S. 408. A bill to establish sources of funding for certain transportation infrastructure projects in the vicinity of the border between the United States and Mexico that are necessary to accommodate increased traffic resulting from the implementation of the North American Free Trade Agreement, including construction of new Federal border crossing facilities, and for other purposes; to the Committee on Energy and Natural Resources.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mrs. FEINSTEIN (for herself and Mrs. BOXER):

S. 392. A bill to provide an exception to the restrictions on eligibility for public benefits for certain legal aliens; to the Committee on Finance.

THE ELDERLY AND DISABLED LEGAL IMMIGRANT SUPPORT ACT OF 1997

• Mrs. FEINSTEIN. Mr. President, last year we approved the most comprehensive welfare reform this Nation has ever known. Because the changes were so comprehensive, this body approved the bill with much reservation, particularly on the provision for the elderly and disabled legal immigrants.

Today, I correct one of the major challenges left over from the welfare reform last year that if uncorrected, will have a devastating impact on the States and counties by shifting the cost of caring for the seriously ill and destitute disabled and elderly legal immigrants who have absolutely no other means of support.

I am here to offer the Elderly and Disabled Legal Immigrant Support Act with Senator BOXER as the cosponsor in the Senate, and Congressman CAMPBELL and Congresswoman LOFGREN as sponsors in the House of Representatives.

The Elderly and Disabled Legal Immigrant Support Act of 1997 would exempt from the current ban on SSI, those elderly, disabled and/or blind legal immigrants, who came to this country prior to passage of the welfare bill—August 22, 1996, who can demonstrate that they have no family and have no other source of support. This legislation prohibits SSI for all legal immigrants coming to this country following the date of enactment of the welfare reform bill, August 22, 1996.

This legislation corrects what I believe is a grave mistake in the Federal welfare reform law—a blanket denial of SSI to all legal noncitizens, no matter how elderly, disabled, destitute and ill they may be.

Over 20 California county supervisors, both Republican and Democrat, have spoken out, in one voice, that the legal immigrant provisions of the welfare law will be disastrous for California counties and this legislation is critical for the Counties and for the country.

In California alone, 200,000 to 326,000 people may lose SSI by August 22, 1997.

Los Angeles County estimates that eliminating benefits for 93,000 legal immigrants in its county could cost up to $236 million a year.

San Francisco estimates that 20,000 legal noncitizens may turn to the county's general assistance program, at a total cost of up to $74 million.

Many top immigrant States and counties will also bear the burden of caring for the elderly, disabled, and blind legal immigrants who are banned from SSI.

New York—126,860 legal immigrants may lose their SSI, costing the State approximately $240 million annually.

Florida—77,920 legal immigrants may lose their SSI, costing the State approximately $300 million annually.

Texas—59,160 legal immigrants may lose their SSI.

Illinois—25,960 legal immigrants may lose their SSI.

New Jersey—25,500 legal immigrants may lose their SSI.

Massachusetts—25,140 legal immigrants may lose their SSI.

The Republican Governors who supported the welfare reform bill now realize that the new law, as written, will result in a huge financial cost-shift to their states.

President Clinton has also recognized that legal immigrants who become disabled after entry should not be banned from SSI and food stamps and has allocated $13.7 billion in the 1998 budget for this population who have nowhere else to turn.

As we speak, 125,000 SSI cancellation notices are going out to elderly, disabled, and blind legal immigrants every week. Many elderly and disabled legal immigrants have absolutely no family or friends to turn to for support and will be destitute. They have no one to turn to, except county relief programs or, at worst, homeless shelters. Effective August 22 of this year, all legal immigrants currently receiving SSI will be cut from the rolls regardless of their circumstances.

I know that prior to welfare reform, the door was open for sponsors to bring in their parents and then neglect to support them or, if they are unable to support them, to know that legal immigrants were eligible for SSI. The number of noncitizens collecting SSI had increased by 477 percent in the 14 years from 1980 to 1994, while for citizens the numbers increased by 33 percent during the same period. Clearly, one can extrapolate from these statistics that legal immigrants were using SSI at 15 times the rate of citizens.

I hold the sponsors accountable for the support of legal immigrants they bring into the country who they have pledged to support. But the Federal welfare reform banning SSI for virtually all legal immigrants—even those whose sponsors cannot afford to support them, or those refugees who have no sponsors at all—will create extreme hardship for those elderly, blind, and disabled legal immigrants who are unable to support themselves.

Let me tell you the story about a 73-year-old legal immigrant in San Francisco on SSI. She was welcomed to this county from Vietnam in 1980. She was a refugee from Communism with no family in the United States. She speaks no English and she is suffering from kidney failure. She requires dialysis three times a week. Under this new law, this 73-year-old woman will lose SSI, her only source of support. Her well-being will become the responsibility of the county.

I urge my colleagues to seriously consider and support this limited exemption from the current ban on SSI by allowing those elderly, blind, or disabled individuals, who were in the country prior to August 22, 1996, and who have no other means of support, to continue on SSI. The ban on SSI would apply to those coming into the country after August 22, 1996.

Mr. President, I ask for unanimous consent that the text of the bill and a chart on number of aliens receiving SSI payments by legal status and State be included in the RECORD.

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

S. 392

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

SECTION 1. EXCEPTION TO ELIGIBILITY RESTRICTIONS FOR PUBLIC BENEFITS FOR CERTAIN LEGAL ALIENS.

(a) IN GENERAL.—Subtitle A of title V of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (Public Law 104–208; 110 Stat. 3009–1772) is amended by adding at the end the following:

''SEC. 511. EXCEPTION FOR CERTAIN LEGAL ALIENS.

''(a) IN GENERAL.—Notwithstanding any other provision of law, an alien who was lawfully present in the United States on August 22, 1996, and who lawfully resides in a State, is age 65 or older, is disabled and/or blind, as determined under paragraph (2) and/or (3) of section 1614(a) of the Social Security Act (42 U.S.C. 1382c(a)), whose family is incapable of support, and who can demonstrate that he or she has no other sufficient means of support other than that provided under the program described in subsection (b), shall be eligible to receive benefits under such program.

''(b) PROGRAM DESCRIBED.—The program described in this subsection is the program described in section 402(a)(3)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(3)(A)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) takes effect as if included in the enactment of subtitle A of title V of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (Public Law 104–208; 110 Stat. 3009–1772).

(c) NOTICE AND REDETERMINATION.—The Commissioner of Social Security shall, not later than 30 days after the date of enactment of this Act, notify an individual described in section 511(a) of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (as added by this Act) and who, as of such date, has been redetermined to be ineligible for the program described in section 511(b) of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (as so added), that the individual's eligibility for such program shall be redetermined again, and shall conduct such redetermination in a timely manner.

Number of Aliens Receiving SSI Payments by Legal Status and State, October 1996

State	Total	Color of law	Lawfully admitted
Total	803,030	206,600	596,430
Alabama	600	110	490
Alaska	820	(1)	(1)
Arizona	7,930	1,450	6,480
Arkansas	380	100	280
California	326,080	86,880	239,200
Colorado	5,660	1,810	3,850
Connecticut	4,870	1,120	3,750
Delaware	400	(1)	(1)
District of Columbia	960	150	810
Florida	77,920	17,890	60,030
Georgia	4,860	1,350	3,510
Hawaii	4,440	640	3,800
Idaho	430	(1)	(1)
Illinois	25,960	7,180	18,820
Indiana	1,150	280	870
Iowa	1,220	500	720
Kansas	1,640	400	1,240
Kentucky	790	390	400
Louisiana	2,860	490	2,370
Maine	610	240	370
Maryland	9,040	2,330	6,710
Massachusetts	25,140	7,630	17,510
Michigan	8,220	1,770	6,450
Minnesota	7,180	3,340	3,840
Mississippi	510	120	390
Missouri	1,960	860	1,100
Montana	170	(1)	(1)
Nebraska	760	320	440
Nevada	2,710	530	2,180
New Hampshire	320	90	230
New Jersey	25,500	3,730	21,770
New Mexico	3,500	350	3,150
New York	126,860	35,180	91,680
North Carolina	2,760	790	1,970
North Dakota	200	100	100
Ohio	5,970	2,480	3,490
Oklahoma	1,360	310	1,050
Oregon	4,640	1,940	2,700
Pennsylvania	12,540	5,270	7,270
Rhode Island	3,720	760	2,960
South Carolina	620	100	520
South Dakota	220	(1)	(1)
Tennessee	1,400	370	1,030
Texas	59,160	5,930	53,230
Utah	1,550	460	1,090
Vermont	180	(1)	(1)
Virginia	8,000	1,720	6,280
Washington	14,100	6,370	7,730
West Virginia	210	(1)	(1)
Wisconsin	4,900	2,250	2,650
Wyoming	(1)	(1)	(1)

[1] Relative sampling error too large for presentation of estimates.
Source: SSI 10-Percent Sample File, October 1996.●

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

S. 393. A bill to clarify the tax treatment of certain disability benefits received by former police officers or firefighters; to the Committee on Finance.

THE POLICE AND FIREFIGHTERS TAX CLARIFICATION ACT

● Mr. DODD. Mr. President, today I am introducing legislation that would provide a measure of tax fairness for more than 1,000 police officers, firefighters, and their families in my home State of Connecticut. I am pleased to be joined in this effort by Senator LIEBERMAN.

This bill clarifies the tax treatment of heart and hypertension benefits awarded to Connecticut's police officers and firefighters prior to 1992. The clarification is necessary because of an error made in the original version of Connecticut's heart and hypertension law. Under that law, Connecticut intended to treat heart and hypertension benefits as workmen's compensation for tax purposes. Unfortunately, because of the language used in the State statute, the heart and hypertension benefits became taxable under a ruling by the Internal Revenue Service [IRS] in 1991.

Since the IRS ruling, Connecticut has amended its law. But that change does not help those police officers, firefighters, and their families, who received benefits prior to the amendment. These law-abiding citizens accepted the benefits with the understanding that they were not taxable. Now, as a result of the problem with the State law, and through no fault of their own, they have been charged with back taxes, interest, and penalties by the IRS. This has created serious financial difficulties for a number of families.

I hope that my colleagues will join with me in remedying this problem. Across this Nation, our firefighters and police officers work hard to protect our homes and businesses. They face incredible danger, and sometimes risk their lives, to help keep our communities safe. The hazards they face make their jobs particularly stressful. They need the security provided by heart and hypertension benefits. They should not have to contend with back taxes and penalties assessed due to an error in State law.

Under this legislation, which would remove their liability for heart and hypertension benefits for the years affected by the IRS ruling—1989–91, we can treat these public servants and their families more fairly. This bill is narrowly drafted to accomplish that limited purpose and would not affect the tax treatment of heart and hypertension benefits awarded after January 1, 1992.

Mr. President, my efforts to pass this legislation date back to the 102d Congress. During that Congress, Senator LIEBERMAN and I worked with Representatives BARBARA KENNELLY and ROSA DELAURO and this bill became a part of the Revenue Act of 1992. Although the Revenue Act was passed by Congress, it was vetoed by President Bush 1 day after he lost the election. We tried again during the 103d Congress, but we were unable to move the bill through the relevant committees. Last year, we hoped to move the bill as part of a broader tax and pension package, but that legislation was also stalled.

I urge my colleagues to help pass this legislation quickly this year. We must provide relief to the Connecticut police officers, firefighters, and their families, who are facing severe financial hardship even though they have tried to follow the rules. Through no fault of their own, they have been hit with significant back taxes and penalties. We should remedy this problem and help them move on with their lives.

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

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

S. 393

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

SECTION 1. TREATMENT OF CERTAIN DISABILITY BENEFITS RECEIVED BY FORMER POLICE OFFICERS OR FIREFIGHTERS.

(a) GENERAL RULE.—For purposes of determing whether any amount to which this section applies is excludable from gross income under section 104(a)(1) of the Internal Revenue Code of 1986, the following conditions shall be treated as personal injuries or sickness in the course of employment:

(1) Heart disease.

(2) Hypertension.

(b) AMOUNTS TO WHICH SECTION APPLIES.—This section shall apply to any amount—

(1) which is payable—

(A) to an individual (or to the survivors of an individual) who was a full-time employee of any police department or fire department which is organized and operated by a State, by any political subdivision thereof, or by any agency or instrumentality of a State or political subdivision thereof, and

(B) under a State law (as in existence on July 1, 1992) which irrebuttably presumed that heart disease and hypertension are work-related illnesses but only for employees separating from service before such date; and

(2) which is received in calendar year 1989, 1990, or 1191.

For purposes of the preceding sentence, the term ''State'' includes the District of Columbia.

(c) WAIVER OF STATUTE OF LIMITATIONS.—If, on the date of the enactment of this Act (or at any time within the 1-year period beginning on such date of enactment) credit or refund of any overpayment of tax resulting from the provisions of this section is barred by any law or rule of law, credit or refund of such overpayment shall, nevertheless, be allowed or made if claim therefore is filed before the date 1 year after such date of enactment.●

By Mr. HATCH (for himself, Mr. LEAHY, Mr. COCHRAN, Mr. SPECTER, and Mr. FAIRCLOTH) (by request):

S. 394. A bill to partially restore compensation levels to their past equivalent in terms of real income and establish the procedure for adjusting future compensation of justices and judges of the United States; to the Committee on the Judiciary.

FEDERAL JUDICIAL COMPENSATION LEGISLATION

● Mr. HATCH. Mr. President, at the request of the Judicial Conference of the United States, I am introducing a bill to increase the current salaries of Federal judges and to establish a procedure for future cost-of-living increases in judicial compensation.

This legislation was prepared by the Administrative Office of the United States Courts. I believe that, out of comity to the judicial branch, the Senate should have on record the judiciary's specific proposals with respect to judicial compensation, so that we can give those suggestions a full and fair hearing. These proposals deserve fair consideration.

Federal judges have not received a cost-of-living salary adjustment since January 1994. This bill would amend United States Code title 28, sections 5, 44(d), 135, and 252, to provide an immediate, one-time 9.6 percent adjustment in the compensation of Justices of the Supreme Court and Federal circuit court, district court, and international trade court judges appointed under article III of the Constitution. The bill would also have the effect of increasing, by the same percentage, the salaries of Federal court of claims and

bankruptcy judges and full-time U.S. magistrate judges, since their salaries are, by statute, fixed based on the salaries of Federal district court judges.

With respect to future judicial salary adjustments, the bill would amend section 461 of title 28 to end the current linkage between the judicial, congressional, and Executive Schedule compensation. Instead, judicial salaries would be adjusted automatically on an annual basis, in the same percentage amount as the rate of pay of Federal employees under the General Schedule.

Finally, the bill would repeal section 140 of Public Law No. 97–92, thereby removing the current requirement that Congress affirmatively vote for cost-of-living increases for Federal judges.

If we are to attract and retain the most capable lawyers to serve as Federal judges, it is vitally important that we ensure that those responsible for the effective functioning of the judicial branch receive fair compensation, including reasonable adjustments which allow judicial salaries to keep pace with increases in the cost of living. As Chief Justice Rehnquist stated in his ''1996 Year-End Report on the Federal Judiciary,'' ''We must insure that judges, who make a lifetime commitment to public service, are able to plan their financial futures based on reasonable expectations.'' This bill, which I am introducing at the request of the Judicial Conference, proposes changes viewed by the Judicial Conference as advancing this objective—an objective with which I believe most Senators would agree. The bill merits serious consideration by the Senate.

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. 394

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

SECTION 1. JUDICIAL SALARIES.

