or other assistance; establish, appoint, and support the Council as specified in section 2742; and establish and coordinate the national open enrollment period as specified in section 2715.

Develop a specific comprehensive benefits package as specified in section 2721; develop national guidelines for quality assessment and improvement programs and utilization review programs as specified in section 2743; and develop and implement the National Health Information System for Mothers and Children and the National Childhood Immunization Database as specified in sections 2744 and 2745.

Review, prioritize, integrate, and coordinate federally funded material and child health programs as specified in sections 2754, 2755, and 2773.

In conjunction with the US Attorney General, establish a system for preventing, monitoring, and controlling fraud and abuse as specified in section 2746.

Devleop and administer the grants program to support states, universities, and nonprofit organizations for the purposes of improving the health of mothers and children as specified in 2751.

Sec. 2766. Responsibilities of the US Attorney General

In conjunction with the Secretary of HHS, establish a system for preventing, monitoring, and controlling fraud and abuse as specified in section 2746.

Sec. 2767. Responsibilities of the Secretary of Agriculture

Establish and administer the Tobacco Alternatives Trust Fund as specified in section 9512

Sec. 205. Existing Programs

Amends title XXVII of the Public Health Service Act.

PART H—IMPACT ON EMPLOYERS AND EXISTING PROGRAMS

Sec. 2771. Impact on Employers

Employers are encouraged to, but not required to, provide or continue to provide comprehensive health services to their employees' dependent children. In participating states, employers who provide health benefits for an employee's dependent children at the time of enactment of this Act and drop their coverage of all children or children under seven years after the enactment of this Act, shall be subject to a temporary annual maintenance of effort fee, which will be deposited into the Trust Fund. The fee will be equivalent to 50% of the estimated annual cost of providing comprehensive coverage for all employee-dependent children. The annual fee shall be in effect for a period not to exceed five years.

In no case, however, shall the employer drop such coverage until 180 days after the implementation date of the respective state program. Employers shall not selectively drop coverage for specific employee-dependent children who have, or are expected to have, higher than average utilization or health care costs. Employers who provide pregnancy-related benefits for their employees and dependents shall continue to do so after the implementation of this Act. (The Pregnancy Discrimination Act of 1978 would remain in effect.) Funds from the temporary employer maintenance of effort fee shall be transferred by the Treasury of the United States into the Trust Fund.

Sec. 2772. Impact on Medicaid

In participating states, children under seven years and pregnant women who are enrolled in Medicaid shall be automatically enrolled into the respective state program under this Act, and all health benefits, including long-term and chronic care services for children with disabilities or chronic health conditions, shall be received under the state program. States may elect not to shift long-term and chronic care services for children with disabilities or chronic health conditions into the state program under this

Act, if the state can demonstrate that doing so would significantly compromise the quality of care for such children. However, states that elect not to shift long-term and chronic care services into the state program under this Act must develop health care coordination plans that integrate the various sources of health services for such children in consultation with state Title V maternal and child health programs. States may also elect to establish a transitional period to gradually phase in children with disabilities or chronic health conditions into the state program.

Federal Medicaid payments to states towards the care of children under seven and pregnant women in effect at the time of enactment of this Act shall be shifted to the Trust Fund. Except for the state-federal matching requirements specified in sections 102 and 503, there is no additional maintenance of effort required on the part of the states' Medicaid contribution towards the care of the targeted group.

There is no impact on the Medicaid program for noneligible children seven years of age and older under this Act. Applicable federal guidelines and payments to the state towards the care of these children shall remain in effect. States are required to maintain their effort towards the Medicaid program for children who are not eligible under this Act. There is no impact on the Medicaid program for states that do not participate under this Act.

Sec. 2773. Integration of Health Services and Impact on Existing Federal and State Government Health Programs

Every two years after the enactment of this title, the Secretary, in consultation with the Maternal and Child Health Bureau, shall review all federal maternal and child health programs. Participating states, acting through a single designated lead agency, in consultation with state health programs authorized under Title V of the Social Security Act, shall review state-funded programs that provide health services to children under seven and pregnant women to ensure that these programs are integrated and coordinated with the services covered by this Act. If the Secretary determines that specific functions performed by federal health programs under review are duplicated or made extraneous by the benefits provided under this Act, then the Secretary may recommend to Congress that the federal program, or portions of the program, be eliminated or reduced. The most recent year appropriation for the program or portion of the program shall be transferred to the Trust Fund. Similarly, states shall deposit any savings from duplicated state-funded services to the state-specific trust fund (this does not apply to the state contribution to the Medicaid program).

