law, the report on the effects of mergers and acquisitions; to the Committee on Armed Services.

EC–1546. A communication from the Assistant Secretary of Defense (for Health Affairs and Reserve Affairs), transmitting jointly, pursuant to law, the report on the means of improving the provision of uniform and consistent medical and dental care to the members of the reserve components serving on active duty; to the Committee on Armed Services.

EC–1547. A communication from the Director of Administration and Management, Office of the Secretary of Defense, transmitting, pursuant to law, the report on printing and duplicating services; to the Committee on Armed Services.

EC–1548. A communication from the Secretary of Defense, transmitting, pursuant to law, the annual report for the National Security Education Program; to the Committee on Armed Services.

EC–1549. A communication from the Secretary of Defense, transmitting, pursuant to law, the report on the Reserve Forces Policy Board for fiscal year; to the Committee on Armed Services.

EC–1550. A communication from the Secretary of Defense, transmitting, pursuant to law, the report on proposed obligations for weapons destruction and non-proliferation in the former Soviet Union; to the Committee on Armed Services.

EC–1551. A communication from the General Counsel of the Department of Department, transmitting, a draft of proposed legislation to authorize a food cost based Basic Allowance for Subsistence for enlisted military personnel; to the Committee on Armed Services.

EC–1552. A communication from the General Counsel of the Department of Department, transmitting, a draft of proposed legislation to permit Service Secretaries to defer the retirement of Chaplains; to the Committee on Armed Services.

EC–1553. A communication from the General Counsel of the Department of Department, transmitting, a draft of proposed legislation that address personnel, procurement, policy and environmental concerns; to the Committee on Armed Services.

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. ALLARD:

S. 572. A bill to amend the Internal Revenue Code of 1986 to repeal restrictions on taxpayers having medical savings accounts; to the Committee on Finance.

By Mr. GRASSLEY (for himself, Ms. MOSELEY-BRAUN, and Mr. BURNS):

S. 573. A bill to amend the Internal Revenue Code of 1986 to allow an income tax deduction for student loan interest payments; to the Committee on Finance.

By Mr. ABRAHAM (for himself and Mr. LEVIN):

S. 574. A bill to delay the application of the substantiation requirements to reimbursement arrangements of certain loggers; to the Committee on Finance.

By Mr. DURBIN (for himself, Mr. HAGEL, Mrs. MURRAY, Ms. SNOWE, Mr. HARKIN, Mr. ALLARD, Mr. JOHNSON, Mrs. HUTCHISON, Mr. REID, Mr. SHELBY, Mr. ROBERTS, Mr. BAUCUS, Mr. KERREY, Mr. JEFFORDS, Mr. MACK, Ms. COLLINS, and Mr. BIDEN):

S. 575. A bill to amend the Internal Revenue Code of 1986 to increase the deduction for health insurance costs of self-employed individuals; to the Committee on Finance.

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

S. 576. A bill to amend the Internal Revenue Code of 1986 to provide that corporate tax benefits from stock option compensation expenses are allowed only to the extent such expenses are included in corporate accounts; to the Committee on Finance.

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

S. 577. A bill to increase the efficiency and effectiveness of the Federal Government, and for other purposes; to the Committee on Governmental Affairs.

By Mr. DASCHLE (for himself, Mr. HARKIN, Mr. HATCH, Mr. GRASSLEY, Mr. ABRAHAM, Mr. REID, Mr. INOUYE, Mr. BAUCUS, Mr. CRAIG, Mr. KEMPTHORNE, and Mr. THOMAS):

S. 578. A bill to permit an individual to be treated by a health care practitioner with any method of medical treatment such individual requests, and for other purposes; to the Committee on Labor and Human Resources.

By Mr. ASHCROFT:

S. 579. A bill to amend the Internal Revenue Code of 1986 to allow a deduction for the old-age, survivors, and disability insurance taxes paid by employees and self-employed individuals, and for other purposes; to the Committee on Finance.

By Mr. SMITH of New Hampshire (for himself, Mr. FAIRCLOTH, Mr. GRAMM, Mr. HATCH, and Mr. KYL):

S. 580. A bill to amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated; to the Committee on Finance.

By Mr. DURBIN (for himself, Mr. LEAHY, Mrs. FEINSTEIN, and Mr. TORRICELLI):

S. 581. A bill to amend section 49 of title 28, United States Code, to limit the periods of service that a judge or justice may serve on the division of the United States Court of Appeals for the District of Columbia to appoint independent counsels, and for other purposes; to the Committee on the Judiciary.

By Mr. BROWNBACK (for himself, Mr. DOMENICI, Mr. ROBERTS, and Mr. BINGAMAN):

S. 582. A bill to deem as timely submitted certain written notices of intent under section 8009(c)(1) of the Elementary and Secondary Education Act of 1965 for school year 1997–1998; to the Committee on Labor and Human Resources.

By Mr. GREGG:

S. 583. A bill to change the date on which individual Federal income tax returns must be filed to the Nation's Tax Freedom Day, the day on which the country's citizens no longer work to pay taxes, and for other purposes; to the Committee on Finance.

By Mr. ABRAHAM:

S. 584. A bill to amend the Internal Revenue Code of 1986 to change the time for filing income tax returns from April 15 to the first Tuesday in November, and for other purposes; to the Committee on Finance.

By Mr. DORGAN (for himself, Mr. DASCHLE, Mr. JOHNSON, and Mr. WELLSTONE):

S. 585. A bill to amend the Internal Revenue Code of 1986 to authorize the Secretary of the Treasury to abate the accrual of interest on income tax underpayments by taxpayers located in Presidentially declared disaster areas if the Secretary extends the time for filing returns and payment of tax for such returns; to the Committee on Finance.

By Mr. MOYNIHAN (for himself, Mr. LAUTENBERG, Mr. LIEBERMAN, Mr. CHAFEE, Mr. SMITH, Mrs. BOXER, Mr. WYDEN, Mr. BYRD, Mr. KENNEDY, Mr. INOUYE, Mr. ROTH, Mr. BIDEN, Mr. LEAHY, Mr. SARBANES, Mr. DODD, Mr. D'AMATO, Mr. SPECTER, Mr. KERRY, Mr. ROCKEFELLER, Ms. MIKULSKI, Mr. JEFFORDS, Mr. AKAKA, Mrs. FEINSTEIN, Mr. GREGG, Ms. MOSELEY-BRAUN, Mrs. MURRAY, Ms. SNOWE, Mr. SANTORUM, Mr. DURBIN, Mr. TORRICELLI, Mr. REED, and Ms. COLLINS):

S. 586. A bill to reauthorize the Intermodal Surface Transportation Efficiency Act of 1991, and for other purposes; to the Committee on Environment and Public Works.

SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

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

By Mr. LOTT (for himself, Mr. WYDEN, Mr. REID, Mr. WELLSTONE, Mr. MURKOWSKI, and Mr. BRYAN):

S. Res. 72. A resolution to allow disabled persons or Senate employees seeking access to the Senate floor the ability to bring what supporting services are necessary for them to execute their official duties; to the Committee on Rules and Administration.

By Mr. LOTT:

S. Res. 73. A resolution to declare the need for tax relief for the American people and condemn the abuses of power and authority committed by the Internal Revenue Service; to the Committee on Finance.

By Mr. DORGAN (for Mr. DASCHLE):

S. Res. 74. A resolution to commend the budget deficit reduction and tax relief for working families that has occurred under the Clinton Administration and to urge the Republican Congressional majority to take up without delay a budget resolution, and for other purposes; to the Committee on the Budget and the Committee on Governmental Affairs, jointly, pursuant to the order of August 4, 1997, as modified by the order of April 11, 1986, with instructions that if one Committee reports, the other Committee have thirty days to report or be discharged.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. GRASSLEY (for himself, Ms. MOSELEY-BRAUN, and Mr. BURNS):

S. 573. A bill to amend the Internal Revenue Code of 1986 to allow an income tax deduction for student loan interest payments; to the Committee on Finance.

THE LOAN INTEREST FORGIVENESS FOR EDUCATION ACT

Ms. MOSELEY-BRAUN. Mr. President, I am pleased to join my distinguished colleague from Iowa, Senator GRASSLEY, and my colleague from Montana, Senator CONRAD BURNS, in introducing S. 573, the Loan Interest Forgiveness for Education Act, the LIFE Act. One of the major forces driving this bill is our growing concern that parents and students in this country have access to a quality education without amassing enormous student loan bills.

The cost of college has a direct impact on access to college. The more tuition goes up, the more students will be

priced out of their opportunity for the American dream. Our country will suffer the loss of talent and training. We cannot as a nation prepare for the 21st century by making it more difficult for our children to access higher education.

This Congress is working hard to eliminate the Federal deficit. In part, this is because we know that piling on more debt ultimately undermines the ability of the generations that follow us to achieve the American dream, and to do what we have done—live better than our parents. Mr. President, that is why we are introducing this LIFE bill. It will do two things: encourage individuals to go to college, and reduce the cost of a college education. I believe very strongly, Mr. President, that the way to achieve this dream is to ensure that everyone who is in need of financial assistance to attend an institution of higher learning has that opportunity. They should have the opportunity, as we did, to pursue their dreams.