(a) INCREASE IN JUDICIAL SALARIES.—

(1) IN GENERAL.—Notwithstanding sections 5, 44(d), 135, and 252 of title 28, United States Code, the annual salary rates of the Chief Justice of the United States, Associate Justices of the Supreme Court of the United States, judges of the United States Courts of Appeals, judges of the United States District Courts, and judges of the United States Court of International Trade, are increased in the amount of 9.6 percent of each applicable rate in effect on the date immediately preceding the effective date of this subsection rounded to the nearest multiple of $100 (or if midway between multiples of $100, to the next higher multiple of $100).

(2) EFFECTIVE DATE.—This subsection shall take effect on the first day of the first applicable pay period beginning on or after the date of enactment of this Act.

(b) JUDICIAL COST-OF-LIVING ADJUSTMENTS.—Section 461(a) of title 28, United States Code, is amended to read as follows:

''(a) Effective on the same date that the rates of basic pay under the General Schedule are adjusted pursuant to section 5303 of title 5, each salary rate which is subject to adjustment under this section shall be adjusted by the same percentage amount as provided for under section 5303 of title 5, rounded to the nearest multiple of $100 (or if midway between multiples of $100, to the next higher multiple of $100).''.

(c) AUTOMATIC ADJUSTMENTS WITHOUT CONGRESSIONAL ACTION.—Section 140 of the resolution entitled ''A Joint Resolution making further continuing appropriations for the fiscal year 1982, and for other purposes,'', approved December 15, 1981 (Public Law 97–92; 95 Stat. 1200; 28 U.S.C. 461 note) is repealed.●

By Mr. BREAUX (for himself and Mr. BRYAN):

S. 395. A bill to amend the Internal Revenue Code of 1986 to simplify the method of payment of taxes on distilled spirits; to the Committee on Finance.

THE DISTILLED SPIRITS TAX PAYMENT SIMPLIFICATION ACT OF 1997

Mr. BREAUX. Mr. President, today I introduce the ''Distilled Spirits Tax Payment Simplification Act of 1997,'' a bill more readily known as All-In-Bond. This bill would streamline the way in which the Government collects Federal excise tax on distilled spirits by extending the current system of collection now applicable only to imported products to domestic products as well.

Today wholesalers purchase foreign-bottled distilled spirits in bond—tax free—paying the Federal excise tax directly after sale to a retailer. In contrast, when the wholesaler buys domestically bottled spirits—nearly 86 percent of total inventory—the price includes the Federal excise tax, prepaid by the distiller. This means that hundreds of U.S. family-owned wholesale businesses increase their inventory carrying costs by 40 percent when buying U.S. products, which often have to be financed through borrowing.

Under my bill, wholesalers would be allowed to purchase domestically bottled distilled spirits in bond from distillers just as they are now permitted to purchase foreign-produced spirits. Products would become subject to tax on removal from wholesale premises. This legislation is designed to be revenue neutral and includes the requirement that any wholesaler electing to purchase spirits in bond must make certain estimated tax payments to Treasury before the end of the fiscal year.

All-In-Bond is an equitable and sound way to streamline our tax collection system. I hope my colleagues will join me in cosponsoring this important legislation.

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. 395

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 ''Distilled Spirits Tax Payment Simplification Act of 1997''.

(b) REFERENCE TO 1986 CODE.—Except as otherwise expressly provided, whenever 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. TRANSFER OF DISTILLED SPIRITS BETWEEN BONDED PREMISES.

(a) IN GENERAL.—Section 5212 is amended to read as follows:

''SEC. 5212. TRANSFER OF DISTILLED SPIRITS BETWEEN BONDED PREMISES.

''Distilled spirits on which the internal revenue tax has not been paid as authorized by law may, under such regulations as the Secretary shall prescribe, be transferred in bond between bonded premises in any approved container. For the purposes of this chapter, except in the case of any transfer from a premise of a bonded dealer, the removal of distilled spirits for transfer in bond between bonded premises shall not be construed to be a withdrawal from bonded premises.''.

(b) CONFORMING AMENDMENT.—The first sentence of section 5232(a) (relating to transfer to distilled spirits plant without payment of tax) is amended to read as follows: ''Distilled spirits imported or brought into the United States, under such regulations as the Secretary shall prescribe, may be withdrawn from customs custody and transferred to the bonded premises of a distilled spirits plant without payment of the internal revenue tax imposed on such distilled spirits.''.

SEC. 3. ESTABLISHMENT OF DISTILLED SPIRITS PLANT.

Section 5171 (relating to establishment) is amended—

(1) in subsection (a), by striking ''or processor'' and inserting ''processor, or bonded dealer'';

(2) in subsection (b), by striking ''or as both'' and inserting ''as a bonded dealer, or as any combination thereof'';

(3) in subsection (e)(1), by inserting '', bonded dealer,'' before ''processor''; and

(4) in subsection (e)(2), by inserting ''bonded dealer,'' before ''or processor''.

SEC. 4. DISTILLED SPIRITS PLANTS.

Section 5178(a) (relating to location, construction, and arrangement) is amended by adding at the end the following:

''(5) BONDED DEALER OPERATIONS.—Any person establishing a distilled spirits plant to conduct operations as a bonded dealer may, as described in the application for registration—

''(A) store distilled spirits in any approved container on the bonded premises of such plant, and

''(B) under such regulations as the Secretary shall prescribe, store taxpaid distilled spirits, beer, and wine, and such other beverages and items (products) not subject to tax or regulation under this title on such bonded premises.''.

SEC. 5. BONDED DEALERS.

(a) DEFINITIONS.—Section 5002(a) (relating to definitions) is amended by adding at the end the following:

''(16) BONDED DEALER.—The term 'bonded dealer' means any person who has elected under section 5011 to be treated as a bonded dealer.

''(17) CONTROL STATE ENTITY.—The term 'control State entity' means a State, a political subdivision of a State, or any instrumentality of such a State or political subdivision, in which only the State, political subdivision, or instrumentality is allowed under applicable law to perform distilled spirit operations.''.

(b) ELECTION TO BE TREATED AS A BONDED DEALER.—Subpart A of part I of subchapter A of chapter 51 (relating to distilled spirits)

is amended by adding at the end the following:

"SEC. 5011. ELECTION TO BE TREATED AS BONDED DEALER.

''(a) ELECTION.—Any wholesale dealer or any control State entity may elect, at such time and in such manner as the Secretary shall prescribe, to be treated as a bonded dealer if such wholesale dealer or entity sells bottled distilled spirits exclusively to a wholesale dealer in liquor, to an independent retail dealer subject to the limitation set forth in subsection (b), or to another bonded dealer.

''(b) LIMITATION IN CASE OF SALES TO RETAIL DEALERS.—

''(1) BY BONDED DEALER.—Any person, other than a control State entity, who is a bonded dealer shall not be considered as selling to an independent retail dealer if—

''(A) the bonded dealer has a greater than 10 percent ownership interest in, or control of, the retail dealer;

''(B) the retail dealer has a greater than 10 percent ownership interest in, or control of, the bonded dealer; or

''(C) any person has a greater than 10 percent ownership interest in, or control of, both the bonded and retail dealer.

For purposes of this paragraph, ownership interest, not limited to stock ownership, shall be attributed to other persons in the manner prescribed by section 318.

''(2) BY CONTROL STATE ENTITY.—In the case of any control State entity, subsection (a) shall be applied by substituting 'retail dealer' for 'independent retail dealer'.

''(c) INVENTORY OWNED AT TIME OF ELECTION.—Any bottled distilled spirits in the inventory of any person electing under this section to be treated as a bonded dealer shall, to the extent that the tax under this chapter has been previously determined and paid at the time the election becomes effective, not be subject to such additional tax on such spirits as a result of the election being in effect.

''(d) REVOCATION OF ELECTION.—The election made under this section may be revoked by the bonded dealer at any time, but once revoked shall not be made again without the consent of the Secretary. When the election is revoked, the bonded dealer shall immediately withdraw the distilled spirits on determination of tax in accordance with a tax payment procedure established by the Secretary.

''(e) EQUITABLE TREATMENT OF BONDED DEALERS USING LIFO INVENTORY.—The Secretary shall provide such rules as may be necessary to assure that taxpayers using the last-in, first-out method of inventory valuation do not suffer a recapture of their LIFO reserve by reason of making the election under this section or by reason of operating a bonded wine cellar as permitted by section 5351.

''(f) APPROVAL OF APPLICATION.—Any person submitting an application under section 5171(c) and electing under this section to be treated as a bonded dealer shall be entitled to approval of such application to the same extent such person would be entitled to approval of an application for a basic permit under section 104(a)(2) of the Federal Alcohol Administration Act (27 U.S.C 204(a)(2)), and shall be accorded notice and hearing as described in section 104(b) of such Act (27 U.S.C. 204(b)).''.

(c) CONFORMING AMENDMENT.—The tables of sections of subpart A of part I of subchapter A of chapter 51 is amended by adding at the end the following:

''Sec. 5011. Election to be treated as bonded dealer.''.

SEC. 6. DETERMINATION OF TAX.

The first sentence of section 5006(a)(1) (relating to requirements) is amended to read as follows: ''Except as otherwise provided in this section, the tax on distilled spirits shall be determined when the spirits are transferred from a distilled spirits plant to a bonded dealer or are withdrawn from bond.''.

SEC. 7. LOSS OR DESTRUCTION OF DISTILLED SPIRITS.

Section 5008 (relating to abatement, remission, refund, and allowance for loss or destruction of distilled spirits) is amended—

(1) in subsections (a)(1)(A) and (a)(2), by inserting ''bonded dealer,'' after ''distilled spirits plant,'' both places it appears;

(2) in subsection (c)(1), by striking ''of a distilled spirits plant''; and

(3) in subsection (c)(2), by striking ''distilled spirits plant'' and inserting ''bonded premises''.

SEC. 8. TIME FOR COLLECTING TAX ON DISTILLED SPIRITS.

(a) IN GENERAL.—Section 5061(d) (relating to time for collecting tax on distilled spirits, wines, and beer) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following:

''(5) ADVANCED PAYMENT OF DISTILLED SPIRITS TAX.—Notwithstanding the preceding provisions of this subsection, in the case of any tax imposed by section 5001 with respect to a bonded dealer who has an election in effect on September 20 of any year, any payment of which would, but for this paragraph, be due in October or November of that year, such payment shall be made on such September 20. No penalty or interest shall be imposed for the period from such September 20 until the due date determined without regard to this paragraph to the extent that tax due exceeds the tax which would have been due with respect to distilled spirits in the preceding October and November had the election under section 5011 been in effect.''.

(b) CONFORMING AMENDMENT.—Section 5061(e)(1) (relating to payment by electronic fund transfer) is amended by inserting ''or any bonded dealer,'' after ''respectively,''.

SEC. 9. EXEMPTION FROM OCCUPATIONAL TAX NOT APPLICABLE.

Section 5113(a) (relating to sales by proprietors of controlled premises) is amended by adding at the end the following: ''This subsection shall not apply to a proprietor of a distilled spirits plant whose premises are used for operations of a bonded dealer.''.

SEC. 10. CONFORMING AMENDMENTS.

(1) Section 5003(3) is amended by striking ''certain''.

(2) Section 5214 is amended by redesignating subsection (b) as subsection (c) and by inserting after subsection (a) the following:

''(b) EXCEPTION.—Paragraphs (1), (2), (3), (5), (10), (11), and (12) of subsection (a) shall not apply to distilled spirits withdrawn from premises used for operations as a bonded dealer.''.

(3) Section 5215 is amended—

(A) in subsection (a), by striking ''the bonded premises'' and all that follows through the period and inserting ''bonded premises.'';

(B) in the heading of subsection (b), by striking ''A DISTILLED SPIRITS PLANT'' and inserting ''BONDED PREMISES''; and

(C) in subsection (d), by striking ''a distilled spirits plant'' and inserting ''bonded premises''.

(4) Section 5362(b)(5) is amended by adding at the end the following: ''The term does not mean premises used for operations as a bonded dealer.''.

(5) Section 5551(a) is amended by inserting ''bonded dealer,'' after ''processor'' both places it appears.

(6) Subsections (a)(2) and (b) of section 5601 are each amended by inserting '', bonded dealer,'' before ''or processor'' .

(7) Paragraphs (3), (4), and (5) of section 5601(a) are each amended by inserting ''bonded dealer,'' before ''or processor'' .

(8) Section 5602 is amended—

(A) by inserting '', warehouseman, processor, or bonded dealer'' after ''distiller''; and

(B) in the heading, by striking ''**by distiller**''.

(9) Sections 5115, 5180, and 5681 are repealed.

(10) The table of sections for part II of subchapter A of chapter 51 is amended by striking the item relating to section 5115.

(11) The table of sections for subchapter B of chapter 51 is amended by striking the item relating to section 5180.

(12) The item relating to section 5602 in the table of sections for part I of subchapter J of chapter 51 is amended by striking ''by distiller''.

(13) The table of sections for part IV of subchapter J of chapter 51 is amended by striking the item relating to section 5681.

SEC. 11. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by this Act take effect on the date which is 120 days after the date of enactment of this Act.

(b) EXCEPTIONS.—

(1) ESTABLISHMENT OF DISTILLED SPIRITS PLANT.—The amendments made by section 3 take effect on the date of enactment of this Act.

(2) SPECIAL RULE.—Each wholesale dealer who is required to file an application for registration under section 5171(c) of the Internal Revenue Code of 1986 whose operations are required to be covered by a basic permit under sections 103 and 104 of the Federal Alcohol Administration Act (27 U.S.C. 203, 204) and who has received such basic permits as an importer, wholesaler, or as both, and has obtained a bond required under subchapter B of chapter 51 of subtitle E of such Code before the close of the fourth month following the date of enactment of this Act, shall be qualified to operate bonded premises until such time as the Secretary of the Treasury takes final action on the application. Any control State entity (as defined in section 5002(a)(17) of such Code, as added by section 5(a)) that has obtained a bond required under such subchapter shall be qualified to operate bonded premises until such time as the Secretary of the Treasury takes final action on the application for registration under section 5171(c) of such Code.●

By Ms. MIKULSKI (for herself and Mr. SARBANES):

S. 396. A bill to amend titles 5 and 37, United States Code, to provide for the continuance of pay and the authority to make certain expenditures and obligations during lapses in appropriations; to the Committee on Governmental Affairs.

THE FEDERAL EMPLOYEE COMPENSATION PROTECTION ACT

● Ms. MIKULSKI. Mr. President, today I am introducing an important piece of legislation called the Federal Employee Compensation Protection Act.

With the 1995 to 1996 Government shutdown fresh in our minds, I think it is crucial that we take steps in this Congress to keep faith with our Federal employees and make sure they are never again sent home without pay. My bill will keep that faith by protecting Federal employee pay and benefits during a future Government shutdown. This bill ensures that Federal employees in Maryland and across the Nation

will be able to make their mortgage payments, put food on the table, and provide for their families during a shutdown.

The last shutdown of the Federal Government severely disrupted the lives of thousands of Federal employees and their families. In my State of Maryland alone, there are more than 280,000 Federal employees. They are some of the most dedicated and hard-working people in America today. These employees have devoted their careers and lives to public service, and they should not have been used as pawns in a game of political brinkmanship.

During the last several years, Federal employees have endured their fair share of hardship. Downsizing, diet COLA's, delayed COLA's, and attacks on pensions and health benefits have damaged morale at nearly every Federal agency. These assaults must stop. We cannot continue to denigrate and downgrade Federal employees and at the same time expect Government to work more efficiently.