In all cases, however, the Secretary and the states shall ensure that federal Title V funds and matching state funds are retained within existing programs to meet the needs of children over seven years, and eligible children and pregnant women who do not participate in the state program under this Act, to perform core public health functions, to coordinate care for children with special health care needs, and otherwise to meet needs identified through Title V needs assessments consistent with Healthy People 2000 objectives.

Sec. 207. General Provisions

Amends title XXVII of the Public Health Service Act.

PART I—GENERAL PROVISIONS

Sec. 2781. Definitions

For purposes of this legislation, the following are definitions of terms used:

Adjusted family gross income—means the sum of all adjusted gross income of all family members of the child or pregnant women involved in the most recent tax year. In the case of a pregnant woman, such term also includes the adjusted gross income of the pregnant woman.

Advisory council—means the National Advisory Council for Mother's and Children's Health established under section 2742.

Certified plan—means the agreement entered into by an organized health care entity to cover or provide specified health care services under State and Federal guidelines under this title. Organizations that may enter into such agreement shall include health maintenance organizations, preferred provider organizations, point-of-service plans, fee-for-service plans, indemnity insurance plans, hybrids of such plans, and any other organized health care entities that fulfill the requirements of this title.

Child—In general means an individual who has not attained the age of 21. References in this title to a child shall be construed to mean, in the case of a State program that does not have an expanded access component, an individual under 7 years of age and, in the case of a State program that offers an expanded eligibility component, an individual under 21 years of age.

Comprehensive benefits package—means either the benefits package for children or the benefits package for pregnant women, as the case may be, developed by the Secretary under section 2721.

Core public health functions—means the following: (A) The collection and analysis of public health-related data and the technical aspects of developing and operating information systems. (B) Activities related to protecting the environment and ensuring the safety of workplaces, food, and water. (C) Investigation and control of adverse health conditions and exposures to individuals and the community. (D) Information and education programs to prevent adverse health conditions. (E) Accountability and health care quality improvement activities. (F) The provision of public health laboratory services. (G) Training for public health professionals.

(H) Health care leadership, policy development, coalition-building, and administrative activities. (I) Integration and coordination of prevention programs and services of health plans, community-based providers, government health agencies, and other government agencies that affect health including education, labor, transportation, welfare, criminal justice, environment, agriculture and housing. (J) Research on effective and cost-effective public health practices.

Enabling services—means community outreach, health education, transportation, language translation, and other services that facilitate or otherwise assist eligible individuals to receive health service provided under this title.

Family—means a pregnant woman residing alone or a group of two or more individuals who reside together in the same housing unit. Such individuals may be related (such as parent and child) or unrelated (such as guardian and foster child) individuals. In the case of children who do not reside with their parents, such term may also include individuals (such as family friends) or entities (such as government agencies) that have primary responsibility for the health and welfare of the child.

Information system—means the National Health Information System for Mothers and Children established under section 2744.

Participating state—means any of the 50 States, the District of Columbia, Puerto Rico, and any of the trust territories of the United States, that elects to participate in the program established under this title.

Poverty level—means the income official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Service Block Grant Act (42 USC 9902(2)) applicable to a family of the size involved.

Tobacco alternatives trust fund—means the trust fund established under section 9512 of the Internal Revenue Code of 1986.

Trust fund—means the National Health Trust Fund for Mothers and Children established under section 9551 of the Internal Revenue Code of 1986.

Sec. 2782. Authorization of Appropriations

From the Trust Fund, the Department of Health and Human Services and the Department of Justice is hereby authorized such sums as may be necessary for each of the fiscal years 1996 through 2000 to develop and implement the requirements of this Act.

Sec. 208. Unlawful Use of Tobacco Products Manufactured for Export

Amends section 2341 of title 18 USC.

Any person or business entity who illegally purchases, sells, distributes, or smuggles (or assists in these activities), tobacco products that are manufactured in the US and designated for export only shall be subject to a fine of $10,000 or an amount equal to five times the tax imposed under this Act, in addition to any taxes ordinarily assessed for such tobacco products. Any equipment or vehicles (includes ships, aircraft, motor vehicles, etc.) used to illegally transport export-designated tobacco products in the US shall be confiscated and deemed to be the property of the US. Any penalties recovered from successful prosecution of these illegal activities, including the proceeds from sale of related equipment and vehicles, shall be transferred to the Trust Fund.