It is absolutely essential that we continue to invest in our most important asset—our children. That is what the Loan Interest Forgiveness for Education Act is all about. The bill will create a deduction for qualified student loan interest including expenses for interest paid on student loans used to pay postsecondary education expenses such as tuition, books, room and board. This bill is similar to provisions contained in both the Republican and Democratic leadership education bills, S. 1 and S. 12, and is also similar to a provision passed by Congress as part of the 1995 Budget Reconciliation Act.

As you may know, President Clinton has proposed a bill to allow a $1,500 tax credit per year for the first 2 years of college or a $10,000 deduction per person per year for qualified college tuition expense. I am glad to see President Clinton focus on investing in education for the middle class because it is truly our only hope of remaining competitive in this global marketplace. However, I believe we should go even further by investing in those working parents too, who would otherwise not be able to send their children to college without loans.

The median income for a family of four as reported by the Joint Committee on Taxation in 1995 was $49,531. If that household income was comprised entirely of wage or salary income and, if that household filed a joint return claiming the standard deduction and four personal exemptions, the household's income tax liability would have been $4,947 and a total payroll tax liability of $7,578 resulting in a total tax liability of $12,525. When considering the tax liability and the limited income of the median household family, a large number of American families will not have the extra income to save $80,000 for two children to go to college.

This legislation will focus on those that do not have parents who can afford to save for college. Those working parents who can barely afford to make ends meet; parents who provide the basics of life such as food, clothing, shelter, and medical insurance for their children but do not make the extra income to save for college. Even if families could afford to save the money to pay for their children's college education, income tax liability of many families is not high enough to benefit from the President's proposal because neither the $10,000 tax deduction nor $1,500 tax credit is refundable.

Students whose parents are unable to pay for college up front are generally the ones who rely more heavily on student loans to pay for college and should be given the same type of tax relief as those that come from families that can afford to finance the costs of a college education from savings. That is why the Loan Interest Forgiveness for Education Act, or the LIFE Act, helps not only to improve the life of students who might not otherwise have the opportunity to attend college, it also helps to improve their life after graduation. These students generally have an enormous burden of debt and the interest costs impair their ability to get started in life after college. New college graduates just beginning their careers all too often have to pay a higher percentage of their income in educational loan bills than they do in rent.

I believe we should encourage individuals who cannot afford to pay for college to realize that education is a wise investment in their future. Although some individuals must incur substantial debt to complete their education, the Government should do their part to make sure that these students will not suffer because of this decision for the next 20 years of their lives.

The Government uses the Tax Code to help American families buy their own homes. It is equally important to use the Tax Code to encourage higher education. It is an investment in our children, our economy and our future. If a child receives a college education, that person is much more likely to be able to afford to purchase a home. The link between educational attainment and earnings is unquestionable. Statistics show that the average earnings of the most educated Americans are 600 percent greater than that of the least educated Americans. The Department of Labor estimates that, by the year 2000, more than half of all new jobs will require an education beyond high school. As we move nearer to the 21st century and into an information-driven economy, the gap between high school and college graduates is growing. A college graduate in 1980 earned 43 percent more per hour than a high school graduate. By 1994, that had increased to 73 percent. When we reduce access to higher education, we reduce access to the American Dream.

Given the fact that many of the people in the young generation are going to be pushed into the ocean of responsibility to pay off our national debt, and pay higher Social Security taxes to support us, the least that we could do, Mr. President, is to provide them with a life-preserver. It is the ethical thing to do and the right thing to do. This life-preserver that I speak of, Mr. President, is education. By supporting this educational initiative we are affording members of this young generation and others a chance to arm themselves with knowledge as well as enhance their income potential. This is very important because most economist agree that education produces substantial spillover, which simply means indirect effects, that will benefit society in general. Examples cited of such positive spillover effects include a more efficient work force, lower unemployment rates, lower welfare costs, and less crime. All of these are issues that concern us greatly. Furthermore, an educated electorate is said to foster a more responsive and effective government. So as you can see this bill is very timely.

This bill comes at a time when the cost of attending an institution of higher learning has increased at a rate higher than inflation. In the 1980's, for example, the cost of a year's tuition at a publicly supported college increased from $635 to $1,454, an increase of almost 130 percent. And a year's tuition at a private college increased from an average of $3,498 to $8,772, an increase of 150 percent. A more recent figure can be found in the state of Illinois where, as of 1994, students at Northern Illinois University and Illinois State University, both public institutions, were paying nearly 96 percent more than the increase in the inflationary rate for that same year. The number of loans borrowed through the main Federal college loan programs rose by nearly 50 percent since 1990, from 4,493,000 in 1990 to 6,672,000 in 1995. Rapid increases in college tuition force today's students to borrow much more than their predecessors did, yet in 1986, the interest deduction for student loans was eliminated.

I am working with the GAO, [Government Accounting Office] to further investigate why college tuition is rising so rapidly, and what the Federal Government can most appropriately do about this problem. One of the arguments against providing up front tax cuts to parents for the costs of education is that tuition costs will increase to take into account the tax benefit given to parents. However, the Loan Interest Forgiveness for Education Act will not increase the cost of tuition because the benefit will be received after individuals have graduated. This bill will improve the life of college graduates while at the same time encouraging them to pay back their student loans.

We must improve the accessibility of education, so that all Americans may receive a higher education, not just the wealthy elite.

It is a critical matter in terms of the opportunities than this generation of

Americans will have to access and maintain the American dream. The fact that Americans depend on people being able to make a living and support themselves, and to reach as high as their talents will take them, should not be hampered in any way by the limitation of availability of educational opportunity because of costs.

I know that I would not be in the Senate today were it not for quality public education and the accessibility of affordable higher education. The Chicago Public Schools gave me a solid foundation, and I was able to attend the University of Illinois and the University of Chicago in spite of the fact of that my parents were working-class people. I am committed to seeing that the students of this generation and those who follow them have even greater opportunities than I have had. I am absolutely determined to ensure that the exploding cost of college does not close the door to opportunity for them. Our generation has an absolute duty to keep the door open, and to preserve and enhance the opportunity for a better life and the American dream for the 21st century.

Certainly this generation should not have to bear a burdensome loan portfolio when they graduate that keeps them from making other optimal economic choices.

So, Mr. President, I introduce this legislation. I send it to the desk, and I encourage my colleagues to consider cosponsorship of it. I hope that by tax day next year we are able to provide those students who are going to college and have taken on loans the opportunity to have some loan forgiveness once they graduate.

By Mr. ABRAHAM (for himself and Mr. LEVIN):

S. 574. A bill to delay the application of the substantiation requirements to reimbursement arrangements of certain loggers; to the Committee on Finance.

TAX RELIEF FOR MICHIGAN LOGGERS

Mr. ABRAHAM. Mr. President, April 15 is a day that generally is viewed with consternation throughout the Unided States. For many loggers in Michigan's Upper Peninsula, however, tax day is synonymous with bankruptcy. This is because the IRS insists on enforcing a little known, and less understood, tax law affecting loggers in my State.

For nearly three decades, businesses in the timber industry have used an accounting plan that allocated a percentage of loggers' wages as rental for the use of the loggers' chain saws, thereby excluding this portion of their wages from income tax withholding, FICA, and FUTA taxes. This practice was acceptable to the IRS until the Family Support Act of 1988 required that an employee business expense reimbursement not be excluded from an employee's income unless it is paid under an accountable plan. The timber industry's traditional accounting procedure was not an accountable plan.

Unaware of the change in policy, the timber industry continued to use their old accounting plan in violation of the new law. Many small logging operations and loggers have now been assessed penalties and interest by the IRS because of their violation of this obscure law. It should be noted that most of the timber industry was in line with the new policy by tax year 1993 and continues to abide by the correct accounting procedure policies. Nonetheless, some loggers face fines of $20,000 or more. Mr. President, many loggers in Michigan's Upper Peninsula earn less than $20,000 per year.

To add to the frustration, IRS headquarters has stated that each district operation has the authority to decide the effective date of the requirement for accountable plans, and in other States, the IRS has decided to have an effective date for this accounting procedure as it relates to the timber industry of January 1, 1993. The IRS office in Michigan, however, will not agree to the January 1, 1993 date which is being used in other parts of the country. Michigan is the only State in which the IRS will not accept this date.

Mr. President, relief for these loggers is long overdue, and today Senator LEVIN joins with me to introduce legislation that will change the Tax Code and make permissible the qualified logger reimbursement arrangement for loggers in any taxable year prior to January 1, 1993. It will also provide for a refund or credit of any overpayment of tax accrued during these years. This correction is long overdue and I hope for swift adoption during this session of Congress.