I urge my colleagues to support this legislation and also work to prevent any future shutdowns of our Government. We have a contract with our Federal employees, and we should encourage their dedication by ensuring that the contract is honored and their pay and benefits are not put in jeopardy.●

● Mr. SARBANES. Mr. President, I am pleased to join my colleague from Maryland, Senator MIKULSKI, in introducing this important legislation to ensure the protection of Federal employee pay and benefits in the event of a furlough.

We have a responsibility to the men and women who have dedicated themselves to public service and I would hope that my colleagues would join Senator MIKULSKI and me in our ongoing effort to maintain the Federal Government's commitment to its dedicated work force.

Federal workers have just experienced the most difficult Congress in recent history. Federal employees became hostages in the budget battle which resulted in two successive Government shutdowns. At this time last year, Federal employees were in a constant state of anxiety—concerned about the future of their jobs, whether they would be laid off or have to work without pay, all as their workloads continued to accumulate. Despite this tremendous pressure and the constant attacks on their pay and earned benefits, Federal workers continue to provide consistent, quality service on behalf of all Americans.

As I have stated many times before, Federal employees have already made significant sacrifices in past years in the form of downsizing efforts, delayed and reduced cost of living adjustments, and other reductions in Federal employee pay and benefits. It is, in my view, critical that we protect Federal employees from the type of senseless abuse they endured during the Government shutdowns last Congress. Federal workers should never again find themselves in a situation where, through no fault of their own, they may have to either work without pay or be prohibited from coming to work at all.

Mr. President, Federal employees have made a choice to serve their country and we should respect and reward that choice by supporting these hard-working, dedicated individuals. Through the legislation Senator MIKULSKI and I are reintroducing today, we will continue to send the message to the Federal work force and to all American citizens that Congress honors and values the commitment those who work for the Government have made.

By Ms. MIKULSKI (for herself and Mr. LEAHY):

S. 397. A bill to amend chapters 83 and 84 of title 5, United States Code, to extend the civil service retirement provisions of such chapter which are applicable to law enforcement officers, to inspectors of the Immigration and Naturalization Service, inspectors and canine enforcement officers of the U.S. Customs Service, and revenue officers of the Internal Revenue Service; to the Committee on Governmental Affairs.

THE HAZARDOUS OCCUPATIONS RETIREMENT BENEFITS ACT OF 1997

● Ms. MIKULSKI. Mr. President, today I introduce the Hazardous Occupations Retirement Benefits Act of 1997.

This legislation will grant an early retirement package for revenue officers of the Internal Revenue Service, customs inspectors of the U.S. Customs Service, and immigration inspectors of the Immigration and Naturalization Service.

Under current law, with the exception of the groups listed in this legislation, all Federal law enforcement officers and firefighters are eligible to retire at age 50 with 20 years of Federal service. This legislation will amend the current law and finally grant the same 20-year retirement to these members of the Internal Revenue Service, Customs Service, and Immigration and Naturalization Service. The employees under this bill have very hazardous, physically taxing occupations, and it is in the public's interest to tenure a young and competent work force in these jobs.

The need for a 20-year retirement benefit for inspectors of the Customs Service is easily apparent. These employees are the country's first line of defense against terrorism and the smuggling of illegal drugs at our borders. They have the authority to apprehend those engaged in such activities and carry a firearm on the job. They are responsible for the majority of arrests performed by Customs Service employees. In 1994, inspectors of the Customs Service seized 204,000 pounds of cocaine, 2,600 pounds of heroin, and 559,000 pounds of marijuana. They are required to undergo the same law enforcement training as all other law enforcement personnel. These employees face multiple challenges. They confront leading criminals in the drug war, organized crime figures, and increasingly sophisticated white-collar criminals.

Revenue officers struggle with heavy workloads and a high rate of job stress, resulting in a variety of physical and mental symptoms. Many IRS employees must employ pseudonyms to hide their identity because of the great threat to their personal safety. The Internal Revenue Service has put out a manual for their employees entitled: ''Assaults and Threats: A Guide to Your Personal Safety'' to help employees respond to hostile situations. The document advises IRS employees how to handle on-the-job assaults, abuse, threatening telephone calls, and other menacing situations.

Mr. President, this legislation is cost effective. Any cost that is created by this act is more than offset by savings in training costs and increased revenue collection. A 20-year retirement bill for these employees will reduce turnover, increase yield, decrease employee recruitment and development costs, and enhance the retention of a well-trained and experienced work force.

I urge my colleagues to join me again in this Congress in expressing support for this bill and finally getting it enacted. This bill will improve the effectiveness of our inspector and revenue officer work force to ensure the integrity of our borders and proper collection of the taxes and duties owed to the Federal Government.

By Mrs. MURRAY:

S. 398. A bill to amend title 49, United States Code, to require the use of child restraint systems approved by the Secretary of Transportation on commercial aircraft, and for other purposes; to the Committee on Commerce, Science, and Transportation.

AIRLINE CHILDREN'S SAFETY LEGISLATION

● Mrs. MURRAY. Mr. President I introduce legislation that would protect our Nation's small children as they travel on aircraft. We currently have Federal regulations that require the safety of passengers on commercial flights. However, neither flight attendants nor an infant's parents can protect unrestrained infants in the event of an airline accident or severe turbulence. A child on a parent's lap will likely break free from the adult's arms as a plane takes emergency action or encounters extreme turbulence.

This child then faces two serious hazards. First, the child may be injured as they strike the aircraft interior. Second, the parents may not be able to find the infant after a crash. The United Sioux City, IA, crash provides one dark example. On impact, no parent was able to hold on to her-his child. One child was killed when he flew from his mother's hold. Another child was rescued from an overhead compartment by a stranger.

In July 1994, during the fatal crash of a USAir plane in Charlotte, NC, another unrestrained infant was killed when her mother could not hold onto her on impact. The available seat next to the mother survived the crash intact. The National Transportation Safety Board believes that had the baby been secured in the seat, she would have been alive today. In fact, in a FAA study on accident survivability, the agency found that of the last nine infant deaths, five could have survived had they been in child restraint devices.

Turbulence creates very serious problems for unrestrained infants. In four separate incidences during the month of June, passengers and flight attendants were injured when their flights hit sudden and violent turbulence. In one of these, a flight attendant reported that a baby seated on a passenger's lap went flying through the air during turbulence and was caught by another passenger. This measure is endorsed by the National Transportation Safety Board and the Aviation Consumer Action Project.

We must protect those unable to protect themselves. Just as we require seatbelts, motorcycle helmets, and car seats, we must mandate restraint devices that protect our youngest citizens. I urge my colleagues to support this legislation that ensures our kids remain passengers and not victims.

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. 398

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

SECTION 1. CHILD SAFETY RESTRAINT SYSTEMS ON COMMERCIAL AIRCRAFT.

(a) IN GENERAL.—Chapter 447 of title 49, United States Code, is amended by adding at the end the following new section:

''§ 44725. Child safety restraint systems

''(a) IN GENERAL.—Not later than 90 days after the date of enactment of this section, the Secretary of Transportation shall issue regulations requiring the use of child safety restraint systems that have been approved by the Secretary on any aircraft operated by an air carrier in providing interstate air transportation, intrastate air transportation, or foreign air transportation.

''(b) AGE OR WEIGHT LIMITS.—The regulations issued under this section shall establish age or weight limits for children who use the child safety restraint systems.''.

(b) CLERICAL AMENDMENT.—The chapter analysis for chapter 447 of title 49, United States Code, is amended by adding at the end the following new item:

''44725. Child safety restraint systems.''.

SEC. 2. INTERNATIONAL STANDARD.

It is the sense of Congress that the United States representative to the International Civil Aviation Organization should seek an international standard to require that passengers on a civil aviation aircraft be restrained—

(1) on takeoff and landing; and

(2) when directed by the captain of such aircraft.●

By Mr. MCCAIN:

S. 399. A bill to amend the Morris K. Udall Scholarship and Excellence in National Environmental and Native American Public Policy Act of 1992 to establish the U.S. Institute for Environmental Conflict Resolution to conduct environmental conflict resolution and training, and for other purposes; to the Committee on Environment and Public Works.

THE ENVIRONMENTAL POLICY AND CONFLICT RESOLUTION ACT OF 1997

● Mr. MCCAIN. Mr. President, I introduce legislation to promote fair, timely and efficient resolution of our Nation's environmental disputes.

This bill would establish, within the Morris K. Udall Foundation, the United States Institute for Environmental Conflict Resolution. The institute would offer alternative dispute resolution services, including assessment, mediation, and other related services, to facilitate parties in resolving environmental disputes without resorting to protracted and costly litigation in the courts. I ask unanimous consent that a summary of the legislation be included in the RECORD at the conclusion of my statement.

This legislation simply gives the Udall Foundation the means to do what Congress asked it to do 5 years ago. When the Udall Foundation was established in 1992, it was charged with the task of establishing a program for environmental dispute resolution. Since then, the foundation has sponsored seminars and workshops on conflict resolution. But it has lacked the funding and explicit direction that would enable it to run a program that could provide conflict resolution services. This bill provides both the direction and the authorization for funding.

It is particularly fitting that an institute devoted to environmental conflict resolution would operate under the auspices of the Udall Foundation. Morris K. Udall's career was distinguished by his integrity, service, and commitment to consensus-building.

I had the distinct pleasure of working with Mo Udall on one of his greatest legislative achievements—the Arizona Wilderness Act. That act protects 2.5 million acres in the Arizona wilderness in perpetuity and was passed thanks, in large part, to Mo Udall's efforts to achieve consensus within the Arizona delegation.

Using Mo Udall's success in passing the Arizona Wilderness Act as its model, the U.S. Environmental Conflict Resolution Institute at the Udall Foundation would seek to promote our nation's environmental policy objectives by reaching out to achieve consensus rather than pursuing resolution through adversarial processes.

Mr. President, over 5,000 Federal court decisions on environmental litigation have been handed down in the past two decades. Today, some 400 to 500 environmental lawsuits are filed each year in Federal courts. In its 16th annual report, the Council on Environmental Quality estimated that fully 85 percent of Environmental Protection Agency regulations are challenged at some time in the courts, either by groups that find the rules too stringent or by groups that believe them to be too lax. In short, resorting to the courts is all too common in disputes over environmental issues.

This bill seeks to move our Nation away from this litigious trend by providing an alternative conflict resolution process. This process is intended to preclude the need for lawsuits by engaging the parties in professionally mediated discussions. It could also be used as a solution of last resort, if the parties agreed to put aside litigation already filed in the courts and instead utilize the services of the institute.

The benefits to be gained by the Federal Government through a national environmental dispute resolution program include more than litigation cost savings. Delay associated with litigation can also prevent the timely enforcement of our environmental laws.

For more than ten years, I have been working to promote safety and quiet in Grand Canyon National Park. This issue, as well as any other, exemplifies how alternative dispute resolution could perhaps help us achieve national environmental policy objectives far better than litigation.

In 1987, legislation I authored to promote safety and provide for the substantial restoration of natural quiet in the Grand Canyon was signed into law. Ten years later, the Federal Aviation Administration [FAA] this year issued a final rule on overflights over the Grand Canyon. This rule was scheduled to go into effect on May 1, 1997. However, despite the substantial time and effort that both the FAA and the National Park Service have put into this rulemaking, including consultations with many outside interests, lawsuits have now been filed challenging the rule and delaying its implementation.

Mr. President, I do not mention this to criticize those who have exercised their right to file suit in the Grand Canyon overflights matter. I refer to this situation because it concerns me that protecting the Grand Canyon could be significantly delayed through litigation, when the parties might reach a more timely and mutually acceptable resolution if they were provided an opportunity to work through their differences in a nonadversarial forum. The institute created by this legislation would provide an alternative to litigation in this and similar situations and create an opportunity for more constructive problem-solving and effective policymaking.

One hundred twenty-six years ago, Abraham Lincoln wisely counseled:

> Discourage litigation, persuade your neighbor to compromise whenever you can. Point out to them how the nominal winner is often the real loser in fees, expenses, and waste of time.

That advice could not be more sound today as we seek to resolve our Nation's environmental conflicts and to

promote timely and effective implementation of laws and regulations to protect and preserve our natural environment.

I am pleased that the Council on Environmental Quality has registered their support for the goals and concepts in this bill. In addition, the Udall Foundation, the Grand Canyon Trust, the National Parks and Conservation Association, Friends of the Earth, and Trout Unlimited have given their support to this effort. I ask unanimous consent that copies of support letters from these groups be included in the RECORD.

I urge my colleagues to join me and support this legislation that would bring common sense and efficiency to the resolution of our Nation's environmental disputes.

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

ENVIRONMENTAL POLICY AND CONFLICT RESOLUTION ACT OF 1997

Purpose: To establish, within the Morris K. Udall Foundation, the United States Institute for Environmental Conflict Resolution to assist in implementing national environmental policy. The Institute would provide alternative dispute resolution services, including assessment, mediation, and other services, to facilitate resolving environmental disputes without litigation.

Bill authorizes use of the Institute by Federal agencies:

Federal agencies could use the Institute's conflict resolution services for a fee.

Bill creates a revolving fund to:

Fund operations and fully support the Institute through a one-time $3 million appropriation.

Receive fees from parties using the Institute's services.

Supplement an annual appropriation for a five-year period beginning in 1998.

The Council on Environmental Quality would:

Receive notification when a federal agency requests to use the Institute's services.

Concur in any request to use the Institute's services for interagency dispute resolution.

The Institute would be under the Udall Foundation because:

One purpose for which the Udall Foundation was established in 1992 was to establish a program for environmental conflict resolution.

The Udall Foundation has hosted seminars, workshops and research related to environmental dispute resolution but, has lacked funding to provide mediation services.

Conflict resolution and consensus building were major themes of Udall's thirty year public career as a member of the House of Representatives.

S. 399—SECTION-BY-SECTION SUMMARY

Section 1: Short title—''The Environmental Policy and Conflict Resolution Act of 1997''.

Section 2: Definition of Terms.

Section 3: Adds the Chair of the Council on Environmental Quality as an ex officio nonvoting member of the Udall Foundation Board.

Section 4: Bill Purpose: To establish as part of the Udall Foundation the U.S. Institute for Environmental Conflict Resolution (Institute) to assist the Federal Government in implementing national environmental policy.

The Institute would provide assessment, mediation and other related services to resolve environmental disputes involving agencies and instrumentalities of the United States.

Section 5: Authorizes the Udall Foundation to establish the Institute and provide assessment, mediation, and other alternative dispute resolution services.

Section 6: Revolving Fund:

Creates a Revolving Fund for the Institute to operate. The revolving fund would be administered by the Udall Foundation and would be maintained separately from the Trust Fund established for scholarships awarded by the Udall Foundation.

Section 7: Use of the Institute by a Federal Agency:

Authorizes use of the Institute by a federal agency which may enter into a contract to expend funds for the use of the Institute's services. Any funds spent by an agency on the Institute would go into the Revolving Fund.

Requires concurrence by the Council on Environmental Quality (CEQ) for two agencies to seek to resolve a dispute at the Institute. CEQ would be notified of any agency request to use the Institute's services.

Section 8: Authorization of Appropriations:

Authorizes a one-time appropriation of $3 million to the Revolving Fund for fiscal year 1998 and $2.1 million in appropriations over a 5 year period beginning in 1998 to fully operate the Institute.

The Revolving Fund would be replenished by fees from parties using the Institute's services.

Section 9: Conforming amendments.

EXECUTIVE OFFICE OF THE PRESIDENT, COUNCIL ON ENVIRONMENTAL QUALITY

Washington, DC, March 5, 1997.