TITLE III—FINANCING PROVISIONS

Sec. 301. Increase in Taxes on Tobacco Products

Amends section 5701 of IRS Code 1986.

Sec. 5701. Rate of Tax

Federal excise taxes on cigarettes offered for sale in the US shall increase over the existing tax ($0.24/pack) by $1.50/pack. There shall also be an equivalent tax increase for smokeless tobacco products calculated on an equivalent retail unit basis (e.g., $1.50 increase per package of chew tobacco and similar increase per tin of snuff). In addition, an equivalent increase shall apply to cigars, cigarette papers, cigarette tubes, or other products that are used to ''roll your own'' cigarettes. The total federal excise tax shall be indexed to the CPI in subsequent years and recalculated on an annual basis.

Sec. 302. Assistance to States Adversely Impacted by Tobacco Tax

Amends subchapter A of chapter 98 of the Internal Revenue Code of 1986.

Sec. 9512. Tobacco Alternatives Trust Fund

To minimize the potential economic impact of the increased tax on tobacco farmers and tobacco industry workers, the Tobacco Alternatives Trust Fund is established at the time of enactment and shall exist for a period not to exceed five years. Every year, 2% of the annual federal revenue from the increased tobacco tax will be deposited into the Tobacco Alternative Trust Fund. Monies from this Fund shall be allocated on an annual basis by the Secretary of Agriculture to states adversely affected by the tobacco tax.

States that are significantly impacted by the tax shall develop an initial five-year strategic plan for assisting tobacco farmers and tobacco manufacturing/production workers who are adversely affected by the increased tobacco tax. The strategic plan must be approved by the Secretary of Agriculture before any federal monies are provided to the

state. The Secretary shall allocate funds on an annual basis to each state based on a formula that takes into account the number of farmers and workers affected in that state and the severity of the economic impact. Monies from the Fund may be used for direct payments to tobacco farmers or workers, assisting farmers in converting to alternative crop and livestock production, infrastructure and business-related financing in impacted areas with significant numbers of tobacco-related jobs, job training, and other economic development projects that the state considers worthwhile upon approval of the Secretary of Agriculture.

Each year the states receiving monies from the Fund shall submit to the Secretary of Agriculture an annual report documenting the economic impact of the tax, an evaluation of their program activities, and their improvement plan for the coming year. Upon approval by the Secretary, the state's annual allocation from the Fund shall be transferred to the state.

Administrative costs for this program are limited to 5% of annual program expenditures and shall be offset by monies in the Tobacco Alternatives Trust Fund.

Sec. 303. Designation of Overpayments and Contributions for the National Health Trust Fund for Mothers and Children

Amends subchapter A of chapter 61 of the Internal Revenue Code of 1986.

PART IX—DESIGNATION OF OVERPAYMENTS AND CONTRIBUTIONS FOR THE NATIONAL HEALTH TRUST FUND FOR MOTHERS AND CHILDREN

Sec. 6097. Amounts for the National Health Trust Fund for Mothers and Children

Beginning with the first full tax year subsequent to the enactment of this Act, every individual (or couple in the case of joint returns) filing a tax return shall have the option of making a contribution to the Trust Fund through either electing to donate any portion (not less than $1) of a tax overpayment for that year, or electing to make a cash contribution to be transferred to the Trust Fund. These mechanisms for contributions through tax returns shall not apply in the second year subsequent to any year where the total contributions designated from tax returns are less than $5 million.

In addition, any individual, corporation, foundation, or private sector entity may elect to donate monies to the Trust Fund or to one of the state trust funds established under this Act at any time. Charitable donations to the state or national trust funds shall be considered tax deductible donations to the extent allowed by federal and state tax laws.

Mr. CHAFEE addressed the Chair.

The PRESIDING OFFICER. The Senator from Rhode Island.

Mr. CHAFEE. Mr. President, I want to commend the distinguished Senator from Illinois for the presentation he made, and for the effort he is making to cover pregnant women and children. I certainly will look at the legislation he has presented.

I think it is a great help in this ongoing debate that we are having that the Senator has stepped forward with this legislation, which seems to me to hold a lot of promise.