By Mr. DURBIN (for himself, Mr. HAGEL, Mrs. MURRAY, Ms. SNOWE, Mr. HARKIN, Mr. ALLARD, Mr. JOHNSON, Mrs. HUTCHISON, Mr. REID, Mr. SHELBY, Mr. ROBERTS, Mr. BAUCUS, Mr. KERREY, Mr. JEFFORDS, Mr. MACK, Ms. COLLINS, and Mr. BIDEN):

S. 575. A bill to amend the Internal Revenue Code of 1986 to increase the deduction for health insurance costs of self-employed individuals; to the Committee on Finance.

THE HEALTH INSURANCE TAX EQUITY FOR SELF-EMPLOYED ACT

Mr. DURBIN. Mr. President, I will use just 2 or 3 minutes and defer to my colleague. I want to say I am glad he is with me today. It is one of our first bills as new Members of the U.S. Senate and one that is very important, not only to our States but also to the Nation. I think it is extremely fitting that Senator HAGEL and 14 of our colleagues have joined me in introducing a bipartisan bill to provide tax relief for a group of hard-working Americans, namely the self-employed. What we are trying to do with this bill, and I think it is appropriate to discuss it on April 15, is to say that people who are self-employed, small business people, farmers and the like, should enjoy the same tax benefits of deduction for health insurance premiums as corporations. This is only simple fairness.

If I work for a big company, they can literally write off every penny of the cost of my health insurance that they pay. However, if I happen to be a farmer in central Illinois, or a self-employed woman in Chicago working at home at a computer, and I go to buy health insurance, only 40 percent of the premiums could be deducted. That is unfair and it creates a real disadvantage. We should encourage people to take out health insurance. The best way to encourage them to do it is to make it more affordable by providing full deductibility. In my State of Illinois there are over 400,000 people who are self-employed who would benefit from this tax relief. In fact, over 3 million Americans who are self-employed do not have health insurance. That represents 25 percent of the self-employed. That is a high percentage compared to other groups.

So, what Senator HAGEL and I are trying to do with our legislation is to level the playing field, give them all equal treatment and fair treatment. I think this tax relief could be worth $500 or $1,000 for somebody today who could deduct only 40 percent, but in the future could deduct 100 percent under our legislation.

I thank my colleague for joining me in introducing this bill. It is supported not only by the National Federation of Independent Businesses, the National Farm Bureau, the Pork Producers, the Corn Growers and the Farmers Union, but also by the National Association of Women Business Owners. Between 1987 and 1996 the number of women-owned businesses increased by 78 percent, and about 80 percent of these are individual proprietorships.

I think this is an issue whose time has come. I have spoken to many of my colleagues and they believe that is the case, too. I hope we can work as part of any budget agreement to include this provision.

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. 575

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 ''Health Insurance Tax Equity for Self-Employed Act''.

SEC. 2. DEDUCTION FOR HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS INCREASED.

(a) IN GENERAL.—Section 162(*l*)(1) of the Internal Revenue Code of 1986 (relating to special rules for health insurance costs of self-employed individuals) is amended to read as follows:

''(1) ALLOWANCE OF DEDUCTION.—In the case of an individual who is an employee within the meaning of section 401(c)(1), there shall be allowed as a deduction under this section

an amount equal to the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, the taxpayer's spouse, and dependents.''.

(c) EFFECTIVE DATE.—The amendment made by this section applies to taxable years beginning after December 31, 1996.

Mr. HAGEL. Mr. President, I am pleased to join with my distinguished colleague from Illinois, Senator DURBIN, to introduce legislation that will cut taxes and improve access to health insurance for millions of small business owners and farmers across America.

Our legislation—the Health Insurance Tax Equity for Self-Employed Act—is a bill about fairness. Under current law, corporations can deduct from their income tax the full amount of money spent on health care for their employees. But the 10½ million self-employed men and women in America cannot fully deduct what they spend on their own health care. They can deduct a percentage—which is now 40 percent and will increase to 80 percent by 2006—but they cannot deduct the entire cost.

Our bill would immediately eliminate this disadvantage—effective January 1, 1997—and put the self-employed on the same footing with their incorporated competitors. And it would make health insurance more affordable for the 3 million uninsured Americans who are self-employed.

This bill will make a real difference to real people. The high cost of health insurance was the No. 1 problem that small businesses cited in a recent comprehensive study by the National Federation of Independent Businesses [NFIB]. Small business owners often pay 30 percent more for the cost of their health insurance than do larger companies—they pay more, but they can deduct less.

Our bill will make health insurance more affordable for small business owners. That is why it has been endorsed by the National Federation of Independent Businesses.

It also is strongly supported by the National Farm Bureau and by the Nebraska Farm Bureau Federation. Both have sent me letters endorsing this legislation. I ask unanimous consent that the full text of these be submitted for the RECORD.

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

(See exhibit 7.)

Mr. HAGEL. More than 95 percent of farmers and ranchers are self-employed and generally pay the full cost of their insurance coverage themselves. Our bill makes a real difference to them as well.

I am involved in this issue because it is vitally important to my home State of Nebraska. There are 98,000 self-employed people in Nebraska, of whom more than 10,000 are uninsured. These are real numbers. These are real people. This legislation can make a real difference for them—making their health insurance more affordable and their businesses more profitable.

Every State in America has hard-working, self-employed men and women who need the tax relief and health care assistance this bill offers. I hope my colleagues will support this important effort.

EXHIBIT 1

NEBRASKA FARM BUREAU FEDERATION,
Lincoln, NE, April 10, 1997.

Hon. CHUCK HAGEL,
U.S. Senate,
Washington, DC.

DEAR CHUCK: On behalf of Nebraska's largest farm organization, I am writing to offer Nebraska Farm Bureau Federation's strong support for your legislation that would provide a 100 percent tax deduction of health insurance premiums for the self-employed.

Deductibility of health insurance premium costs for self-employed individuals has been a long standing goal of Farm Bureau. More than 95 percent of farmers and ranchers are self-employed and generally pay the full cost of their insurance coverage themselves. In addition, many farm families are forced into a situation where a spouse must get an off-farm job primarily to obtain more affordable health insurance coverage for their family.

The cost of self-employed health insurance, when not purchased as part of a group, can be significant and cause financial hardships for some individuals and farm families. In many cases, farmers and ranchers pay more than $3,000 to $5,000 annually for health insurance. Farmers and ranchers are looking at many avenues to cut skyrocketing health insurance premiums. More farmers have moved to higher deductible policies—quite often in the $2,500 to $5,000 range. In other cases, farmers are opting to go without health insurance altogether.

As you know, current federal tax law allows self-employed people to deduct 30 percent of the cost of their health insurance premiums. That will increase to 80 percent by the year 2006. Current federal tax law also allows corporations to deduct 100 percent of their health insurance premium costs. Members of Nebraska Farm Bureau believe that fairness and equity dictate that Nebraska's self-employed individuals receive the same tax treatment as other employees and employers.

Nebraska Farm Bureau appreciates your work on the introduction of this legislation and we wholeheartedly offer our support to this effort.

Respectively,

BRYCE P. NEIDIG, *President.*

NATIONAL FEDERATION OF INDEPENDENT BUSINESS,
Washington, DC, April 10, 1997.

Hon. CHUCK HAGEL,
U.S. Senate,
Washington, DC.

DEAR SENATOR HAGEL: On behalf of the 600,000 small business owners of the National Federation of Independent Business (NFIB), I am writing to express our strong support of your legislation to extend the deduction of health insurance premiums for the self-employed to 100 percent, effective immediately upon date of enactment.

Current law's tax treatment of the health insurance premiums for the self-employed is extremely unfair. The three million self-employed Americans who are presently uninsured should have access to the same 100 percent deduction that CEO's and employees in Fortune 500 companies receive. The Health Insurance Portability and Accountability Act of 1996 gave the self-employed the ability to take a 40-percent deduction in 1997 and gradually phases in a permanent deduction for the self-employed reaching 80 percent in 2006. Enabling the self-employed to take an 100 percent deduction would certainly help us to make health care more affordable for this important group of employers and their employees.

The cost of health insurance is the number one problem that small businesses cited in a 1996 NFIB Education Foundation study. Small Business Problems and Priorities, the most comprehensive study of its kind in the country. Small business owners often pay 30 percent more for the cost of their health insurance than larger companies. In addition, self-employed business owners face the cost that result from having to pay income taxes on the majority of the amount of their health insurance premiums. Instead of penalizing the self-employed in this manner, Congress should be doing all it can to help the self-employed, a group who plays a critical role in our economy.

NFIB appreciates your understanding of this issue and your willingness to introduce this significant piece of legislation.

Sincerely,

DAN DANNER,
Vice President, Federal Governmental Affairs.

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

S. 576. A bill to amend the Internal Revenue Code of 1986 to provide that corporate tax benefits from stock option compensation expenses are allowed only to the extent such expenses are included in corporate accounts; to the Committee on Finance.

THE ENDING DOUBLE STANDARDS FOR STOCK OPTIONS ACT

Mr. LEVIN. Mr. President, for the past several years, the Wall Street Journal has published a special pullout section of the newspaper with a number of articles on executive pay. Last year's headline read, ''The Great Divide: CEO Pay Keeps Soaring Leaving Everybody Else Further and Further Behind.'' Last week, Business Week magazine featured this cover story on its 47th annual pay survey: ''Executive Pay: It's Out of Control.''