Hon. JOHN MCCAIN,
U.S. Senate,
Washington, DC.

DEAR SENATOR MCCAIN: Thank you for requesting the Administration's views on your draft legislation entitled the ''Environmental Policy and Conflict Resolution Act of 1997.''

The legislation represents a commendable effort to assist private entities and government in resolving environmental and natural resource conflicts by expanding the range of services available from the Morris K. Udall Foundation to include resolution of disputes involving federal agencies. The Administration supports the concepts and goals embodied in your legislation. However, the Administration needs to complete its review of the bill language prior to providing a comprehensive Administration position. We expect to provide additional comments on the bill in the near future.

As you know, last September, the President awarded the Medal of Freedom to Congressman Udall. The President's remarks at the time bear repeating:

''During a remarkable 30-year career, Morris Udall was a quiet giant of the Congress. Warm, funny, and intelligent, he was truly a man of the center, who forged consensus by listening to others and by reasoned argument. His landmark achievements—such as reforming campaign finance, preserving our forests, safeguarding the Alaskan wilderness, and defending the rights of Native Americans—were important indeed. But he distinguished himself above all as a man to whom others—leaders—would turn for judgment, skill, and wisdom. Mo Udall is truly a man for all seasons and a role model for what is best in American democracy.''

It is entirely fitting to ask the institution established by Congress in Congressman Udall's name to help with the hard job of helping people solve their disagreements over the lands, waters, and resources we all share and must steward responsibly. This Administration has made every effort to break down the barriers between government and citizens. Voluntary mechanisms to enhance communication and understanding within government and between agencies and the people they serve can assist meaningfully in this regard.

I appreciate your willingness to incorporate provisions that recognize the important dispute resolution purposes of the National Environmental Policy Act and the inter-agency coordination function of the President's Council on Environmental Quality.

The Administration would be pleased to work with you as your legislation proceeds.

Sincerely,

KATHLEEN A. MCGINTY,
Chair.

NATIONAL PARKS AND CONSERVATION ASSOCIATION, FRIENDS OF THE EARTH,

March 5, 1997.

Hon. JOHN MCCAIN,
U.S. Senate, Russell Office Building, Washington, DC.

DEAR SENATOR MCCAIN: The National Parks and Conservation Association and Friends of the Earth are pleased to endorse the concept of a U.S. Institute for Environmental Conflict Resolution, the subject of legislation you intend to introduce on March 5.

Resolving environmental disputes before they reach the litigation stage is a goal we strongly support. Your legislation would enable federal agencies to solve disputes among themselves or with other non-federal parties by using the institute's staff for mediation and other services.

In general, we believe litigation should be the last resort in enforcing or upholding our environmental laws, provided that negotiated agreements clearly adhere to statutory mandates. We also believe negotiated solutions, in general, allow disputants more creativity and flexibility to solve problems and issues in cost effective ways.

Many environmental disputes, including those involving our national parks, could be resolved by good-faith negotiations led by an honest broker. The unfolding case of buffalo management in Yellowstone is a case in point. Here, a lawsuit filed by Montana against two federal agencies has precipitated the killing of almost one third of Yellowstone's buffalo herd. A court order is driving the slaughter. Although this wildlife tragedy is abhorred by all of the parties involved, collectively they did nothing effective to prevent it. In retrospect, it is clear that the slaughter might have been avoided had the parties committed themselves to good faith negotiations years ago when the issue first emerged.

Thank you for your leadership on environmental issues generally and for your constructive approach to conflict resolution.

Sincerely,

PAUL C. PRITCHARD,
President, National Parks and Conservation Association.
BRENT BLACKWELDER,
President, Friends of the Earth.

TROUT UNLIMITED,

Washington, DC, March 5, 1997.

Hon. JOHN MCCAIN,
U.S. Senate, Russell,
Washington, DC.

DEAR SENATOR MCCAIN: On behalf of Trout Unlimited's 95,000 members nationwide, I am

writing to support the bill that you intend to introduce today. The bill would amend the Morris K. Udall Scholarship and Excellence in National Environmental and Native American Public Policy Act of 1992 by establishing a new environmental conflict resolution program within the Morris K. Udall Foundation. We believe the new conflict resolution program holds great promise for resolving the intractable environmental disputes that continue to plague federal natural resources agencies and other interests involved with federal environmental laws.

The mission of Trout Unlimited is to conserve, protect and restore North America's trout and salmon resources and the watersheds on which they depend. Our work often takes us into difficult environmental conflicts involving many federal agencies. Over the past two decades, we have been deeply involved in disputes regarding implementation of the Endangered Species Act, the Clean Water Act, and the federal land management laws, in which federal agencies have had very difficult conflicts. Failure to resolve these conflicts in a timely fashion has adversely affected trout and salmon resources. We are particularly hopeful that the new interagency conflict resolution mechanism proposed by your bill will yield a new and better way of resolving these disputes.

We salute your authorship of the bill and look forward to working with you to get it enacted.

Sincerely,

STEVE MOYER,
Director, Government Affairs.

MORRIS K. UDALL FOUNDATION,
Tucson, AZ, March 3, 1997.

Hon. JOHN MCCAIN,
U.S. Senate, Senate Office Building, Washington, DC.

DEAR SENATOR MCCAIN: It gives me great pleasure as Chairman of the Board of Trustees of the Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation to inform you that the trustees unanimously and enthusiastically endorse your unique concept for the creation of the United States Institute for Environmental Dispute Resolution as part of the Udall Foundation.

As you know, federal agencies have been increasingly involved in environmental disputes as parties to lawsuits based upon their regulatory actions. Continuing to wage these conflicts in the costly and time-consuming arena of the courts drains federal resources and can serve to delay federal actions to protect the environment. Alternative forms of environmental conflict resolution for federal agencies are needed to prevent these and other adverse effects associated with protracted litigation.

Since it began in May 1995, the Udall Foundation has worked to create a national environmental conflict resolution program, as directed in its authorizing legislation. The Foundation has sponsored workshops and seminars on environmental conflict resolution and has begun funding several research projects.

On April 4–5, 1997, the Foundation will host ''Environmental Conflict Resolution in the West'' in Tucson, Arizona. This will be the largest gathering of its kind. Several hundred people from around the country, including professional mediators, facilitators, researchers, and federal, state and local agency officials are expected to attend this conference to discuss alternative approaches to environmental dispute resolution and collaborative problem solving.

Despite these efforts, the Foundation has lacked the funding to directly pursue conflict resolution by providing mediation and other services to resolve environmental disputes. The legislation you are introducing will finally enable the Foundation to provide a program to conduct environmental conflict resolution at the national level.

We believe that your legislation will allow the Foundation, through the U.S. Institute for Environmental Conflict Resolution, to make a positive impact on the cost and pace of environmental dispute resolution for years to come. The Foundation is prepared to do all it can to establish a program committed to helping to resolve these conflicts fairly and as efficiently as possible.

Sincerely,

TERRENCE L. BRACY,
Chairman.

GRAND CANYON TRUST,
Washington, DC, March 4, 1997.

Hon. JOHN MCCAIN,
U.S. Senate,
Washington, DC.

DEAR SENATOR MCCAIN: On behalf of the Trustees of the Grand Canyon Trust, a conservation organization dedicated to the conservation of the Grand Canyon and Colorado Plateau, I am pleased to endorse and offer our support for your bill creating the United States Institute for Environmental Conflict Resolution.

The Trust has long held that many conflicts that arise from differences between parties regarding environmental policy and regulation could best be solved through mediation and alternative dispute resolution rather than in courts of law. Too often the will of the American public to protect our natural resources and ecological treasures is lost amid posturing and polarization by parties embroiled in conflict over environmental issues. We believe that your legislation will enable the United States Institute for Environmental Conflict Resolution to actively mediate and conduct environmental conflict resolution in a positive, constructive manner.

The Grand Canyon Trust pledges to work in concert with the Morris K. Udall Foundation and the United States Institute for Environmental Conflict Resolution in every possible way to support and ensure its success. Thank you again for your vision and leadership on this difficult issue.

Sincerely,

GEOFFREY S. BARNARD,
President.

MORRIS K. UDALL FOUNDATION,
Tucson, AZ, January 17, 1997.

Hon. JOHN MCCAIN,
U.S. Senate,
Washington, DC.

DEAR SENATOR MCCAIN: I am pleased to report that the Board of Trustees of the Morris K. Udall Foundation has unanimously endorsed your proposal to create an institution for environmental conflict resolution within our jurisdiction. The board reviewed in detail both the concept and the financials and is in agreement with the draft bill provided by your staff.

The board expressed tremendous enthusiasm for your concept and we look foward to helping in any way that you wish.

Attached is the resolution that was passed.

Sincerely,

TERRENCE L. BRACY,
Chairman.

Enclosure.

RESOLUTION

The Board of Trustees of the Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation commends Arizona Senator John McCain for his originality and initiative in introducing a bill to establish the United States Institute for Environmental Conflict Resolution as part of the Udall Foundation.

The Trustees enthusiastically endorse this unique concept to contract with other Federal agencies to resolve disputes or conflicts related to the environment, public lands or natural resources and congratulate Senator McCain for recognizing the need for such an entity.●

By Mr. GRASSLEY:

S. 400. A bill to amend rule 11 of the Federal Rules of Civil Procedure, relating to representations in court and sanctions for violating such rule, and for other purposes; to the Committee on the Judiciary.

THE FRIVOLOUS LAWSUIT PREVENTION ACT OF 1997

● Mr. GRASSLEY. Mr. President, I rise today to introduce important tort reform legislation. Tort reform is needed for many reasons—one of which is to free our courts of frivolous lawsuits. Frivolous lawsuits take the courts' time away from trying legitimate lawsuits, and deprive the truly injured of timely resolution of their claims.

Mr. President, our courts are supposed to be venues for resolving disputes. Lawsuits are supposed to be the means by which injured parties seek relief—they are not intended to be used as weapons to harass, delay, or increase the cost to the other party. Too often entire lawsuits, or claims within ongoing lawsuits, are used as weapons. The bill that I introduce today takes a stab at these lawsuits. It toughens the penalties for filing frivolous lawsuits and insures that if someone files a frivolous lawsuit, that someone will pay.

Our front-line defense against this misuse of the legal system is rule 11 of the Federal Rules of Civil Procedure. This rule is intended to deter frivolous lawsuits by sanctioning the offending party. The power of rule 11 was diluted in 1993. This weakening is unacceptable to those of us who want to preserve courts as neutral forums for dispute resolution and who believe that lawsuits are not weapons of revenge, but a means for an injured party to gain relief.

Senator Brown introduced a bill very similar to this legislation in the last Congress. The Senate adopted the text of his bill as an amendment to the Common Sense Product Liability and Legal Reform Act. His amendment passed by a vote of 56 to 37.

The bill that I am introducing today is similar, but not identical to Senator Brown's bill. The civil rights community raised some concerns with his bill, and my version of the legislation is responsive to these concerns. The provision that was opposed reinstated the rule 11 requirement that allegations contained in motions and other court papers be well grounded in fact when filed, rather than allowing a ''reasonable opportunity for further investigation or discovery.'' Unlike Senator Brown's bill, my bill does not change this subsection of rule 11.

My bill does take strong steps to thwart frivolous lawsuits. First, my bill makes sanctions for the violation of this rule mandatory. One of the

most harmful changes that took effect in 1993 was to make sanctions for proven violations of this rule permissive. This means that if a party files a lawsuit simply to harass another party, and the court decides that this is in fact the case, the offending party still might not be sanctioned. This is unacceptable. The offending party might not be punished at all, which provides no deterrence for this offending party or anyone else who wants to misuse the courts. My bill reinstates the requirement that if there is a violation of this rule, there are sanctions.

My bill also removes the limitation on sanctions, and allows sanctions to be paid to the injured party for more than attorneys' fees and expenses. In addition, this legislation allows the sanctioning of attorneys for arguing for an extension of current law if their actions violate this rule. Again, if the rule is violated, there needs to be sanctions.

Mr. President, this bill will not, by itself, stop the misuse of our courts. It is, however, a good first step. It is a necessary step. It is a bill that we must pass to sanction those who use the legal system to harass and torment others. That is not what the courts were established to do. We must protect the integrity of the courts and preserve them for proper use.●

By Mr. JEFFORDS:

S. 401. A bill to improve the control of outdoor advertising in areas adjacent to the Interstate System, the National Highway System, and certain other federally assisted highways, and for other purposes; to the Committee on Finance.

THE SCENIC HIGHWAY PROTECTION ACT

● Mr. JEFFORDS. Mr. President, today I introduce the Scenic Highway Protection Act, legislation that will control billboard blight and put a stop to the policies that have actually encouraged billboard construction and destroyed rural vistas across America. Every year hundreds of miles of rural scenery disappear, millions of taxpayer dollars are spent, and thousands of trees on public lands are unnecessarily cut. Why? Because billboards continue to proliferate along our Nation's highways.

During debate on the National Highway System Act in 1995, billboard proponents pushed an amendment that would have forced States and localities to allow billboards on Federal aid highways. Fortunately, this proposal was defeated. My legislation attempts to give States the necessary tools to regulate and end the growth of billboards and protects the strict billboard controls enacted in Vermont and many other States.

In the coming months, Congress will consider reauthorization of the Nation's transportation law, the Intermodal Surface Transportation and Efficiency Act. Proponents of billboard proliferation will most likely try again to override State billboard control laws. This time, we are prepared to enact legislation that will reduce and control billboards nationwide. My legislation will send a signal to billboard owners that America is ready to end uncontrolled billboard blight.

The language in my bill will place a permanent freeze on the number of new billboards placed along Federal aid highways. for a new billboard to go up, an old one must come down. The legislation will also prohibit billboards in unzoned areas, eliminating the ability to randomly place billboards in rural America. My bill will end the practice of cutting trees on public lands for the sole purpose of better billboard visibility and reinstate the requirement that Federal and State funds be used to remove billboards when communities decide the sign violates local zoning laws. Finally, the legislation will place a 15-percent gross revenue tax on all billboards, ending the free ride for billboards. The money will be used to remove billboards in our Nation's most scenic areas.

This legislation will move the 1965 Highway Beautification Act closer to its original intent of preserving the public's investment in our highways by protecting scenic areas and natural resources. Let us end the taxpayer subsidized proliferation of billboards.●

By Mr. GORTON (for himself and Mrs. MURRAY):

S. 402. A bill to approve a settlement agreement between the Bureau of Reclamation and the Oroville-Tonasket Irrigation District; to the Committee on Energy and Natural Resources.

SETTLEMENT AUTHORIZATION LEGISLATION

● Mr. GORTON. Mr. President, today I introduce legislation that will authorize a settlement between the Bureau of Reclamation and the Oroville-Tonasket Irrigation District in Washington State. I introduced similar legislation last year. Congressman DOC HASTINGS has introduced legislation on this subject in the House of Representatives, and the House Resources Committee will mark up the legislation today.

This legislation will authorize a carefully negotiated settlement between the BOR and the Oroville-Tonasket Irrigation District. If enacted, this legislation will save the BOR, and therefore the Nation's taxpayers, money that would otherwise be spent fighting with the irrigation district in court.

Earlier this week the administration sent a letter to me indicating that it would support the settlement bill, provided that several changes be made to the legislation. The legislation that I introduce today includes the changes requested by the administration. At this time, I ask unanimous consent to include a copy of the administration's letter of support for the legislation in the RECORD.

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

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF RECLAMATION,
Washington, DC, March 3, 1997.

Hon. SLADE GORTON,
U.S. Senate,
Washington, DC.