As he mentioned, always the funding part is difficult. But, nonetheless, I agree with the source of funding from the increased tax on cigarettes. I am not sure everybody else will enthusiastically embrace it. But I think the Senator mentioned Rhode Island and what we are doing to fund this program. There may have to be, in fact, an increase in the price of cigarettes, which will hopefully keep them away from those who are price sensitive in connection with purchasing that kind of deleterious substance.

So, again, I think it is wonderful what the Senator has done. I take it that the Senator has not yet introduced that legislation.

Mr. SIMON. I just introduced it. I welcome any suggestions for a modification. I welcome having JOHN CHAFEE, as well as the distinguished junior Senator from Utah, as cosponsors, if at any point they feel comfortable doing that.

Mr. CHAFEE. I will certainly take a good look at it. I will get a copy either from the Senator's office or from the reprint here, and take a good look at it.

Mr. SIMON. I thank the Senator.

ADDITIONAL COSPONSORS

S. 256

At the request of Mr. DOLE, the names of the Senator from Wisconsin [Mr. KOHL], and the Senator from Iowa [Mr. GRASSLEY] were added as cosponsors 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. 308

At the request of Mr. HATFIELD, the name of the Senator from Mississippi [Mr. COCHRAN] was added as a cosponsor of S. 308, a bill to increase access to, control the costs associated with, and improve the quality of health care in States through health insurance reform, State innovation, public health, medical research, and reduction of fraud and abuse, and for other purposes.

S. 327

At the request of Mr. HATCH, the name of the Senator from Colorado [Mr. CAMPBELL] was added as a cosponsor of S. 327, a bill to amend the Internal Revenue Code of 1986 to provide clarification for the deductibility of expenses incurred by a taxpayer in connection with the business use of the home.

S. 356

At the request of Mr. SHELBY, the name of the Senator from Wyoming [Mr. SIMPSON] was added as a cosponsor of S. 356, a bill to amend title 4, United States Code, to declare English as the official language of the Government of the United States.

S. 440

At the request of Mr. WARNER, the name of the Senator from Texas [Mrs. HUTCHISON] was added as a cosponsor of S. 440, a bill to amend title 23, United States Code, to provide for the designation of the National Highway System, and for other purposes.

S. 448

At the request of Mr. GRASSLEY, the name of the Senator from Indiana [Mr. LUGAR] was added as a cosponsor of S. 448, a bill to amend section 118 of the Internal Revenue Code of 1986 to provide for certain exceptions from rules for determining contributions in aid of construction, and for other purposes.

S. 526

At the request of Mr. GREGG, the name of the Senator from Mississippi [Mr. LOTT] was added as a cosponsor of S. 526, a bill to amend the Occupational Safety and Health Act of 1970 to make modifications to certain provisions, and for other purposes.

S. 555

At the request of Mrs. KASSEBAUM, the name of the Senator from Louisiana [Mr. BREAUX] was added as a cosponsor of S. 555, a bill to amend the Public Health Service Act to consolidate and reauthorize health professions and minority and disadvantaged health education programs, and for other purposes.

S. 585

At the request of Mr. SHELBY, the names of the Senator from Mississippi [Mr. LOTT], the Senator from Minnesota [Mr. GRAMS], and the Senator from North Carolina [Mr. HELMS] were added as cosponsors of S. 585, a bill to protect the rights of small entities subject to investigative or enforcement action by agencies, and for other purposes.

S. 641

At the request of Mrs. KASSEBAUM, the name of the Senator from Ohio [Mr. DEWINE] was added as a cosponsor of S. 641, a bill to reauthorize the Ryan White CARE Act of 1990, and for other purposes.

S. 770

At the request of Mr. DOLE, the name of the Senator from Colorado [Mr. CAMPBELL] was added as a cosponsor of S. 770, a bill to provide for the relocation of the United States Embassy in Israel to Jerusalem, and for other purposes.

S. 830

At the request of Mr. SPECTER, the name of the Senator from Massachusetts [Mr. KERRY] was added as a cosponsor of S. 830, a bill to amend title 18, United States Code, with respect to fraud and false statements.

AMENDMENT NO. 1283

At the request of Mr. WELLSTONE his name was added as a cosponsor of amendment No. 1283 proposed to S. 652, an original bill to provide for a pro-competitive, de-regulatory national policy framework designed to accelerate rapidly private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition, and for other purposes.