Both publications analyze the pay of top executives at approximately 350 U.S. major corporations. Their analysis shows that the pay of the chief executive officers continues to outpace inflation, other workers' pay, the pay of CEO's in other countries, and company profits.

According to Business Week, for CEO's of the leading 350 companies studied, their average total compensation rose 54 percent last year to about $5.7 million, which came on top of 1995 CEO pay increases of 30 percent. So in 1995 we had the CEO's increasing their pay by 30 percent, last year increases of 54 percent. Blue-collar employees received a 3 percent raise in 1996, and white-collar workers fared only slightly better with a 3.2 percent raise.

So in 1996 the pay of the top executives was 209 times the pay of the factory employee, which is a huge increase. The ratio of executive pay to factory workers' pay in the United States was already two to three times more than the pay ratio in any other country. Suddenly, now we see this going up to a ratio of 209 times the pay of the average factory worker. The last time we had statistics, the ratio of executive pay to factory worker pay was 20 times in Japan and 25 times in Germany. Those statistics are a few years

old but we do not think they have changed that much.

These statistics, the 3.2 percent pay increase that went to the white collar workers and the 3 percent increase in wages and benefits that went to America's blue collar workers, represent a growing problem in America, and represent a gap that is growing. The question is now what? Is this gap going to continue? That is a question more for the market than for government.

There is something that government is currently doing that can change this, and that is right now we permit stock options, which represent the biggest portion of corporate pay, to be taken as a tax deduction for income tax purposes, although it is not shown as an expense on the company's books. There is no other form of executive compensation for which this is true. Every other form of executive compensation, of compensation for anybody, is shown as an expense on the company's books when it is taken as a deduction on income tax.

There is no double standard for any form of compensation in our country, in our Tax Code, except for stock options. If a corporate executive gets stock, that is an expense on the company's books. It is a tax deduction on their income taxes. If there is a bonus based on performance, that is an expense on the company's books, and it is a tax deduction. But when it comes to stock options, the Tax Code right now permits there to be a tax deduction for the company when that stock option is exercised. However, the company does not show that stock option as an expense on its own books. It is a stealth exception. It is a double standard. We should end it.

That is why, today, Senator MCCAIN and I are introducing legislation to end this corporate tax loophole that is fueling the increases in executive pay and is fueling those increases with taxpayer dollars. Again, this loophole allows companies to deduct from their income taxes these multimillion dollar pay expenses that never show up on the company office books as an expense.

A just completed survey of CEO pay at 55 major Fortune 500 corporations by a leading executive compensation publication called Executive Compensation Reports, found that in 1996 stock options averaged about 45 percent of total executive pay. That is up from 40 percent just 1 year ago, and stock options provided more money to the 55 CEO's studied than their base salary or their annual bonus. In fact, for 1996, salary accounted for only 22 percent of CEO compensation while stock options accounted for 45 percent.

These stock options enable a CEO typically to buy company shares at a set price for a period of time, which is usually 10 years. Since stock prices generally rise over time, stock options have become the most lucrative source of executive pay.

Now, again, I do not think anyone is suggesting government ought to determine how much executives get paid. We should not. Stockholders and boards of directors should set that. But we should determine whether or not we want to allow our Tax Code to contain this loophole any longer, where this one form of executive compensation and only this form of compensation is dealt with by a double standard. We permit the company to get the tax deduction when it comes to filing their income tax return, but we do not require the company to show that same expense as an expense on their books, thereby hiding the cost to the company of the stock option cost but still getting a tax deduction.

Now, say, a corporate executive exercises stock options to purchase company stock and makes a profit of $10 million. The company can claim the full $10 million as a business expense and deduct it from the company's tax bill. But when it comes to showing that expense on their books, on their annual report, it is not an expense. It is a footnote, not required to be shown as an expense like other forms of compensation, but rather hidden in a footnote.

This is not an accounting issue. The accounting authorities, the experts, have decided how this should be handled as an accounting matter. This is now a tax loophole issue. The question is whether or not we, on tax day, want to continue a loophole for executives—because that is who we are talking about in approximately 98 percent of the cases. In perhaps 1 or 2 percent of the cases these stock option plans are broadly based and help average employees, and we would not include that in our bill. But in maybe 98 percent of the cases, these are narrowly based stock option plans only going to the top officials of companies.

This bill would end the double standard. It gives a choice. If you want to take it as an expense for tax purposes, deduct this as compensation for tax purposes, that is fine, no restriction. But then you have to show it on your books as an expense also. You do not want to show it on your books as an expense? That is your choice, but then we will not let you take it as an expense on your income taxes and have the rest of the taxpayers of the United States foot the bill.

Stock option pay is either a company expense or it is not. It either lowers company earnings or it does not. Something is clearly out of whack when in the tax law a company can say one thing at tax time and something else to investors at the annual meeting.

This bill that I am introducing with Senator MCCAIN today would end the double standard that allows corporations to treat stock option pay one way on the tax form and the opposite way on the company's books.

I want to emphasize that this bill does not prohibit stock options. It doesn't put a cap on them. It doesn't limit them in any way. It just says, if you want to claim stock option pay as an expense at tax time, you have to treat it as an expense the rest of the year as well.

In summary, the bill would not prohibit stock options. It would not put a cap on them or limit them in any way. It just says, if a company wants to claim stock option pay as an expense at tax time, it has to treat it as an expense the rest of the year as well. Period.

The bill provides one exception to ensure that closing the stock option tax loophole doesn't affect the pay of average workers.

Right now, stock option pay is overwhelmingly executive pay. In 1994, the most extensive stock option review to date, covering 6,000 publicly traded U.S. companies, found that only 1 percent of the companies issued stock options to anyone other than management and 97 percent of the stock options issued went to 15 or fewer individuals per company.

Nevertheless, there are a few companies that issue stock options to all employees and do not disproportionately favor top executives. Our bill would allow companies that provide broad-based plans to continue to claim existing stock option tax benefits, even if they exclude stock option pay expenses from their books. Like FASB, we would encourage but not require these companies to treat these expenses consistently. By making this limited exception, we would ensure that average worker pay would not be affected by closing the stock option loophole. We might even encourage a few more companies to share stock option benefits with average workers.

The bottom line is that the bill that Senator MCCAIN and I are introducing today is not intended to stop the use of stock options. Our bill is aimed only at stopping the manipulation of stock option expenses by those companies that are trying to have it both ways—claiming stock option pay as an expense at tax time, but not when reporting company earnings to Wall Street and the public. It is aimed at ending a stealth tax benefit that is fueling the wage gap, favoring one group of companies over another, and feeding public cynicism about the fairness of the Federal Tax Code.

It would also curtail an expensive tax loophole. The Congressional Budget Office has estimated that eliminating the corporate stock option loophole would save taxpayers $373 million over 7 years and $933 million—almost $1 billion—over 10 years. In this era of fiscal austerity, that's money worth saving.

Mr. President, I ask unanimous consent that the bill Senator MCCAIN and I are introducing be printed in the RECORD, along with a section-by-section analysis of the bill that would end the double standards for stock options.

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

S. 576

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 ''Ending Double Standards for Stock Options Act''.

SEC. 2. REQUIREMENTS FOR CONSISTENT TREATMENT OF STOCK OPTIONS BY CORPORATIONS

(a) CONSISTENT TREATMENT FOR TAX DEDUCTION.—Section 83(h) of the Internal Revenue Code of 1986 (relating to deduction of employer) is amended by adding at the end the following new paragraph:

''(2) SPECIAL RULES FOR PROPERTY TRANSFERRED PURSUANT TO STOCK OPTIONS.—

''(A) IN GENERAL.—In the case of property transferred in connection with a stock option, the deduction otherwise allowable under paragraph (1) shall not exceed the amount the taxpayer has treated as an expense for the purpose of ascertaining income, profit, or loss in a report or statement to shareholders, partners, or other proprietors (or to beneficiaries). In no event shall such deduction be allowed before the taxable year described in paragraph (1).

''(B) EXCEPTION FOR BROAD-BASED OPTION PROGRAMS.—Subparagraph (A) shall not apply to property transferred in connection with a stock option if, at the time the stock option was granted—

''(i) substantially all employees of the corporation issuing such stock option were eligible to receive substantially similar stock options from such corporation,

''(ii) no individual performing services for such corporation received more than 20 percent of the total number of stock options granted by such corporation during the taxable year, and

''(iii) at least 50 percent of the total number of stock options granted by such corporation during such taxable year were issued to employees other than individuals performing executive or management services for such corporation.

''(C) EMPLOYEES COVERED.—For purposes of this paragraph, an employee shall be taken into account only if—

''(i) the employee is a full-time employee, and

''(ii) substantially all of the services performed by the employee for the corporation are performed within the United States.