DEAR SENATOR GORTON: Thank you for your letter requesting the Administration's views on H.R. 412.

The Bureau of Reclamation has executed a settlement agreement with the Oroville-Tonasket Irrigation District (District) in preference to litigation over construction of the Oroville-Tonasket (O–T) Unit Extension. The settlement agreement provides that its terms will not become effective unless Congress enacts authorizing legislation by April 15, 1997.

While the Administration supports implementing the settlement agreement, it can only support H.R. 412 if the amendments shown on the attached page are adopted. These amendments are needed to clarify that the transfer of title will not affect the repayment obligation of the Bonneville Power Administration (BPA) for irrigation assistance, and that the settlement agreement will not affect the District's obligation to continue to pay BPA wheeling charges. In addition, the amendments are needed to deauthorize the project irrigation works upon transfer of title. The Administration strongly encourages the adoption of these amendments, which are consistent with the intent of the settlement agreement.

Thank you for your interest in the Oroville-Tonasket Claims Settlement and Conveyance Act. If you have any questions, please call 208–4501.

Sincerely,

ELUID L. MARTINEZ,
Commissioner.

AMENDMENTS TO H.R. 412

1. At the end of section 5, insert the following new subsection (c):

''(c) PROJECT CONSTRUCTION COSTS.—The transfer of title authorized by this Act shall not affect the timing or amount of the obligation of the Bonneville Power Administration for the repayment of construction costs incurred by the Federal government under Section 202 of the Act of September 28, 1976 (90 Stat. 1325) that the Secretary of the Interior has determined to be beyond the ability of the irrigators to pay. The obligation shall remain charged to and be returned to the Reclamation Fund as provided for in section 2 of the Act of June 14, 1966 (80 Stat. 200), as amended by section 6 of the Act of September 7, 1966 (80 Stat. 707).''

2. At the end of section 6, insert the following new sentence: ''The rate that the District shall pay the Secretary for such reserved power shall continue to reflect full recovery of Bonneville Power Administration transmission costs.''

3. In Section 11(a), delete the sentence that read: ''After transfer of title, any future Reclamation benefits received pursuant to chapter 1093 of the Reclamation Act of June 17, 1902 (32 Stat. 388), and Acts supplementary thereto or amendatory thereof, other than as provided herein, shall be subject to approval by Congress.''

4. At the end of Section 11 insert the following new subsection (c):

''(c) DEAUTHORIZATION.—Effective upon the transfer of title to the District under this section, that portion of the Oroville-Tonasket Unit Extension, Okanogan-Similkameen Division, Chief Joseph Dam Project, Washington referred to in Section 7(a) as the Project Irrigation Works is hereby deauthorized. After transfer of title, the District shall not be entitled to receive any further Reclamation benefits pursuant to the Reclamation Act of June 17, 1902, and Acts

supplementary thereto or amendatory thereof.''

5. Add in the Committee report language:

''It is the understanding of the Committee regarding this legislation that the amount of Oroville-Tonasket Project irrigation assistance that the Bonneville Power Administration will repay is not expected to exceed $75,000,000, and that repayment is now scheduled to be made in the year 2042.''●

By Mr. FEINGOLD:

S. 403. A bill to expand the definition of limited tax benefit for purposes of the Line Item Veto Act; to the Committee on the Budget and the Committee on Governmental Affairs, jointly, pursuant to the order of August 4, 1977, as modified by the order of April 11, 1986, with instructions that if one committee reports, the other committee have 30 days to report or be discharged.

THE EXPANSION OF LINE-ITEM VETO ACT

Mr. FEINGOLD. Mr. President, today I am introducing legislation to expand the Line-Item Veto Act to cover one of the largest and fastest growing areas of the Federal budget, tax expenditures. I am especially pleased to be joined in offering this legislation by my good friend, Congressman TOM BARRETT of Milwaukee who is spearheading this legislation in the other body. Both bills expand the Line-Item Veto Act which took effect this past January and will remain in force for the next 8 years.

Mr. President, both Congressman BARRETT and I supported the new Line-Item Veto Act that was signed into law last session. Though it isn't the whole answer to our deficit problem, I very much hope it will be part of the answer.

However, the new Line-Item Veto Act failed to address one of the largest and fastest growing areas of Federal spending—the spending done through the Tax Code, often called tax expenditures.

According to the Senate Budget Committee's most recent committee print on tax expenditures, prepared by the Congressional Research Service, we will spend nearly half a trillion dollars on tax expenditures during the current fiscal year. Citizens for Tax Justice estimates that over the next 7 years, we will spend $3.7 trillion on tax expenditures, and sometime in the next 2 to 3 years, the total amount spent on tax expenditures will actually surpass the total discretionary budget of the United States.

Mr. President, despite making up a huge and growing portion of the Federal budget, tax expenditures are beyond the reach of the new Presidential line-item veto authority. As currently structured, that authority only extends to so-called limited tax benefits, defined in part to be a tax expenditure that benefits 100 or fewer taxpayers. As long as the tax attorneys can find 101st taxpayers who benefit from the proposed tax expenditure, it is beyond the reach of the new Presidential authority.

Mr. President, it may not even be necessary for the tax attorneys to find that 101st taxpayer. If a tax expenditure gives equal treatment to all persons in the same industry or engaged in the same type of activity, it is exempt from the new Presidential authority no matter how narrow the special interest spending.

Further, if all persons owning the same type of property, or issuing the same type of investment, receive the same treatment from a tax expenditure, that tax expenditure is similarly outside the scope of the President's new authority.

Mr. President, there are still more exceptions that make it even harder for a President to trim unnecessary spending done through the tax code. For example, if any difference in the treatment of persons by a new tax expenditure is based solely on the size or form of the business or association involved, or, in the case of individuals, general demographic conditions, then the new spending cannot be touched by the President except as part of a veto of the entire piece of legislation which contains the new spending.

By contrast, we find none of these elaborate restrictions on the new line item veto authority for spending done through the appropriations process or through entitlements. The new Presidential authority is handcuffed only for spending done through the Tax Code.

Mr. President, this raises several problems.

First, and foremost, it shields an enormous portion of the Federal budget from this new tool to cut wasteful and unnecessary spending. If the authority established by the Line-Item Veto Act is to have meaning, it cannot be preempted from being used to scrutinize this much spending.

A second problem raised by the inability of the new Presidential authority to address new tax expenditures is that it creates an enormous loophole through which questionable spending can escape. We have already seen discussions of how special interest spending can be crafted to avoid the new Presidential authority. While the current Line-Item Veto Act power given the President formally covers discretionary spending and new entitlement authority, a special interest intent on enacting its pork barrel spending could readily do so by avoiding the discretionary or entitlement formats, and instead transform their pork into a tax expenditure. As we know from the elaborate limits placed on the President's ability to apply the new authority to spending through the Tax Code, most special interest pork that takes the form of a tax break is beyond the reach of the Line-Item Veto Act.

Mr. President, no matter how powerful this new authority is with regard to discretionary spending and entitlement authority, it is virtually useless against tax expenditures, and thus invites special interests to use this avenue to deliver pork.

A further problem with the lack of adequate Presidential review in this area is the very real potential for inequities in the implementation of the new Line-Item Veto Act authority. These inequities arise in part from the progressive structure of marginal tax rates—as income rises, higher tax rates are applied. In turn, this means that many tax expenditures are worth more to those in the higher income tax brackets than they are to families with lower incomes.

In some instances, tax expenditures provide no benefit at all to individuals with lower incomes.

This is not the case with entitlement and discretionary spending programs—both areas covered by the Line-Item Veto Act. The benefits of those programs often are targeted to those with lower income.

The net effect is that the scope of the current Line-Item Veto Act covers programs that often benefit those with low and moderate income, while it is powerless with regard to programs that often benefit individuals and corporations with higher incomes.

Mr. President, tax expenditures have another feature that makes it especially important that we extend the new Line-Item Veto Act to cover them, namely their status as a kind of super entitlement. Once enacted, a tax expenditure continues to spend money without any additional authorization or appropriation, and without any regular review. In fact, while even funding for entitlements like Medicare or Medicaid can be suspended in rare instances such as a Government shutdown, funding for a tax expenditure is never interrupted.

Tax expenditures enjoy a status that is far above any other kind of government spending, and as such, it should receive special scrutiny. Extending the Line-Item Veto Act to cover them will provide some of that needed review.

Mr. President, as I have noted, tax expenditures make up a huge portion of the budget. They will soon exceed the entire Federal discretionary budget. Citizens for Tax Justice reports that if all current tax expenditures were suddenly repealed, the deficit could be eliminated and income tax rates could be reduced across the board by about 25 percent.

Clearly, tax expenditures have an enormous impact on the deficit, and we need to pursue two tracks with regard to them. First, we must cut some of the nearly half a trillion dollars in existing spending done through the tax code. Any balanced plan to eliminate the deficit over the next few years must contain cuts to spending in this area.

And second, with so much of our budget already dedicated to this kind of spending, we must bring tax expenditures under the Line-Item Veto Act and give the President the authority to act on new spending in this area as he does in other areas.

Our legislation does just that by eliminating the highly restrictive language with respect to tax expenditures.

Mr. President, as with the recently enacted Line-Item Veto Act itself, this bill to extend that new authority is not the whole answer to our deficit problems, but it can be part of the answer, and I urge my colleagues to support this effort to put teeth into the new Presidential authority with respect to the tax expenditure portion of the Federal budget.

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. 403

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

SECTION 1. AMENDMENT TO CONGRESSIONAL BUDGET ACT.

Section 1026(9) of the Congressional Budget and Impoundment Control Act of 1974 (2 U.S.C. 691e(9)) (as added by the Line Item Veto Act) is amended to read as follows:

''(9) LIMITED TAX BENEFIT.—The term 'limited tax benefit' means any tax provision that has the practical effect of providing a benefit in the form of different treatment to a particular taxpayer or a limited class of taxpayers, whether or not such provision is limited by its terms to a particular taxpayer or class of taxpayers.''.●

By Mr. BOND (for himself, Mr. CHAFEE, Mr. NICKLES, Mr. COCHRAN, Mr. GREGG and Mr. SMITH of New Hampshire):

S. 404. A bill to modify the budget process to provide for separate budget treatment of the dedicated tax revenues deposited in the Highway Trust Fund; to the Committee on the Budget and the Committee on Governmental Affairs, jointly, pursuant to the order of August 4, 1977, as modified by the order of April 11, 1986, with instructions that if one committee reports, the other committee have 30 days to report or be discharged.

HIGHWAY TRUST FUND INTEGRITY ACT OF 1997

Mr. BOND. Mr. President, I rise today to introduce a measure, along with my dear friend and colleague, the chairman of the Environment and Public Works Committee, Senator JOHN CHAFEE, entitled the Highway Trust Fund Integrity Act of 1997. Our cosponsors are Senators NICKLES, COCHRAN, and GREGG.

Mr. President, I hope all of us understand that transportation and highway funding is critical to our individual States and the entire Nation. Good highways link our communities, towns, and cities with markets. They link our constituents with their schools, hospitals, churches, and jobs.

An effective transportation system should move us into the 21st century. Back in 1956, the Federal Highway Trust Fund was established as a way to finance the Federal Aid Highway Program. This was to be a dedicated trust fund, supported by direct user fees and taxes. It was called a trust fund because once the money went in, we were supposed to be able to trust that that money would come back out for use on our roads, highways, and bridges.

However, the 1990 Budget Act eliminated the linkage between the revenues raised by the user taxes and the spending from the transportation fund. We know now that what we promised ourselves and our constituents, that the highway trust fund user taxes would be deposited and the trust fund would be used for highways, has not been observed. We see now an illogical process that allows highway trust fund dollars not to be spent in order to permit spending more in other categories. I believe that is wrong. My constituents are telling me this is wrong and they have challenged me to find a solution. I believe we have come up with that solution.

Let me explain, briefly, Mr. President, what the bill is: First, it is a budget bill, not a tax bill or an ISTEA highway authorization bill. This bill would ensure that the highway trust fund dollars are spent for the purposes for which they were intended and that it would be deficit neutral. The bill would reestablish the link between the highway trust fund taxes and highway spending by transferring the taxes and the spending to a new budget category—a revenue constrained fund—that is part of the unified budget. This new category would have its own budget rules to ensure that highway programs were fully funded and deficit neutral. This bill would restore the trust to the trust fund because highway spending would equal the highway trust fund taxes collected the prior year. It is consistent with achieving a balanced budget because it comes with its own built-in cap—the revenue received from the highway trust fund. It does not take the highway trust fund off-budget, but it also does not attempt to spend the balances that have accumulated or the interest on those balances. We do not attempt to resolve the arguments of the past. Instead we have focused on developing a workable process for the future.

I do not believe that the status quo is sustainable, primarily for two reasons.

First, our country has tremendous infrastructure needs. Take my State of Missouri alone. A recent report by the Road Information Program stated that Missouri has the seventh highest percentage of structurally deficient or functionally obsolete bridges in the country, and that more than half of its major roads are in poor or mediocre condition and in need of improvement. My State has the third highest percentage of urban freeway congestion in the Nation, and highway fatalities in Missouri have increased by 17 percent since 1993. These statistics will continue to grow as vehicle travel continues to grow and the infrastructure crumbles.

Second, I know that my constituents, and I would say the American public, will not continue to support a process that sentences transportation spending to compete with other discretionary programs despite its unique dedicated funding source.

Mr. President, I do not want to take much more time, but there is one more issue I would like to address. Senator CHAFEE and I have focused on the highway account of the highway trust fund. The bill we are introducing today does not address the mass transit account of the highway trust fund. It is not included due to some concern transit advocates have expressed—not in regards to the budget process being proposed, but over the level of funding that transit receives. I believe it is important that a workable solution be found for transit and I am committed to working with the Banking Committee, which has jurisdiction for the transit programs, and transit advocates in developing a proposal.

I want to thank my dear friend Senator CHAFEE for his leadership in the area of transportation. We will have ample opportunity to continue our work together as the reauthorization of ISTEA progresses. Senator CHAFEE has heard me 100 times stress the need for a formula change so I will not get into that one today. I do however want to thank him and his staff for their help on this legislation.

Mr. President, let me close by saying that this bill is the basis for a transportation funding policy for the future—a starting point for a fairer, more forward-looking transportation funding policy. I hope my colleagues will join us and cosponsor this important bill.

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:

SUMMARY OF HIGHWAY TRUST FUND INTEGRITY ACT OF 1997

GENERAL

Keeps the Highway Trust Fund on-budget, as part of the unified Federal budget.

Reestablishes the linkage between Highway Trust Fund taxes and spending that was lost when the Budget Enforcement Act of 1990 split the Federal budget process into two categories.

Consistent with achieving a balanced Federal budget by 2002.

Increases funding to meet our nation's substantial transportation needs.

Creates a new budget category that reflects the unique, revenue-constrained nature of the HTF. This new category, called a Revenue Constrained Fund (RCF) would have its own budget rules to ensure that transportation programs are fully-funded but deficit neutral.

REVENUE CONSTRAINED FUNDS (RCF)

The new RCF budget category would be a separate category, and would not be a subset of either the mandatory budget category or discretionary spending category.

Under the RCF proposal, the spending from Revenue Constrained Funds would be equal to the amount of tax receipts collected for the prior year. Spending would be limited to tax receipts in the prior year to ensure that Highway Trust Fund spending would never exceed actual receipts.

EXAMPLE OF PROBLEM UNDER CURRENT FEDERAL BUDGET PROCESS

One would expect that increased Highway Trust Fund taxes would make room in the

budget for increased transportation spending. Unfortunately, this is not the case.

