

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

WILLIAM J. CLINTON.

THE WHITE HOUSE, November 1, 1997.

MEASAGES FROM THE HOUSE

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

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

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

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

MEASURES PLACED ON THE CALENDAR

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

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

REPORTS OF COMMITTEES

The following reports of committees were submitted:

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

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

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

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

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

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

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

By Mr. MOYNIHAN:

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

ADDITIONAL COSPONSORS

S. 364

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

S. 943

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

S. 950

At the request of Mr. MCCONNELL, the name of the Senator from New Hampshire [Mr. SMITH] was added as a cosponsor of S. 950, a bill to provide for equal protection of the law and to prohibit discrimination and preferential treatment on the basis of race, color, national origin, or sex in Federal actions, and for other purposes.

S. 952

At the request of Mr. MCCONNELL, the name of the Senator from New Hampshire [Mr. SMITH] was added as a cosponsor of S. 952, a bill to establish a Federal cause of action for discrimination and preferential treatment in Federal actions on the basis of race, color, national origin, or sex, and for other purposes.

S. 977

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

S. 1220

At the request of Mr. DODD, the names of the Senator from Kentucky [Mr. FORD], the Senator from Michigan [Mr. LEVIN], the Senator from Vermont [Mr. JEFFORDS], the Senator from California [Mrs. BOXER], and the Senator from Oregon [Mr. WYDEN] were added as cosponsors of S. 1220, a bill to pro-

vide a process for declassifying on an expedited basis certain documents relating to human rights abuses in Guatemala and Honduras.

S. 1286

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

S. 1309

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

S. 1311

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

SENATE CONCURRENT RESOLUTION 52

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

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

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

S. RES. 142

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

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

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

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

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

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

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

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

Whereas the budget is not yet in surplus;

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

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

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

Resolved, That is the sense of the Senate that—

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

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

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

Consider the following facts:

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

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

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

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

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

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

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

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

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

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

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

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

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

First, the budget is not yet in surplus.

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

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

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

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

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

Mr. CRAIG addressed the Chair.

The PRESIDING OFFICER. The Senator from Idaho.

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

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

AMENDMENTS SUBMITTED

THE RECIPROCAL TRADE AGREEMENT ACT OF 1997

GRASSLEY AMENDMENT NO. 1545

(Ordered to lie on the table.)

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

Add the following subsection (d) to section 3:

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

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

THE EDUCATION SAVINGS ACT FOR PUBLIC AND PRIVATE SCHOOLS

MCCONNELL (AND OTHERS) AMENDMENT NO. 1546

(Ordered to lie on the table.)

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

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

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

(a) ALLOWANCE OF EXCLUSION.—

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

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

“(i) subparagraph (A) shall not apply, and
“(ii) no amount shall be includible in gross income with respect to such distribution.”

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) LIMIT ON AGGREGATE CONTRIBUTIONS.—

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

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

(2) TAX ON EXCESS CONTRIBUTIONS.—

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

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

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

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

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

“(B) Any rollover contribution.”

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

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

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

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

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

(c) COMPLIANCE PROVISIONS.—

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

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

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

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

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

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

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

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

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