''(D) SPECIAL RULES FOR CONTROLLED GROUPS.—The Secretary shall prescribe rules for the application of this paragraph in cases where the stock option is granted by a parent or subsidiary corporation (within the meaning of section 424) of the employer corporation.''

(b) CONSISTENT TREATMENT FOR RESEARCH TAX CREDIT.—Section 41(b)(2)(D) of the Internal Revenue Code of 1986 (defining wages for purposes of credit for increasing research expenses) is amended by inserting at the end the following new clause:

''(iv) SPECIAL RULE FOR STOCK OPTIONS AND STOCK-BASED PLANS.—The term 'wages' shall not include any amount of property transferred in connection with a stock option and required to be included in a report or statement under section 83(h)(2) until it is so included, and the portion of such amount which may be treated as wages for a taxable year shall not exceed the amount of the deduction allowed under section 83(h) for such taxable year with respect to such amount.''

(c) CONFORMING AMENDMENTS.—Section 83(h) of the Internal Revenue Code of 1986 is amended by striking ''In the case of'' and inserting:

''(1) IN GENERAL.—In the case of''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property transferred and wages provided on or after the date of enactment of this Act, pursuant to stock options granted on or after such date.

SECTION-BY-SECTION ANALYSIS OF ENDING DOUBLE STANDARDS FOR STOCK OPTIONS ACT

Short Title. Section 1 of the bill provides the short title.

Consistent Treatment. Section 2 of the bill would establish requirements for consistent treatment of stock options by corporations when deducting stock option compensation as a business expense under Section 83(h) or claiming stock option wages to obtain a research tax credit under Section 41.

Tax Deduction. Subsection 2(a) of the bill would amend section 83(h) of the Internal Revenue Code by adding at the end a new paragraph (2) with special rules for corporate tax deductions related to stock options. A new subparagraph 2(A) of Section 83(h) would limit the deduction that a company could claim for stock option compensation to no more than the amount of stock option expense reported by that company in a financial statement to stockholders. The subsection would continue current law by allowing the deduction at the time the stock option beneficiary exercises the option and includes it in personal income.

Average Workers Protected. A new subparagraph 2(B) of Section 83(h) would establish an exception for stock option plans that benefit average workers. To qualify, substantially all full-time, U.S. employees in a company would have to be eligible to receive substantially similar company stock options during the taxable year; no one person could have received more than 20 percent of the stock options issued during the year; and at least 50 percent of the stock options would have had to be issued to non-management employees during the year. A new subparagraph 2(C) would state that only full-time employees performing services in the United States would need to be taken into account in determining eligibility for the exception.

Controlled Groups. A new subparagraph 2(D) of Section 83(h) would authorize the Secretary of the Treasury to issue regulations applying these rules to stock options granted by a parent or subsidiary corporation of the employer corporation.

Tax Credit. Subsection (b) of the bill would amend Section 41 of the Internal Revenue Code to clarify the ''wages'' that may be used in calculating the research tax credit allowable under Section 41. The bill would add a new clause (iv) at the end of Section 41(b)(2)(D) stating that the allowable ''wages'' under Section 41 shall not include stock option compensation, until a company reports that compensation in a financial statement to stockholders, as provided in Section 83(h)(2) (as amended by this bill). The clause would limit the amount of stock option compensation allowed as a deduction under Section 83(h). Stock option wages could be claimed under Section 41 only after a company reported the compensation expense under Section 83(h)(2), as amended by this bill.

Conforming Amendment. Section (c) of the bill would make technical conforming amendments to Section 83(h).

Effective Date. Section (d) of the bill would make the amendments applicable only to stock options granted on or after the date of enactment.

Mr. MCCAIN. Mr. President, I rise today to introduce legislation with my friend and colleague, Senator LEVIN, entitled Ending Double Standards for Stock Options Act. This legislation requires companies to treat stock options for highly paid executives as an expense for bookkeeping purposes if they want to claim this expense as a deduction for tax purposes.

Currently, corporations can hide these multimillion-dollar executive compensation plans from their stockholders or other investors because these plans are not counted as an expense when calculating company earnings. Even the Federal Accounting Standards Board [FASB] recognized that stock options should be treated as an expense for accounting purposes. This month, new accounting disclosure rules issued by FASB require that companies include in their annual reports a footnote disclosing what the company's net earnings would have been if stock option plans were treated as an expense.

An article in the Wall Street Journal, dated January 14, 1997, stated these new rules could reduce some companies' annual earnings by as much as 11 to 32 percent. One might reasonably ask how an arcane accounting rule could have such a large effect on the bottom line of corporations. The answer lies in the growth and value of stock options as a means of executive compensation. These plans now account for about one-fourth of total executive compensation.

We all have heard the reports of executives making multimillion-dollar salaries, while average worker salaries stagnate or fall. Recently, The Washington Post reported that Michael Eisner, the CEO of Disney, was given a stock option package estimated to be worth as much as $771 million over the next 10 years. Why shouldn't the value of this compensation package be included in calculating Disney's earnings? How can stockholders evaluate the true value of executive compensation if the value is just buried in a footnote somewhere in the annual report?

No other type of compensation gets treated as an expense for tax purposes, without also being treated as an expense on the company books. This double standard is exactly the kind of inequitable corporate benefit that makes the American people irate and must be eliminated. If companies do not want to fully disclose on their books how much they are compensating their executives, then they should not be able to claim a tax benefit for it.

This legislation does not require a particular accounting treatment; the accounting decision is left to the company. This legislation simply requires companies to treat stock options the same way for both accounting and tax purposes.

I hope my colleagues will join in cosponsoring this important legislation that will end the double standard for executive stock option compensation.

I ask unanimous consent that the two articles to which I have referred be printed in the RECORD.

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

[From the Wall Street Journal, Jan. 14, 1997]

AS OPTIONS PROLIFERATE, INVESTORS QUESTION EFFECT ON BOTTOM LINE

(By Laura Jereski)

How much does Microsoft Corp. really earn from its business?

For the fiscal year ended June 30, the Redmond, Wash., software giant said pretax income rose 56% to a record $3.4 billion. But a telltale footnote to its income statement revealed that pretax earnings would have been $2.8 billion—$570 million less—if Microsoft had compensated its employees entirely with cash.

But employees didn't get just cash. Like many companies these days, Microsoft sprinkles stock options liberally among its workers. That makes a big difference in the earnings outlook at Microsoft and elsewhere.

Wall Street and Main Street fervently embrace options as a tonic for much of what ails corporate America. Lucrative for employees, options appear to be cost-free to the employer. Distribute them broadly, the wisdom goes, and employees will pull together, company returns will rocket and shareholders will cheer.

But some investors and critics say the options downpour is muddying companies' earnings pictures. Companies can show investors higher earnings if they slash compensation costs by handing out options. As Byron Wien, Morgan Stanley & Co.'s top stock-market strategist, points out: ''In the short run, people are overstating current earnings because part of employees' compensation is coming in the form of options.''

BET ON GROWTH PROSPECTS

Put another way: Investors may be making a bigger bet on company growth prospects than they realize. If Microsoft's options were treated as an expense, its net income last year would have been about $1.8 billion, or $2.85 a share, instead of $2.2 billion, or $3.43 a share—meaning its $83.75 closing stock price on the Nasdaq Stock Market yesterday would reflect an earning multiple of nearly 30 times last year's earnings instead of about 24 times.

Michael Brown, Microsoft's chief financial officer, scoffs at that notion: ''The Street figures it our pretty fast.''

But disparities will be popping up all over come March when new accounting disclosure rules by the Financial Accounting Standards Board take effect. For the first time, companies will have to include a footnote in their annual reports disclosing what net would have been if options were treated as an expense—something Microsoft and some others are already doing. Murray Akresh, a compensation expert with Coopers & Lybrand, says the earnings difference could be as much as 11% for some companies. By the time the full impact of the new rule is felt at the end of a four-year transition period, the difference could reach 32%.

Companies' true earning power is of particular concern because earnings growth has propelled the stock market's sustained rise. But some money managers say that rise is making options more costly for companies to issue.

''What's really happening is that companies are selling their stock to employees at a discount,'' says Richard Howard, a mutual-fund manager at T. Rowe Price Associates in Baltimore. Often, the companies then turn around and buy stock at the higher market price to hold steady the number of shares outstanding.

''There's a real economic cost when stocks are going up,'' Mr. Howard says. ''That's when options cost the most.''

OPTIONS HAVE VALUE

One measure of that aggregate cost can be seen in stock-buyback programs. In 1996, buybacks totaled $170 billion, according to Securities Data Co., a Newark, N.J., securities-market-data company, up 72% from the previous year's $99 billion. Buyback costs are partly offset by the money companies collect from employees who exercise their options and buy.

Some investors say the costs ought to be reflected in companies' income statements at the time the employees earn the options. ''Stock options have value, so they should be recorded as an expense,'' says Jerry White, president of Grace & White, a New York money-management firm.