Under the current rules, gas tax increases do make room in the budget for additional spending, but not for increased transportation spending. Under the current rules, the only way to fund the highway trust fund program at the level of Highway Trust Fund tax receipts is by cutting other discretionary programs. We must reform the Federal budget process to correct this illogical outcome.

Mr. CHAFEE. Mr. President, I want to congratulate the Senator from Missouri for his prime work on this piece of legislation. The money that goes into the highway trust fund this year will go out for transportation purposes next year, and I believe that is the right way to do things. It has varied from some of the other proposals that have been put in which provide that the accumulated interest of the accumulated principle of the fund be spent. We don't do that. We provide that what came in last year through taxes will go out the following year for transportation purposes.

Mr. President, today I join as a cosponsor of the Highway Trust Fund Integrity Act of 1997. This legislation, sponsored by my colleague from Missouri, Senator BOND, and cosponsored by Senators NICKLES, COCHRAN and GREGG, reestablishes the link between highway trust fund taxes and transportation spending.

I believe that our proposal represents a reasonable and responsible solution to a problem that faces the Congress as it considers the reauthorization of the Intermodal Surface Transportation Efficiency Act.

I hope that this bill will serve as a starting point for further discussions with my colleagues, especially my colleagues from the Budget and Appropriations committees. I recognize that proposals that modify the budget process are by their nature, controversial, and upset the status quo. However, I think change is necessary and the status quo is no longer an acceptable outcome.

THE PROBLEM

As most of you are aware, the Budget Enforcement Act of 1990 split the Federal Budget process into two categories, one for receipts and mandatory spending and the other for discretionary spending. highway trust fund taxes, like other revenues, are in the mandatory category, but almost all highway spending falls within the discretionary category. Each budget category has its own rules, procedures, and incentives. Because the highway trust fund is split between these two categories, different parts of the highway trust fund are subject to different budget rules, and the link between the highway trust fund taxes and transportation spending is severed.

Let me give an example of the problem the current situation causes. One would expect that increased highway trust fund taxes would make room in the budget for increased transportation spending. Unfortunately, this is not the case. Under the current rules, gas tax increases do make room in the budget for additional spending, but not for increased transportation spending. Under the current law, the only way to fund transportation programs at the level of highway trust fund tax receipts is by cutting other discretionary programs, such as law enforcement and education. We must reform the Federal budget process to correct this illogical outcome.

THE SOLUTION

Our proposal reestablishes the connection between highway trust fund taxes and transportation spending by putting the highway trust fund taxes and spending in the same budget category. ''The Highway Trust Fund Integrity Act of 1997'' transfers all of the highway trust fund receipts and outlays into a new budget category that reflects the unique, revenue-constrained nature of the highway trust fund. This new category, called the revenue constrained fund, would have its own budget rules to ensure that transportation programs are fully-funded but deficit neutral.

Under this proposal, spending from the highway trust fund would be equal to the highway trust fund tax receipts collected for the prior year. Spending would be limited to tax receipts in the prior year to guarantee that highway trust fund spending would never exceed actual receipts. If tax receipts into the highway trust fund are less than expected, transportation spending would be constrained, making the trust fund deficit-neutral.

This bill does not create a new entitlement program. highway trust fund spending would be strictly limited by the amount of taxes deposited in the prior year thereby ensuring that the highway trust fund will be deficit neutral. Other entitlement programs do not have this guarantee.

TRUST FUND BALANCES

One of the questions that has been raised regarding our proposal is how it treats the balances that now exist in the highway trust fund. Our proposal does not specifically address the status of the balances that now exist in the highway trust fund. In developing this proposal, we have attempted to focus on establishing a workable process for the future that reestablishes the connection between the highway trust fund taxes and transportation spending. We think we can develop a broad consensus on a proposal to spend the taxes deposited into the highway trust fund going forward. Such a broad consensus is not possible regarding the balances that now exist in the highway trust fund. There is significant disagreement about the validity of spending those balances, and our bill does not attempt to resolve this disagreement.

CONGRESSIONAL JURISDICTION

Another question that has been raised about our proposal is how this proposal would change the jurisdiction of the various committees in the Congress over the highway trust fund. Our bill does not change the jurisdiction among Congressional committees. It is our intention that all of the committees involved in setting transportation policy would continue to provide policy input and oversight for those areas currently under their jurisdiction.

The tax committees would continue to play their role in setting tax rates of the highway trust fund; the authorizing committees would continue to play their role, including determining the program structure and distribution formulas for the formula grant programs, and the appropriations committees would continue to provide oversight and make decisions about the programs under their control.

Under our proposal, the total amount of highway trust fund spending would be determined by the American people who pay the taxes deposited into the trust fund. Neither the authorizing committees nor the appropriations committees would determine the total level of spending.

TRANSIT

In developing this legislation, we have focused on the programs and spending of the Highway Account of the highway trust tund. The highway account programs are under the jurisdiction of the Senate Committee on Environment and Public Works, the committee for which I serve as chairman. The bill we introduce today only addresses the highway account of the trust fund; it does not address the Mass Transit Account.

However, as part of the ISTEA reauthorization, I believe a similar proposal should be developed for the transit account of the highway tust Fund. Senator BOND and I plan to work with transit advocates and members of the Banking Committee, which has jurisdiction over transit programs, to craft such a proposal.

The Highway Trust Fund Integrity Act of 1997 is a forward looking bill. It is consistent with achieving a balanced Federal budget by 2002. It does not take the highway trust fund off-budget, but it does address concerns that the bond between transportation taxes and transportation spending has been broken.

I urge my colleagues to cosponsor this important bill.

By Mr. HATCH (for himself, Mr. BAUCUS, Mr. D'AMATO, Mr. ABRAHAM, Mr. BINGAMAN, Mrs. BOXER, Mr. DORGAN, Ms. MOSELEY-BRAUN, Mrs. MURRAY, Mr. DEWINE, Mr. CONRAD, Mr. ROCKEFELLER, and Mrs. FEINSTEIN):

S. 405. A bill to amend the Internal Revenue Code of 1986 to permanently extend the research credit and to allow greater opportunity to elect the alternative incremental credit; to the Committee on Finance.

THE RESEARCH AND EXPERIMENTATION CREDIT PERMANENT EXTENSION ACT OF 1997

Mr. HATCH. Mr. President, today I am proud to introduce a bill to make

the current tax credit for increasing research activities permanent with my friend and colleague MAX BAUCUS. We are also joined by Senators D'AMATO, ABRAHAM, BOXER, BINGAMAN, MOSELEY-BRAUN, DORGAN, MURRAY, DEWINE, CONRAD, ROCKEFELLER. Companion legislation will be introduced today by Representatives NANCY JOHNSON and ROBERT MATSUI in the House. The Small Business Job Protection Act of 1996 temporarily extended this tax credit until May 31, 1997, when it is set to expire.

As the United States is shifting from an industrial based economy to an information and technology based economy, conducting research for tomorrow's products and methods is increasing in importance. In 1981, the Reagan administration and the Congress recognized this need, and the credit for increasing research and experimentation [R&E] activities was first enacted. Unfortunately, the credit has been victim to repeated short term extensions that included a break in the availability of the credit.

Mr. President, this nation is the world's undisputed leader in technological innovation. American know-how has given our Nation benefits undreamed of a few years ago. Research and development by U.S. companies has led the way in delivering these benefits, which enhance U.S. competitiveness as well as the quality of life for everyone. And, as the pace of change in our world quickens, the role of research has taken on increased importance. Today, the credit is needed more than ever to keep up with our changing world.

The R&E credit has played a key role in placing the United States ahead of its competition in developing and marketing new products. Studies of the credit indicate that the marginal effect of $1 of the R&E credit stimulates approximately $1 of additional private research and development spending over the short-run, and as much as $2 of extra investment in research over the long-run.

Mr. President, the benefits of the R&E credit, though certainly very significant, have been limited by the fact that the credit has been temporary. In many fields, particularly pharmaceuticals and biotechnology, there are relatively long periods of development. The more uncertain the long-term future of the R&E credit is, the smaller the potential of the credit to stimulate increased research. This only makes sense, Mr. President. U.S. companies are managed by prudent business men and women. They evaluate their research and development investments by comparing the present value of the expected cash flow from the research over the life of the investment with the initial cash outlay. These estimates take into account the potential availability of tax credits. However, because of the uncertainty of a tax credit that has been allowed to continually expire, many decision makers do not count on the R&E credit as being available in the long-run. This, of course, means that fewer research projects will meet the threshold of viability and results in fewer dollars being spent on research in this country.

In the business community, the development of new products, technologies, drugs, and ideas can result in either success or failure. Investments carry a risk. If a project has a high risk of failure, the R&E tax credit will help ease the cost of taking the chance to find the cure for killer diseases such as cancer, to build the next microchip, or the next generation of heart monitoring equipment that can save lives. If the project becomes a success, resulting in a new drug that can cure a disease or a new breakthrough technology, then what happens? Additional investment is made, workers are hired, new jobs are created and many Americans benefit from the initial research and experimentation. In this way, all Americans can benefit from the R&E tax credit.

Mr. President, a small investment in R&E today produces dividends and rewards tomorrow. This tax credit is a credit for investment, for economic growth, and for creating new jobs. What if we don't act? As the Peat Marwick study confirms, the benefits of the R&E tax credit reach into the future. Failure to extend the credit beyond May 31, 1997, will weaken our Nation's ability to stay competitive in the future.

It is important to note that while U.S. investment in research and development has generally grown since 1970, our international competitors have not stood still. Other nations, such as Japan and Germany are constantly knocking at the door trying to build the better car, the faster computer, or a more effective drug. Uncertainty, about the future of the credit will make firms hesitant to make long-term commitments and investments in the critical long-term research projects that really are the source of the breakthrough drugs and the new technologies. In fact, United States non-defense R&D, as a percentage of gross domestic product [GDP], has been relatively flat since 1985, while Japan's and Germany's have grown.

Unlike a few years ago, it is now not always necessary for U.S. firms to perform their research activities within the boundaries of the United States. As more nations have joined the United States as high tech manufacturing centers, with educated work forces, multinational companies have found that moving manufacturing functions overseas is sometimes necessary to stay competitive. The same is often true with basic research activities. In fact, some of our major trading partners now provide generous tax incentives for research and development conducted in those nations. These incentives are more attractive than the R&E credit the United States provides, particularly when the temporary nature of our credit is considered. Therefore, Mr. President, we are at risk of having some of the R&D spending in the United States transferred overseas if we do not keep competitive.

President Clinton, when campaigning for the Presidency in 1992, recognized the importance of stimulating private R&D investment and called for a permanent R&E credit. The 1993 tax bill had a 3-year extension. Last year, we extended the credit for only 1 year because of revenue constraints in the small business bill. The President's fiscal year 1998 budget contains another 1-year extension. These proposals for extensions are well and good, Mr. President, but they do nothing to give stability to risky, long-term research and experimentation investments. The certainty of the availability of the tax credit is now almost as important as the credit itself. It might well make the difference between a decision to undertake an expensive multiyear research project and a decision to forego such research.

I hope this year we can put our support behind investment in research and make this credit permanent.

Mr. President, my home State of Utah is home to a large number of innovative companies who invest a high percentage of their revenue in research and development activities. For example, between Salt Lake City and Provo lies the world's biggest stretch of software and computer engineering firms. This area, which was named ''Software Valley'' by Business Week, is second only to California's Silicon Valley as a thriving high technology commercial area.

In addition, Utah is home to about 700 biotechnology and biomedical firms that employ nearly 9,000 workers. These companies were conceived in research and development and will not survive, much less grow, without continuously conducting R&D activities.

In all, Mr. President, there are approximately 80,000 employees working in Utah's 1,400 plus and growing technology based companies. Research and development is the lifeblood of these firms, and hundreds of thousands more throughout the Nation that are like them. A permanent and effective tax incentive to increase research is essential to the long-term health of these businesses.

I am aware, Mr. President, that not every company that incurs R&D expenditures in the United States can take advantage of the R&E credit. As the credit matures and business cycles change, the current credit can be out of reach for some companies. Thus, as part of the latest extension of the credit Congress enacted an elective alternative credit to broaden the reach of this incentive. However, Congress should continue to examine ways to improve it and to make the credit more effective in delivering incentives to increase R&D activity.

In the meantime, however, it is important that this Congress send a strong signal that the current credit

should not be allowed to expire. I urge my colleagues to show their support for the concept of a permanent R&E credit by cosponsoring this legislation and support the kind of research activities that will maintain American leadership in the technological developments that will lead us into the next century.

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. 405

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

SECTION 1. MODIFICATIONS TO RESEARCH CREDIT.

(a) CREDIT MADE PERMANENT.—

(1) IN GENERAL.—Section 41 of the Internal Revenue Code of 1986 (relating to credit for increasing research activities) is amended by striking subsection (h).

(2) CONFORMING AMENDMENT.—Paragraph (1) of section 45C(b) of such Code is amended by striking subparagraph (D).

(b) OPPORTUNITY TO ELECT ALTERNATIVE INCREMENTAL CREDIT.—Subparagraph (B) of section 41(c)(4) of the Internal Revenue Code of 1986 (relating to election) is amended to read as follows:

''(B) ELECTION.—An election under this paragraph shall apply to the taxable year for which made and all succeeding taxable years unless revoked with the consent of the Secretary.''

(c) EFFECTIVE DATES.—

(1) EXTENSION.—The amendments made by subsection (a) shall apply to amounts paid or incurred after May 31, 1997.

(2) ELECTION.—The amendment made by subsection (b) shall apply to taxable years beginning after June 30, 1996.

● Mr. BAUCUS. Mr. President, it is with great pleasure that I join with my colleague from Utah, Senator HATCH, and my other colleagues Senators ABRAHAM, BOXER, BINGAMAN, CONRAD, D'AMATO, DEWINE, DORGAN, MOSELEY-BRAUN, MURRAY, and ROCKEFELLER to introduce this bill, which is so critical to the ability of American businesses to effectively compete in the global marketplace. Companion legislation has been introduced in the House by Representatives NANCY JOHNSON and ROBERT MATSUI.

Our Nation is the world's undisputed leader in technological innovation, a position that would not be possible, absent U.S. companies' commitment to research and development. Investment in research is an investment in our Nation's economic future, and it is appropriate that both the public and private sector share the costs involved, as we share in the benefits. The credit provided through the Tax Code for research expenses provided a modest but crucial incentive for companies to conduct their research in the United States, thus creating high-skilled, high-paying jobs to U.S. workers.

The R&E credit has played a key role in placing the United States ahead of its competition in developing and marketing new products. Every dollar that the Federal Government spends on the R&E credit is matched by another dollar of spending on research over the short run by private companies, and $2 of spending over the long run. Our global competitors are well aware of the importance of providing incentives for research, and many provide more generous tax treatment for research and experimentation expenses than does the United States. As a result, while spending on nondefense R&D in the United States as a percentage of GDP has remained relatively flat since 1985, Japan's and Germany's has grown.

The benefits of the credit, though certainly significant, have been limited over the years by the fact that the credit has been temporary. In addition to the numerous times that the credit has been allowed to lapse, last year, for the first time, when Congress extended the credit it left a gap of an entire year during which the credit was not available. This unprecedented lapse sent a troubling signal to the U.S. companies and universities that have come to rely on the Government's longstanding commitment to the credit.

Much research and development takes years to mature. The more uncertain the long-term future of the credit is, the smaller its potential to stimulate increased research. If companies evaluating research projects cannot rely on the seamless continuation of the credit, they are less likely to invest on research in this country, less likely to put money into cutting-edge technological innovation that is critical to keeping us in the forefront of global competition.