And some shareholder activists are rebelling against the amount of options being dispensed. Institutional Shareholders Services, which votes on shareholder issues on behalf of many large investors, votes against about one in five option plans as too generous and expensive. Says ISS research director Jill Lyons: ''A human being has to say, 'This is too much.'''

ISS focuses on how much shareholder value option plans transfer, rather than how they might affect company earnings. For example, a magnanimous plan adopted two months ago by San Jose, Calif., computer networker Cisco Systems Inc. will set aside 4.75% of Cisco's stock for options annually for three years. Three-fourths of those options will go to employees below the vice-president level.

Most of Wall Street applauds this employee motivator. Analyst Suzanne Harvey at Prudential Securities wrote recently that Cisco has the best employee benefits in the computer industry.

But ISS analyst Caroline Kim warned clients that the option plan would double insiders' stake in Cisco to nearly 23%—twice what employees in comparable companies get—and hand over to employees shareholder value of $3.6 billion during the next three years. Shareholders approved the plan anyway.

Many investors and financial analysts see nothing wrong with companies' generosity with options. In a recent survey of 300 top Wall Street stock analysts, eight of 10 said they would disregard stock options entirely, as long as companies don't have to take a charge for them. ''I think that's accounting mumbo jumbo, as opposed to a value measure that has to do with stock prices,'' says Bruce Lupatkin, head of research at Hambrecht & Quist.

That view prevailed in 1995, after a long and bruising battle over whether such options largess should count against earnings. Hundreds of companies, analysts, venture capitalists, and even congressmen joined forces to defeat accounting rule makers who wanted companies to reflect the actual value of options in their earnings. When the FASB held hearings on the proposal in Silicon Valley—where such options have created thousands of fortunes—they were disrupted by a ''Rally in the Valley'' of the local citizenry, complete with marching bands, balloons and T-shirts stamped ''Stop the FASB.''

MORE WIDESPREAD

FASB opponents argued that companies incur no cash costs in granting options. Further, not all options granted will be exercised since employees leave and stock prices sometimes fall below the option exercise price. The FASB accountants argued that options are valuable because they give employees a long-term right to buy stock at a set price. They lost, which led to the compromise with the footnote disclosure.

Since then, option grants have become more generous and more widespread. Once they were mainly used by small, fast-growing high-technology companies loath to part with precious cash. Today, big companies are enthusiasts, according to a survey of 350 large companies by William M. Mercer Inc., a New York compensation-consulting firm. Annual stock-option grants soared by more than 20% between 1993 and 1995, the firm's work shows.

John McMillin, a food-industry analyst at Prudential Securities, says that means ''the quality of the earnings you are looking at is often not good.'' What's more, some companies offer employees the chance to take raises and pay-related benefits in stock instead of cash, which distorts earnings even more. (That can be a losing bet for the employee if the stock fails to rise above the exercise price.)

One big proponent of options-for-all is General Mills Inc. The Minneapolis cereal and baked-goods company started granting options to all employees in 1993. General Mills had already been offering its top 800 people the opportunity to take raises and some other benefits in options instead of cash.

Mike Davis, General Mills' compensation vice president, says the option programs are ''very attractive for shareholders'' because they cut fixed costs and thereby boost profits, though he can't say by how much. One clue: The company's selling, general and administrative expenses, which include compensation, dropped by $222 million, or 9%, to $2.1 billion, in May 1996, compared with May 1994. For that same period, pretax earnings from continuing operations rose $194 million, or 34%, to $759 million.

Meantime, General Mills' options grants have been steadily ratcheting up. Today, the company distributes almost 3% of its stock to employees annually, buying enough stock to match that distribution. ''They are working hard to keep the shares-outstanding line flat,'' Mr. McMillin of Prudential says. ''That also means that they have to go into the market arbitrarily, as options are exercised, and buy stock back at a higher level.''

Microsoft, to some extent, also uses buybacks to offset option grants, says, Mr. Brown, its chief financial officer. But the buybacks have become so expensive that the company had to invent a new security to help offset the cost. ''The impact of buying back shares has been more extreme for them because the price took off so dramatically,'' says Michael Kwatinetz, a stock analyst who covers the company for Deutsche Morgan Grenfell. Still, Mr. Kwatinetz views the options package overall as ''a strong plus'' for employees.

For a while, Microcsoft was coming out about even, in real money terms. When employees exercise options for, say, $40 a share, they pay Microsoft the exercise price. Microsoft gets a tax deduction for the difference between the exercise price and the market price.

NO SMALL CHANGE

But the gross buyback cost has been rising, to $1.3 billion last year from $348 million in 1994. Employees paid Microsoft about $500 million last year for their stock, and tax savings further reduced the company's out-of-pocket costs. But Microsoft still had to shell out about $300 million.

Compared with the $570 million in options expense, that sounds like Microsoft is getting its money's worth. In fact, the company is actually paying out $400 million in real cash, to offset employee stock options whose cost isn't recognized in its financial statements.

Still, $400 million is no small change, even for a company as flush as Microsoft. So in December, the company sold $1 billion of a newfangled convertible-preferred stock to outside investors that will reduce such costs as long as the stock rises more than 6.88% a year for the next three years. (The preferred stock, which will be redeemed at as high as $102.24 a share, can be exchanged for cash, debt or stock. If Microsoft's stock price falls, the preferred would be redeemed at no less than $79.875 a share.)

Many investors consider the financial impact of the options by focusing on earnings per share on a fully diluted basis, a calculation that assumes that options outstanding

at prices below the current market have been exercised. Tom Stern at Chieftain Capital, a New York money manager, goes one step further. He estimates how much the stock ought to rise, if his earnings estimates are right, and figures out how many more options will be exercised. ''We pay close attention to options,'' he says. ''If you don't, your earnings get diluted.''

Will the required footnote disclosure in companies' annual reports have a big impact? ''That's not chopped liver,'' says Jack Ciesielski, author of the Analyst's Accounting Observer newsletter. ''I don't think investors have any idea how big the options programs are.''

To calculate the cost, many companies will use option-pricing models in wide use on Wall Street that combine the time span of the options with the volatility of each company's stock price. Options in a hightech company tend to be worth more since chances are better the stock will surge.

A few companies have already bit the bullet. Bristol-Myers Squibb Co., the New York pharmaceuticals concern, revealed last year that its options plan would have trimmed 1995 net by a mere $35 million, cutting seven cents a share from per share earnings of $3.58, had options been treated as an expense.

The impact of options can be suprisingly big, however, even if the company hasn't been that generous. At Foster Wheeler Corp., the Clinton, N.J., builder of refineries and power plants, the impact was heightened by a restructuring charge that reduced reported earnings at the same time as its stock took off. The result was that a 1995 grant of only 1.35% of shares outstanding would have slashed the year's earnings by 14%, or $4.1 million.

Tobias Lefkovich, a Smith Barney analyst who follows Foster Wheeler, says nobody noticed. ''Investors are more focused on consistent earnings growth and new orders'' than the option cost, he explains. Nonetheless, Charles Tse, an outside director at Foster Wheeler who serves on the compensation committee, says, ''the whole compensation plan is being reviewed.'' A company spokesman said later that the review wasn't prompted by the stock-option disclosure.

[From the Washington Post]

DISNEY CHIEF MAY REAP $771 MILLION FROM STOCK OPTIONS

(By Paul Farhi)

By any measure, Michael Eisner the chief executive of the Walt Disney Co., has been one of America's most successful corporate executives. And by any measure, he has been handsomely compensated for it.

Eisner, in fact, could be poised to become one of the most richly rewarded employees in the history of American business. Thanks to a new 10-year pay package that includes generous stock options, the top executive of the entertainment conglomerate could reap nearly $771 million over the next decade, according to estimates by the compensation expert who designed Eisner's new contract. The figure doesn't include Eisner's $750,000-per-year salary or bonuses that could add another $15 million annually.

While Disney argues that Eisner has proved he's worth it, the huge package has raised anew a debate over executive compensation. A group of 22 institutional pension funds that hold Disney stock plans to protest Eisner's contract at Disney's annual meeting in Anaheim, Calif., next week.

They intend to withhold their votes for the five management-backed nominees to Disney's board—including former Senate majority leader George Mitchell and Roy E. Disney, Walt's nephew—and to vote against a resolution that sets the formula for Eisner's annual bonus.

The group, which includes the big public-employee pension funds of California, Louisiana and Wisconsin, also is displeased with the severance package awarded Michael Ovitz, the Hollywood talent agent who served as Disney's president for 14 months. Ovitz, who resigned in December, has received $38.9 million in cash from Disney and options on 3 million shares that have a current paper value of $54 million.

The Washington-based Council of Institutional Investors, which organized the pension fund protest, acknowledges the action is largely symbolic—it is not voting for alternative board candidates. The group's members control about 11.5 million Disney shares—a tiny fraction of the 675 million Disney shares in the public's hands; it's not clear whether the action has wide support among other shareholders.

''We're merely trying to send a message,'' said Alyssa Machold, deputy director of the council. ''We don't want to start burning Mickey Mouse in effigy. But by not voting, we're calling into question the actions of Disney's board,'' which approved the Eisner and Ovitz packages.

The organization says Disney's 16-member board includes 10 directors whose financial ties to the company could compromise their independence. Mitchell's Washington law firm, for example, provides legal services to Disney.

Even before his new pay package was disclosed in January, Eisner was often at the center of the executive-pay controversy. In 1992, he made headlines when he exercised options on shares then worth about $202 million.

According to Disney's records, the 54-year-old executive has reaped $240 million in profits by exercising options and selling stock in his past 12 years as chief executive. As of September, he held stock that would bring an additional $304 million of profit if sold.

His new contract awards him 8 million options. (An option gives its owner the right to buy stock in a company at a particular point in time at a predetermined price; it has value if it permits the buyer to buy stock at a price below the existing market price.)

Assessing the future value of an option is an inexact science because it requires guessing the future price of a stock. Officially, Disney estimates the value of Eisner's new options at $195.4 million over their 10-year life.

Raymond Watson, the Disney board member who directed negotiations on the contract with Eisner, says that is a conservative figure, based on the low end of assumptions about Disney's future performance.

Graef ''Bud'' Crystal, an executive-pay expert whom Disney's board consulted to formulate the contract, said the value of the Eisner deal likely will be much higher. Assuming an 11 percent annual return—Disney's average stock performance for the past 10 years—Crystal calculated Eisner could realize $770.9 million from exercising the options from 2003 to 2006.

Asked about that figure, Watson said, ''I don't dispute it. We looked at it that way and 30 other ways besides.''

But Watson said Eisner's compensation will be worth it if he can help Disney keep up its historical growth. He noted that options only have value if the company's stock keeps appreciating. Indeed, companies award executive options in order to motivate them to keep share value rising.

Under Eisner, Disney has been one of Wall Street's stellar performers. Its revenue has grown from $1.5 billion in 1984 to $18.7 billion in 1996. And its stock has soared during that period—from $3 per share to $75.37½ as of Friday, after adjusting for splits.

Even Crystal, a frequently quoted critic of huge executive pay packages, grudgingly says Disney's board had to offer Eisner his huge new deal. ''The package he got is awesome,'' he said. ''But if Sony had tried to lure him away, they would have offered him Tokyo and thrown in Kyoto as a bonus.''

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

S. 577. A bill to increase the efficiency and effectiveness of the Federal Government, and for other purposes; to the Committee on Governmental Affairs.

THE GOVERNMENT RESTRUCTURING AND REFORM ACT OF 1997

Mr. GLENN. Mr. President, I rise today to introduce the Government Restructuring and Reform Act of 1997, legislation whose objective is to reorganize the executive branch into a form and a structure that is capable of meeting the challenges of the 21st century. The bill is cosponsored by my distinguished colleague from Connecticut, Senator LIEBERMAN.

We are in an era of contraction at the Federal level. Some of this contraction is needed in my opinion, in some areas I don't think it's a good idea. But it is a fact. Many programs are being cut, others have been eliminated or consolidated into block grants to the States. Agencies and departments are being downsized and in some cases eliminated. In the last Congress, the Bureau of Mines, Office of Technology Assessment, Interstate Commerce Commission, and Advisory Commission on Intergovernmental Relations were all terminated. In addition, agency rules and paperwork are being pruned. And Federal employment has been cut by over 250,000 positions in the last 4 years and continues to fall.

These are big and historic changes, spurred on by our efforts to reach a balanced budget and the desire of the American people for a more cost-effective Government.

However, despite the overall downsizing effort, the basic structure of the Federal Government remains unchanged. In fact, the basic structure of the Federal Government has changed little in the last 25 years, despite structural changes in the private sector, the economy, and our society over that same time period. The Federal Government has been the last to follow suit—and that's as it should be in a democracy—but that does not mean it should be immune from change forever. We cannot keep the status quo in the existing executive branch structure while continuing to downsize, cut budgets and programs and reduce personnel levels and also expect these same Federal agencies to perform effectively and maintain adequate levels of service. We'll end up with what I call the hollowing out of Government. We'll have the same agencies and departments in place doing most of the same activities as they do now. But with less money and less people on hand, these activities will be carried out less effectively. We'll have a less costly Federal

Government, but not a more cost-effective one. That is, unless we address reorganization and consolidation of Federal agencies and functions in a comprehensive, well-thought-out way.

Reorganization issues are very difficult, perhaps among the most difficult issues we face in Government. It raises questions that don't have simple, right and wrong answers. Should we have greater centralization of Government functions in less, but larger Cabinet departments? This is the traditional, centralized model of how Government bureaucracy is organized. Or should we decentralize and spread Government functions across many smaller agencies and departments? Such an approach fits what many call the entrepreneurial model of Government organization.

Well, I can think of pros and cons to both approaches. To add to this difficulty, reorganization necessarily involves questions of turf and jurisdiction. Turf battles in this town are as hotly contested as any policy issue. I know this through experience. Several years ago I proposed consolidating the Government's trade and technology functions into one Cabinet department and I faced very stiff opposition. Likewise, turf is just as jealously guarded at the other end of Pennsylvania Avenue. Ask the President's National Performance Review. They proposed integrating the Agency for International Development into the State Department in addition to consolidating the Federal law enforcement agencies only to be faced down by the bureaucracy. So I don't think comprehensive reorganization can be tackled successfully by either the Congress or the executive branch.

That's why I'm in favor of establishing a Government commission to examine executive branch organization. My bill establishes a nine-member, bipartisan Commission to make recommendations to the President and the Congress in 2 years on consolidating, eliminating, and restructuring Federal departments and agencies in order to eliminate unnecessary activities, reduce duplication across programs, and improve management and efficiency. This Commission would be not just any old Commission, producing some big thick study that would wind up largely unread in some recycling bin, or on the dusty shelf of academia. Rather the Commission's recommendations would be submitted to the Congress and have to be considered on a what I call a flexible fast-track basis. They could not perish in committee, as so often occurs with commission reports and recommendations.

There is precedent for such a commission. In fact, the few successful Government reorganization efforts that have taken place have come about because of the work of a commission. Let me give you some background.

The Hoover Commission is probably the most famous Government restructuring commission from recent times. It was formed in 1947 and chaired by former President Hoover. The 12-member commission operated until 1949 and issued 19 reports to the President recommending various changes in the structure of the Federal Government. From these recommendations, President Truman submitted eight reorganization plans to Congress in 1949, of which six became effective. The following year he submitted 27 reorganization plans, 20 of which became effective. Included among these plans were the creation of the General Services Administration, the expansion of the Executive Office of the President, and the creation of a centralized Office of Personnel.

A second Hoover Commission was formed in 1953 and made 314 specific recommendations over the following 2 years, 202 of which were implemented. However, generally this Commission was not considered as successful as the first Hoover Commission, as it engaged itself in more controversial matters of policy rather than solely focus on management and organization as the first commission had done.

Our next restructuring effort of note was put forward by President Nixon's Ash Council, which was in operation from 1969 to 1971. Headed by Roy Ash, chairman of Litton Industries, the Council supplied the President with nine memoranda detailing with specific reorganization and consolidation proposals. The Council recommended the formation of OMB, the EPA, and NOAA from the consolidation of existing programs. These proposals were all implemented. The Council also recommended the creation of several super-Departments, including a Department of Natural Resources, but these proposals ultimately did not pass the Congress.

The next notable Commission came during the Reagan years, the Grace Commission, which was established by Executive order in 1982 and was in operation through 1984. The panel was composed of 161 corporate executives and it issued a massive 47 volume report with nearly 2,500 recommendations. Many of its recommendations were policy-based rather than organizational in nature, hence they generated controversy and polarized debate in the Congress. Still, many of the recommendations were implemented, primarily through executive branch action. And the Commission did call for stronger financial management in the Federal bureaucracy. That's something we have built on in the Committee on Governmental Affairs through enactment of the Chief Financial Officers Act.

More recently, the Committee on Governmental Affairs passed legislation to establish a bipartisan reorganization commission as part of our efforts to make the VA a Cabinet department. That Commission became law, Unfortunately, in order to pass it, we had to place a mechanism to trigger the activation of the Commission through a Presidential certification that the Commission was in the national interest. Unfortunately, that certification was not made, Had it been, perhaps we would have in place today the blueprint for the Government of the 21st century.

Then in the 103d Congress, we reported out a Glenn-Roth-Lieberman Commission bill by a 12 to 1 vote. But we did not move it to the floor because the President's National Performance Review was just getting underway and we wanted to see what it might come up with before establishing the commission.

Finally, last year the committee reported out a version of a government reorganization commission; however, it was tied to legislation dismantling the Commerce Department and thus died. Late in the session, Senator STEVENS developed a substitute retaining the commission but dropping the dismantling provisions, We came close to an agreement and my hope this Congress is that we will reach one.

For a more detailed history of government restructuring commissions I would refer my colleagues to an excellent report prepared by CRS titled ''Reorganizing the Executive Branch in the Twentieth Century: Landmark Commissions.''