Our country is locked in a fierce battle for high-paying technological jobs in the global economy. As more nations succeed in creating educationally advanced work forces and join the United States as high-technology manufacturing centers, they become more attractive to companies trying to penetrate foreign markets. Multinational companies sometimes find that moving both manufacturing and basic research activities overseas is necessary if they are to remain competitive. The uncertainty of the R&E credit factors into their economic calculations, and makes keeping these jobs in the United States more difficult.

Although the R&E credit is not exclusively used by high-technology firms, they are certainly key beneficiaries of the credit. In my own State of Montana, 12 of every 1,000 private sector workers were employed by high-technology firms in 1995, the most recent year for which statistics are available. Almost 400 establishments provided high-technology services, at an average wage of $34,500 per year. These jobs paid 77 percent more than the average private sector wage in Montana of $19,500 per year. Many of these jobs would never have been created without the assistance of the R&E credit. Making the credit permanent would most certainly provide the incentive needed to create many more in the future.

I urge my colleagues to support this legislation, and look forward to working with them and with the administration to make the research and experimentation tax credit permanent.●

By Mr. HATCH (for himself, Mr. BAUCUS, Mr. ALLARD, Mr. BOND, Mr. LIEBERMAN, and Mr. BURNS):

S. 406. 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; to the Committee on Finance.

THE HOME OFFICE DEDUCTION ACT OF 1997

Mr. HATCH. Mr. President, today I am proud to introduce the Home Office Deduction Act of 1997. I am joined today by my friends and colleagues, Senators BAUCUS, ALLARD, BOND, LIEBERMAN, and BURNS. This bill will clarify the definition of what is a ''principal place of business'' for purposes of section 280A of the Internal Revenue Code, which allows a deduction for an office in the home.

This bill is designed to reverse the 1993 Supreme Court decision in Commissioner versus Soliman. When this decision was handed down, it effectively closed the door to legitimate home office deductions for hundreds of thousands of taxpayers. Moreover, the decision unfairly penalizes many small businesses simply because they operate from a home rather than from a store front, office building, or industrial park.

Mr. President, until the Soliman decision, small business owners and professionals who dedicate a space in their homes to use for business activities were generally allowed to deduct the expenses of the home office if they met the following conditions: First, the space in the home was used solely and exclusively on a regular basis as an office; and second, the deduction claimed was not greater than the income earned by the business. Through the Soliman case, the Supreme Court has narrowed significantly the availability of this deduction by requiring that the home office be the principal business location of the taxpayer. This requirement that the home office be the principal business location has proven to be impossible to meet for many taxpayers with legitimate home office expenses.

For example, under the Soliman decision, a self-employed plumber who generates business income by performing services in the homes of his customers would be denied a deduction for a home office. This is because, under the rules, his home office is not considered his principal place of business because the business income is generated in the homes of the customers and not in his home office. This is the case even though the home office is where he receives telephone messages, keeps his business records, plans his advertising, stores his tools and supplies, and fills out Federal tax forms. In fact, having a full-time employee in the office who keeps the books and sets up appointments would still not result in a home office deduction for the plumber.

This is preposterous, Mr. President, and we need to correct it. My bill would rectify this result by allowing the home office to qualify as the principal place of business if the essential administrative or management activities of the business are performed there.

The truly ironic effect of the Supreme Court's decision is that a taxpayer who rents office space outside of the home is allowed a full deduction, but one who tries to economize by working at home is penalized. This makes no sense to me.

The Home Office Deduction Act of 1997 is designed to restore the deduction for home office expenses to pre-Soliman law. Rather than requiring taxpayers to meet the new criteria set out by the Court, the bill allows a home office to meet the definition of a ''principal place of business'' if it is the location where the essential administrative or management activities are conducted on a regular and systematic basis by the taxpayer. To avoid possible abuses, the bill requires that the taxpayer have no other location for the performance of these essential administrative or management activities.

Mr. President, today's job market is rapidly changing. New technologies have been developed and continually improved that allow instant communication around the once expansive globe. There is even talk of virtual offices, which are equipped only with a telephone and a hookup for a portable computer. These mobile communications have revolutionized the definition of the traditional office. No longer is there a need to establish a business downtown. Employees are telecommuting by facsmile, modem, and telephone. Today, both a husband and a wife could work without leaving their home and the attention of their children. In this new age, redefining the deduction for home office expenses is vital. Our tax policy should not discriminate against home businesses simply because a taxpayer makes the choice, often based on economic or family considerations, to operate out of the home.

In most cases, start-up businesses are very short on cash. Yet, for many, ultimate success depends on the ability to hold out for just a few more months. In these situations, even a relatively small tax deduction for the expenses of the home office can make a critical difference. It is important to note that some of America's fastest growing and most dynamic companies originated in the spare bedroom or the garage of the founder. Our tax policies should support those who dare to take risks. Many of tomorrow's jobs will come from entrepreneurs who are struggling to survive in a home-based business.

Mr. President, the home office deduction is targeted at these small business men and women, entrepreneurs, and independent contractors who have no other place besides the home to perform the essential administrative or management activities of the business. The Soliman decision drastically reduced the effectiveness and fairness of this deduction and must be reversed.

This legislation can also have an important effect on rural areas, such as in my home State of Utah. Many small business owners and professionals in the rural areas of Utah must spend a great deal of time on the road, meeting clients, customers, or patients. It is likely that many of my rural constituents will be unable to meet the requirements for the home office deduction under the Soliman decision. Mr. President, we must help these taxpayers, not hurt them, in their efforts to contribute to the economy and support their families.

The Home Office Deduction Act of 1997 not only has strong bipartisan support in the Congress, but also has the support of the following organizations: The Alliance of Independent Store Owners and Professionals, the American Animal Hospital Association, the American Small Business Association, the American Society of Media Photographers, the American Society of Travel Agents, Americans for Financial Security, the Bureau of Wholesale Sales Representatives, Communicating for Agriculture, the Home Office & Business Opportunities Association of California, the Illinois Women's Economic Development Summit, the Manufacturers Agents National Association, the National Association for the Cottage Industry, the National Association of the Self-Employed, the National Association of Women Business Owners, the National Electrical Manufacturers Representatives Association, the National Federation of Independent Businesses, National Small Business United, the National Society of Public Accountants, the Promotional Products Association International, the Small Business Legislative Council.

I urge my colleagues in the Senate to join us as cosponsors of this important legislation.

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. 406

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Home Office Deduction Act of 1997''.

SEC. 2. CLARIFICATION OF DEFINITION OF PRINCIPAL PLACE OF BUSINESS.

Section 280A(f) of the Internal Revenue Code of 1986 is amended—

(1) by redesignating paragraphs (2), (3), and (4) as paragraphs (3), (4), and (5), respectively; and

(2) by inserting after paragraph (1) the following:

''(2) PRINCIPAL PLACE OF BUSINESS.—For purposes of subsection (c), a home office shall in any case qualify as the principal place of business if—

''(A) the office is the location where the taxpayer's essential administrative or management activities are conducted on a regular and systematic (and not incidental) basis by the taxpayer, and

''(B) the office is necessary because the taxpayer has no other location for the performance of the essential administrative or management activities of the business.''

SEC. 3. EFFECTIVE DATE.

The amendments made by this Act shall apply to taxable years beginning after the December 31, 1996.

• Mr. BAUCUS. Mr. President, it is with great pleasure that I join with my colleague from Utah, Senator HATCH, to introduce this important bill today. The Home Office Deduction Act of 1997 will correct a problem that has unfairly hurt thousands of small businesses in this country.

In 1993, the Supreme Court, in its Commissioner versus Soliman decision, substantially narrowed the availability of the home office deduction. Until the Soliman decision, small business owners and professionals who dedicated a space in their homes for business activities were generally allowed to deduct the expenses of the home office if the space was used solely and exclusively and on a regular basis as an office, and the deduction was not greater than the income earned by the business.

In the Soliman case, the Supreme Court limited the credit to only those persons who met with customers in the home office, or who conducted the primary business function in the home. This principal business location requirement has proven to be impossible to meet for many taxpayers with legitimate home office expenses.

the ironic effect of the Supreme Court's decision is that a taxpayer who operates from a store front, an office building, or an office park is allowed a full deduction, but one who chooses to work at home is penalized. This ruling denies the home office deduction to self-employed plumbers, home-care nurses, and other self-employed business people who try to economize by working from their homes but cannot meet with customers there due to the nature of their businesses.

Our bill is designed to restore the home office deduction to thousands of American men and women who work at home. Rather than requiring taxpayer to meet the new criteria set out by the Court, the bill allows a home office to meet the definition of a principal place of business if it is the sole location where essential administrative or management activities are conducted on a regular and systematic basis by the taxpayer. To avoid possible abuses, the bill requires that the taxpayer have no other location for the performance of these activities.

The job market in the United States is constantly changing. New technologies are helping to make the work-at-home option a practical reality, bringing all the benefits to society that home-based businesses can provide. Mothers and fathers, whether single or married, are more often choosing to work at home to be with their children. Having a parent at home who can help

supervise children while earning a living can have a tremendous positive effect on the well-being of our families and of society.

Restoration of the home office deduction was one of the most important recommendations to come out of the June 1995 White House Conference on Small Business. Some of America's fastest growing and most dynamic companies originated in the spare bedroom or the garage of the founder. To foster continued economic growth and to encourage Americans to start their own business ventures, we need to pass legislation that will put home-based businesses on an equal footing with other enterprises.

I urge my colleagues and the administration to support this legislation, and look forward to seeing it enacted in the 105th Congress.●

By Mr. MCCAIN (for himself and Mr. BURNS):

S. 407. A bill to amend the Communications Act of 1934 to clarify the authority of the Federal Communications Commission to authorize foreign investment in United States broadcast and common carrier radio licenses; to the Committee on Commerce, Science, and Transportation.

THE INTERNATIONAL TELECOMMUNICATIONS INVESTMENT CLARIFICATION ACT

● Mr. MCCAIN. Mr. President. I introduce legislation designed to clarify the authority of the FCC to authorize foreign investment in United States broadcast and common carrier radio licenses. Joining me today, is Chairman BURNS of the Subcommittee on Communications.

Mr. President, American companies and consumers worldwide will benefit tremendously from the passage of this legislation. No one can deny that U.S. telecommunications services providers ability to compete in the global market is hampered by the restrictions that we place upon foreign companies seeking to do business here. The problem is quite simple: the more restrictive the foreign ownership rules are here in the U.S., the more oppressive are the regulations that are placed on United States companies in other countries. The solution is just as simple: the greater the willingness by the United States to permit foreign ownership of U.S. companies, the greater the success of the U.S. companies wishing to maximize their ownership opportunities overseas.

This bill accomplishes just that by amending section 310(b) to: First, remove the statutory limitation on foreign indirect investment in U.S. corporations holding common carrier or aeronautical radio licenses (but not broadcast licenses); second, allow foreign direct investment greater than 20 percent in U.S. corporations holding common carrier or aeronautical radio licenses, if the FCC finds it in the public interest; third, explicitly prohibit any corporation with more than 20 percent foreign government ownership from holding common carrier, aeronautical or broadcast licenses.

It is clear that lowering barriers to foreign ownership in this country will result in greater opportunities for U.S. service providers overseas. The ripple effect on the U.S. telecommunications industry as a whole would increase the benefits across the board from consumers to manufacturers to service providers. The only way for the United States to effectively lead the world in establishing an expansive global marketplace is to set the standard in this country by which U.S. companies want to be measured overseas. Liberalizing foreign ownership restrictions under 310(b) would send that message to our foreign partners loud and clear.

That is why I am introducing this bill, and I encourage my colleagues to join me and support the legislation.

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:

S. 407

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''International Telecommunications Investment Clarification Act''.

SEC. 2. FOREIGN OWNERSHIP.

Section 310(b) of the Communications Act of 1934 (47 U.S.C. 310(b)) is amended to read as follows:

''(b)(1) No broadcast or common carrier or aeronautical en route or aeronautical fixed radio station license shall be granted to or held by—

''(A) any alien or the representative of any alien;

''(B) any corporation organized under the laws of any foreign government; or

''(C) any corporation of which more than one-fifth of the capital stock is owned of record or voted by a foreign government or representative thereof.

''(2) No common carrier or aeronautical en route or aeronautical fixed ratio station license shall be granted to or held by any corporation of which more than one-fifth of the capital stock is owned of record or voted by aliens or their representatives or by any corporation organized under the laws of a foreign country, if the Commission finds that the public interest will be served by the refusal or revocation of such license.

''(3) No broadcast radio station license shall be granted to or held by—

''(A) any corporation of which more than one-fifth of the capital stock is owned of record or voted by aliens or their representatives or by any corporation organized under the laws of a foreign country; or

''(B) any corporation directly or indirectly controlled by any other corporation of which more than one-fourth of the capital stock is owned of record or voted by aliens, their representatives, or by a foreign government or representative thereof, or by any corportation organized under the laws of a foreign country, if the Commission finds that the public interest will be served by the refusal or revocation of such license.''.

SEC. 3. SUBMARINE CABLE AMENDMENT.

Section 2 of the Act of May 27, 1921, entitled ''An Act relating to the landing and operation of submarine cables in the United States'' (47 U.S.C. 35), is amended by inserting before the period at the end thereof the following: '': *And provided further,* That the Federal Communications Commission shall not deny any license to land or operate such a cable solely on the grounds that such license will be issued to a corporation that is directly or indirectly owned by aliens, their representatives, or by any corporation organized under the laws of a foreign government''.

SEC. 4. EFFECTIVE DATE; REGULATIONS.

(a) EFFECTIVE DATE.—This Act and the amendments made by this Act are effective upon enactment.

(b) REGULATIONS.—Within 60 days after the date of enactment of this Act, the Federal Communications Commission shall take all actions necessary to implement this Act, including amending its rules and regulations, but the Commission shall not, after such effective date, take any action to enforce any rule, regulation, or policy that is inconsistent with the amendments made by this Act.

INTERNATIONAL TELECOMMUNICATIONS INVESTMENT BILL—SECTION-BY-SECTION SUMMARY

A Bill to amend the Communications Act of 1934 to clarify the authority of the FCC to authorize foreign investment in United States broadcast and common carrier radio licenses.

Section 1. Short Title. This Act may be cited as the ''International Telecommunications Investment Clarification Act''.

Section 2. Amendments to the Communications Act of 1934. Section 310(b) is amended to: (a) remove the statutory limitation on foreign indirect investment in U.S. corporations holding common carrier or aeronautical radio licenses (but not broadcast licenses); (b) allow foreign direct investment greater than 20% in U.S. corporations holding common carrier or aeronautical radio licenses, if the FCC finds it in the public interest; (c) explicitly prohibit any corporation with more than 20% foreign government ownership from holding common carrier, aeronautical or broadcast licenses.

Section 3. Amendment to the Submarine Cable Act. Clarify that the Submarine Cable Landing License may not be denied to an applicant solely on the basis of foreign investment or ownership.

Section 4. Effective Date. Effective upon enactment. Allow the FCC 90 days to amend its rules.●

By Mrs. BOXER (for herself and Mr. BINGAMAN):

S. 408. A bill to establish sources of funding for certain transportation infrastructure projects in the vicinity of the border between the United States and Mexico that are necessary to accommodate increased traffic resulting from the implementation of the North American Free Trade Agreement, including construction of new Federal border crossing facilities, and for other purposes; to the Committee on Energy and Natural Resources.

THE BORDER INFRASTRUCTURE, SAFETY AND CONGESTION RELIEF ACT OF 1997

● Mrs. BOXER. Mr. President, today, Senator BINGAMAN and I are introducing the Border Infrastructure, Safety and Congestion Relief Act of 1997, legislation to authorize assistance for States along the U.S.-Mexico border which must cope with the increased demands on roads and other public infrastructure that result from expanded international trade. Our bill is also

being introduced in the House of Representatives by my good friend, Representative BOB FILNER.

Last week, in a hearing before the Environment and Public Works Committee on ISTEA, Transportation Secretary Rodney Slater noted that since the passage of NAFTA, ''we have seen a tremendous growth in trade. To make the most of these opportunities, we are proposing a new program to help improve our border crossings and major trade corridors—programs that will facilitate our domestic and international trade * * *.''

Secretary Slater is right: NAFTA has greatly increased trade across our borders. If we all work together to fix our border crossings, increased trade offers great opportunities for the entire nation. If we do not, then NAFTA will act as an unfunded mandate that forces California and other border States to support other States' trade routes.

The Administration is proposing a border crossing and trade corridors grant program to improve traffic efficiency at border crossings, to be funded at $45 million a year. All border States north and south would be eligible.

As I told Secretary Slater at last week's hearing, I believe that the proposal, while a good step forward, is too limited for our border needs. Forty-five million across 14 States is simply not enough to address these crucial infrastructure problems.

The Administration also wants to establish a new innovative financing program that would provide loans and credit assistance for large projects in the national interest—another good proposal, but one which, in my opinion, does not go far enough.

The Boxer-Bingaman-Filner bill provides a two-stage system for Federal assistance to fund the States' top-priority border infrastructure projects:

First, it authorizes appropriation of $125 million each year in 1998 through 2001—a total of $500 million—for a border infrastructure fund to provide Federal grants to border States and local governments in order to pay for new or upgraded connections to the regional and national road network. The bill also allows up to $10 million to be transferred from the fund to Federal law enforcement agencies to use for their own infrastructure improvements, such as border patrol roads and lighting.

Second, our bill would authorize appropriations of $100 million to provide a Federal guarantee for loans made by border State infrastructure banks [SIBS] or border authorities for high cost projects such as toll roads that bring in revenue to the States. Federal guarantees will support up to $1 billion in State loans.

For California, this could mean up to $50 million in Federal guarantees, leveraging up to $500 million in loans. California is one of 10 States designated last year by the Secretary of Transportation to participate in this innovative new method of financing transportation projects.

Third, the bill authorizes Federal loan guarantees for border railroads, which could modernize and complete the San Diego and Arizona Eastern railway. This section would provide $10 million a year for 4 years for a total of $40 million in Federal funds to help railroads obtain low-interest private loans they might otherwise not get.

Finally, our bill requires the Secretary of Transportation to submit an annual report to Congress on the volume of commercial traffic that is crossing the United States-Mexico border, and the level of international commercial vehicle safety violations. This report will help us gauge the effectiveness of the Federal response to trade demands on infrastructure in the border region.

Mr. President, since the entire Nation benefits from international trade, I believe the Federal Government has a responsibility to help pay for the improvements in roads and other infrastructure that make that trade possible. Our bill will ensure that we begin to meet that Federal responsibility.

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. 408

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

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Border Infrastructure Safety and Congestion Relief Act of 1997''.

SEC. 2. FINDINGS.

Congress finds that—

(1) because of the North American Free Trade Agreement, all 4 States along the United States-Mexico border will require significant investments in highway infrastructure capacity and motor carrier safety enforcement at a time when border States face extreme difficulty in meeting current highway funding needs;

(2) the full benefits of increased international trade can be realized only if delays at the borders are significantly reduced; and

(3) Federal receipts from United States customs duties and fees are estimated to increase by an average of $800,000,000 annually in fiscal years 1998 through 2001, and these monies are an appropriate source of funding for programs designed to address the infrastructure needs of border States.

SEC. 3. DEFINITIONS.

In this Act:

(1) BORDER REGION.—The term ''border region'' means the region located within 60 miles of the United States border with Mexico.

(2) BORDER STATE.—The term ''border State'' means California, Arizona, New Mexico, and Texas.

(3) FUND.—The term ''Fund'' means the Border Transportation Infrastructure Fund established by section 4(g).

(4) NAFTA.—The term ''NAFTA'' means the North American Free Trade Agreement.

(5) SECRETARY.—The term ''Secretary'' means the Secretary of Transportation.

SEC. 4. DIRECT FEDERAL ASSISTANCE FOR BORDER CONSTRUCTION AND CONGESTION RELIEF.

(a) IN GENERAL.—Using amounts in the Fund, the Secretary shall make grants under this section to border States that submit an application that demonstrates need, due to increased traffic resulting from the implementation of NAFTA, for assistance in carrying out transportation projects that are necessary to relieve traffic congestion or improve enforcement of motor carrier safety laws.

(b) GRANTS FOR CONNECTORS TO FEDERAL BORDER CROSSING FACILITIES.—The Secretary shall make grants to border States for the purposes of connecting, through construction or reconstruction, the National Highway System designated under section 103(b) of title 23, United States Code, with Federal border crossing facilities located in the United States in the border region.

(c) GRANTS FOR WEIGH-IN-MOTION DEVICES IN MEXICO.—The Secretary shall make grants to assist border States in the purchase, installation, and maintenance of weigh-in-motion devices and associated electronic equipment that are to be located in Mexico if real time data from the devices is provided to the nearest United States port of entry and to State commercial vehicle enforcement facilities that serve the port of entry.

(d) GRANTS FOR COMMERCIAL VEHICLE ENFORCEMENT FACILITIES.—The Secretary shall make grants to border States to construct, operate, and maintain commercial vehicle enforcement facilities located in the border region.

(e) LIMITATIONS ON EXPENDITURES OF FUNDS.—

(1) COST SHARING.—A grant under this section shall be used to pay the Federal share of the cost of a project. The Federal share shall be 80 percent.

(2) ALLOCATION AMONG STATES.—

(A) IN GENERAL.—For each of fiscal years 1998 through 2001, the Secretary shall allocate amounts remaining in the Fund, after any transfers under section 5, among border States in accordance with an equitable formula established by the Secretary in accordance with subparagraphs (B) and (C).

(B) CONSIDERATIONS.—Subject to subparagraph (C), in establishing the formula, the Secretary shall consider—

(i) the annual volume of international commercial vehicle traffic at the ports of entry of each border State as compared to the annual volume of international commercial vehicle traffic at the ports of entry of all border States, based on the data provided in the most recent report submitted under section 8;

(ii) the percentage by which international commercial vehicle traffic in each border State has grown during the period beginning on the date of enactment of the North American Free Trade Agreement Implementation Act (Public Law 103–182) as compared to that percentage for each other border State; and

(iii) the extent of border transportation improvements carried out by each border State during the period beginning on the date of enactment of the North American Free Trade Agreement Implementation Act (Public Law 103–182).

(C) MINIMUM ALLOCATION.—Each border State shall receive not less than 5 percent of the amounts made available to carry out this section during the period of authorization under subsection (i).

(f) ELIGIBILITY FOR REIMBURSEMENT FOR PREVIOUSLY COMMENCED PROJECTS.—The Secretary shall make a grant under this section to a border State that reimburses the border State for a project for which construction commenced after January 1, 1994, if the project is otherwise eligible for assistance under this section.

(g) BORDER TRANSPORTATION INFRASTRUCTURE FUND.—

(1) ESTABLISHMENT.—There is established in the Treasury of the United States the Border Transportation Infrastructure Fund to

be used in carrying out this section, consisting of such amounts as are appropriated to the Fund under subsection (i).

(2) EXPENDITURES FROM FUND.—

(A) IN GENERAL.—Subject to subparagraph (B), upon request by the Secretary, the Secretary of the Treasury shall transfer from the Fund to the Secretary such amounts as the Secretary determines are necessary to make grants under this section and transfers under section 5.

(B) ADMINISTRATIVE EXPENSES.—An amount not exceeding 1 percent of the amounts in the Fund shall be available for each fiscal year to pay the administrative expenses necessary to carry out this section.

(h) APPLICABILITY OF TITLE 23.—Title 23, United States Code, shall apply to grants made under this section.

(i) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to the Fund to carry out this section and section 5 $125,000,000 for each of fiscal years 1998 through 2001. The appropriated amounts shall remain available for obligation until the end of the third fiscal year following the fiscal year for which the amounts are appropriated.

SEC. 5. CONSTRUCTION OF TRANSPORTATION INFRASTRUCTURE FOR LAW ENFORCEMENT PURPOSES.

At the request of the Attorney General, the Secretary may transfer, during the period consisting of fiscal years 1998 through 2001, up to $10,000,000 of the amounts from the Fund to the Attorney General for the construction of transportation infrastructure necessary for law enforcement in border States.

SEC. 6. BORDER INFRASTRUCTURE INNOVATIVE FINANCING.

(a) PURPOSES.—The purposes of this section are—

(1) to encourage the establishment and operation of State infrastructure banks in accordance with section 350 of the National Highway System Designation Act of 1995 (109 Stat. 618; 23 U.S.C. 101 note); and

(2) to advance transportation infrastructure projects supporting international trade and commerce.

(b) FEDERAL LINE OF CREDIT.—Section 350 of the National Highway System Designation Act of 1995 (109 Stat. 618; 23 U.S.C. 101 note) is amended—

(1) by redesignating subsection (l) as subsection (m); and

(2) by inserting after subsection (k) the following:

''(l) FEDERAL LINE OF CREDIT.—

''(1) DEFINITIONS.—In this subsection, the terms 'border region' and 'border State' have the meanings given the terms in section 3 of the Border Infrastructure Safety and Congestion Relief Act of 1997.

''(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated from the general fund of the Treasury $100,000,000 to be used by the Secretary to make lines of credit available to—

''(A) border States that have established infrastructure banks under this section; and

''(B) the State of New Mexico which has established a border authority that has bonding capacity.

''(3) AMOUNT.—The line of credit available to each participating border State shall be equal to the product of—

''(A) the amount appropriated under paragraph (2); and

''(B) the quotient obtained by dividing—

''(i) the contributions of the State to the Highway Trust Fund during the latest fiscal year for which data are available; by

''(ii) the total contributions of all participating border States to the Highway Trust Fund during that fiscal year.

''(4) USE OF LINE OF CREDIT.—The line of credit under this subsection shall be available to provide Federal support in accordance with this subsection to—

''(A) a State infrastructure bank engaged in providing credit enhancement to creditworthy eligible public and private multimodal projects that support international trade and commerce in the border region; and

''(B) the New Mexico Border Authority;

(each referred to in this subsection as a 'border infrastructure bank').

''(5) LIMITATIONS.—

''(A) IN GENERAL.—A line of credit under this subsection may be drawn on only—

''(i) with respect to a completed project described in paragraph (4) that is receiving credit enhancement through a border infrastructure bank;

''(ii) when the cash balance available in the border infrastructure bank is insufficient to pay a claim for payment relating to the project; and

''(iii) when all subsequent revenues of the project have been pledged to the border infrastructure bank.

''(B) THIRD PARTY CREDITOR RIGHTS.—No third party creditor of a public or private entity carrying out a project eligible for assistance from a border infrastructure bank shall have any right against the Federal Government with respect to a line of credit under this subsection, including any guarantee that the proceeds of a line of credit will be available for the payment of any particular cost of the public or private entity that may be financed under this subsection.

''(6) INTEREST RATE AND REPAYMENT PERIOD.—Any draw on a line of credit under this subsection shall—

''(A) accrue, beginning on the date the draw is made, interest at a rate equal to the current (as of the date the draw is made) market yield on outstanding, marketable obligations of the United States with maturities of 30 years; and

''(B) shall be repaid within a period of not more than 30 years.

''(7) RELATIONSHIP TO STATE APPORTIONMENT.—Funds made available to States to carry out this subsection shall be in addition to funds apportioned to States under section 104 of title 23, United States Code.''.

SEC. 7. RAILROAD REHABILITATION AND IMPROVEMENT PROGRAM.

(a) PURPOSE.—The purpose of this section is to provide assistance for freight rail projects in border States that benefit international trade and relieve highways of increased traffic resulting from NAFTA.

(b) ISSUANCE OF OBLIGATIONS.—The Secretary shall issue to the Secretary of the Treasury notes or other obligations pursuant to section 512 of the Railroad Revitalization and Regulatory Reform Act of 1976 (45 U.S.C. 832), in such amounts, and at such times, as may be necessary to—

(1) pay any amounts required pursuant to the guarantee of the principal amount of an obligation under section 511 of that Act (45 U.S.C. 831) for any eligible freight rail project described in subsection (c) during the period that the guaranteed obligation is outstanding; and

(2) during the period referred to in paragraph (1), meet the applicable requirements of this section and sections 511 and 513 of that Act (45 U.S.C. 832 and 833).

(c) ELIGIBILITY.—Assistance provided under this section shall be limited to those freight rail projects located in the United States that provide intermodal connections that enhance cross-border traffic in the border region.

(d) LIMITATION.—Notwithstanding any other provision of law, the aggregate unpaid principal amounts of obligations that may be guaranteed by the Secretary under this section may not exceed $100,000,000 during any of fiscal years 1998 through 2001.

(e) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to make loan guarantees under this section $10,000,000 for each of fiscal years 1998 through 2001.

SEC. 8. REPORT.

(a) IN GENERAL.—The Secretary shall annually submit to Congress and the Governor of each border State a report concerning—

(1) the volume and nature of international commercial vehicle traffic crossing the border between the United States and Mexico; and

(2)(A) the number of international commercial vehicle inspections conducted by each border State at each United States port of entry; and

(B) the rate of out-of-service violations of international commercial vehicles found through the inspections.

(b) INFORMATION PROVIDED BY UNITED STATES CUSTOMS SERVICE.—For the purpose of preparing each report under subsection (a)(1), the Commissioner of Customs shall provide to the Secretary such information described in subsection (a)(1) as the Commissioner has available.

SEC. 9. SENSE OF THE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS.

It is the sense of the Committee on Environment and Public Works of the Senate that the programs authorized under this Act should be fully financed in a budget neutral manner by offsetting receipts derived from customs duties and fees.●

ADDITIONAL COSPONSORS

S. 66

At the request of Mr. HATCH, the name of the Senator from Michigan [Mr. ABRAHAM] was added as a cosponsor of S. 66, a bill to amend the Internal Revenue Code of 1986 to encourage capital formation through reductions in taxes on capital gains, and for other purposes.

S. 194

At the request of Mr. CHAFEE, the name of the Senator from Illinois [Mr. DURBIN] was added as a cosponsor of S. 194, a bill to amend the Internal Revenue Code of 1986 to make permanent the section 170(e)(5) rules pertaining to gifts of publicly-traded stock to certain private foundations and for other purposes.

S. 197

At the request of Mr. ROTH, the names of the Senator from Virginia [Mr. WARNER] and the Senator from Alabama [Mr. SHELBY] were added as cosponsors of S. 197, a bill to amend the Internal Revenue Code of 1986 to encourage savings and investment through individual retirement accounts, and for other purposes.

S. 221

At the request of Mr. GREGG, the name of the Senator from Wyoming [Mr. ENZI] was added as a cosponsor of S. 221, a bill to amend the Social Security Act to require the Commissioner of Social Security to submit specific legislative recommendations to ensure the solvency of the social security trust funds.

S. 228

At the request of Mr. MCCAIN, the name of the Senator from Montana