I believe that a commission would complement nicely the efforts of the NPR. The Federal work force has been reduced by over 250,000 positions, Federal paperwork and redtape has been simplified, procurement reform has been enacted, and unnecessary field offices at the Department of Agriculture has been closed. These accomplishments are due in significant part to the work and the efforts of the NPR.

However, the NPR has generally not focused on government restricting. In the instances where it has made proposals—I noted two examples earlier in my statement—they have been rebuffed by the bureaucracy, the Congress or both.

Recent congressional efforts have fallen short also, as several of my colleagues learned in advocating the dismantling of four Cabinet departments—HUD, DOE, Commerce, and Education. Those efforts were heavy-handed in my view and would have created more problems then they would have solved.

In closing, I believe an examination of the experience of the private sector in restructuring and downsizing is instructive in differentiating between the right and wrong ways to downsize. A 1993 survey of over 500 U.S. companies by the Wyatt Co. revealed that only 60 percent of the companies actually were able to reduce costs in their restrucuting efforts. Both the Wyatt Survey and a similar one conducted by the American Management Association concluded that successful restructuring efforts must be planned carefully with a clear vision of their goals and objectives, and that proper attention be given to maintaining employee morale

and productivity. Otherwise, the costs of reorganization may outweigh its benefits.

There is a right and a wrong way to reorganize and downsize. I believe that the Commission approach is the right way. I hope my colleagues will support this 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:

SUMMARY OF THE GOVERNMENT RESTRUCTURING AND REFORM ACT OF 1997

MISSION

To consolidate, eliminate and reorganize Federal government departments, agencies and programs to improve efficiency and effectiveness, streamline operations and eliminate unnecessary duplication. To strengthen management capacity. To propose criteria for government-sponsored corporations. To define new/reorganized agency missions and responsibilities.

MEMBERSHIP

Nine Members (No more than five from any one party). Three Members (including Chair) appointed by the President (Chairman is selected in consultation with the respective Republican and Democratic leaders of the House and Senate). Six Members appointed by the Congress (1 each for each party leader, then 1 by Speaker in concurrence with Sen. Majority Leader and 1 by Sen. Minority Leader in concurrence with House Minority Leader). Appointments made within 90 days of enactment. Six Members must be in agreement for the Commission to approve any recommendation.

REPORTS

President may submit his own recommendations (7/1/98) for the Commission to consider. Commission issues a preliminary (due 12/1/98) and final report (8/1/99) to the President, Congress, and the public. Public hearings must be held and the Commission is subject to FACA. President has 30 days to suggest changes to final report. The final report is forwarded to Congress by 10/1/99.

LEGISLATION

''Flexible'' fast-track process is in place. Commission final report is introduced as one single bill and Committees have 30 legislative days to act or bill is discharged. Bill is then placed on the Senate calender and after 5th legislative day it is in order to proceed to consideration of the bill. Bill can be filibustered or amended (must be relevant). Fast track procedures apply for the House as well. House-Senate conferees then have 20 days to report.

FUNDS/TENURE

$5 M per yr. Sunsets by 10/1/99.

By Mr. DASCHLE (for himself, Mr. HARKIN, Mr. HATCH, Mr. GRASSLEY, Mr. ABRAHAM, Mr. REID, Mr. INOUYE, Mr. BAUCUS, Mr. CRAIG, Mr. KEMPTHORNE, and Mr. THOMAS):

S. 578. A bill to permit an individual to be treated by a health care practitioner with any method of medical treatment such individual requests, and for other purposes; to the Committee on Labor and Human Resources.

THE ACCESS TO MEDICAL TREATMENT ACT

Mr. DASCHLE. Mr. President, today I am introducing the Access to Medical Treatment Act. I am pleased to be joined by Senators HARKIN, HATCH, GRASSLEY, REID, ABRAHAM, INOUYE, BAUCUS, CRAIG, KEMPTHORNE, and THOMAS in this effort to allow greater freedom of choice in the realm of medical treatments.

I was introduced to the alternative medical treatment debate the same way many Americans are: through personal experience. Actually, in my case it was the experience of a personal friend: Berkley Bedell.

Berkley Bedell, as many of you know, is a former Congressman from Iowa's 6th District. He is also—since his battle with Lyme disease several years ago—a tireless advocate for improving access to alternative treatments.

As some may remember, Congressman Bedell was ill with Lyme disease when he left the House at the end of the 100th Congress. Having tried several unsuccessful rounds of conventional treatment consisting of heavy doses of antibiotics over approximately 4 years, he turned to an alternative treatment that he believes cured his disease.

This treatment consisted on its most basic level of nothing more than drinking processed whey from a cow's milk. After about 2 months of taking regular doses of this processed whey, his symptoms disappeared.

Despite Congressman Bedell's amazing recovery, and the fact that this same treatment appeared to be effective in treating other cases of Lyme disease, the treatment can no longer be administered because it has not gone through the FDA approval process.

Congressman Bedell's story—and others I have heard since—have convinced me of two things: first, that our health care system actually discourages the development and use of alternative medical treatments; and second, that this myopic outlook does not serve the best interest of the American people.

As I looked into the potential of alternative therapies, I was struck by what appears to be a deep-seated skepticism of alternative treatments within the medical establishment that may be impeding their use. It is clear to me that the public would benefit by greater debate about the value of alternative medical treatments, and it is to stimulate that debate and ultimately remove barriers to potentially effective treatments that I have reintroduced the Access to Medical Treatment Act.

This legislation would allow individual patients and their physicians to use certain alternative and complementary therapies not approved by the FDA. A companion measure has been introduced in the House by Representative DEFAZIO and 43 of his colleagues.

Mr. President, it has been my experience that efforts to expand access to alternative treatments often produce strong emotional reactions—on both sides of the issue. Sometimes, those reactions are so strong they detract from the merits of the debate.

Therefore, let me clarify the intent of the Access to Medical Treatment Act.

This bill is intended to promote greater access to alternative therapies under the supervision of licensed health practitioners and under carefully circumscribed guidelines. Hopefully, it will stimulate a constructive discussion of how best to achieve this objective.

I appreciate the natural inclination to be wary of uncharted waters, and I am not suggesting that caution be thrown to the wind in the case of alternative therapies. Some have expressed concern that this bill could have the unintended effect of opening the door to unscrupulous entrepreneurs who seek to make profit on the despair of the sick. I don't minimize that concern. How to guard against such an unintended consequence is an issue we will want to examine closely and address.

What I am suggesting, however, is that this concern should not blind us to the benefit and potential of alternative medicine. It is not a reason to shrink from the challenge of expanding access to alternative therapies.

Alternative therapies constitute a legitimate field of endeavor that is an accepted part of medicine taught in at least 22 of the Nation's 125 medical schools, including such prestigious institutions as Harvard, Yale, Columbia, Johns Hopkins, Georgetown, Albert Einstein, Mount Sinai, UCLA, and the University of Maryland.

At the National Institutes of Health's Office of Alternative Medicine, scientists are working to expand our knowledge of alternative therapies and their safe and effective use.

And the State medical licensing boards now have a committee discussing alternative medicine. I encourage that panel to explore how safe access to alternative medicine might be increased.

Additionally, more and more Americans are turning to alternative therapies in those frustrating instances in which conventional treatments seem to be ineffective in combating illness and disease. In 1990 alone, the New England Journal of Medicine found that Americans spent nearly $14 billion on alternative therapies, and made more visits to alternative practitioners than they did to primary care doctors. American consumers are turning to these therapies because they are perceived to be a less expensive and more prevention-based alternative to conventional treatments.

Given the popularity of alternative therapies among the American public, it will be asked why this legislation is necessary. If a particular alternative treatment is effective and desired by patients, then why can't it simply go through the standard FDA approval process?

The answer is that the time and expense currently required to gain FDA approval of a treatment makes it very

difficult for all but large pharmaceutical companies to undertake such an arduous and costly endeavor. The heavy demands and requirements of the FDA approval process, and the time and expense involved in meeting them, serve to limit access to the potentially innovative contributions of individual practitioners, scientists, smaller companies, and others who do not have the financial resources to traverse the painstakingly detailed path to certification.

Thus, the current system has the unfortunate effect of both discouraging the exploration of life-saving treatments and preventing low-cost treatments from gaining access to the market. The Access to Medical Treatment Act attempts to open the door to promising treatments that may not have huge financial backing.

I want to be absolutely clear, however, that this legislation will not dismantle the FDA, undermine its authority or appreciably change current medical practices. It is not meant to attack the FDA or its approval process. It is meant to complement it.

The FDA should—and would under this legislation—remain solely responsible for protecting the health of the Nation from unsafe and impure drugs. The heavy demands and requirements placed upon treatments before they gain FDA approval are important, and I firmly believe that treatments receiving the Federal Government's stamp of approval should be proven safe and effective.

The real question posed by this legislation is whether it is in the public interest to simply forgo the potential benefits of alternative treatments because of economies of scale, or whether, working with the FDA, it makes sense to explore ways to bring such treatments to the marketplace.

Mr. President, the Access to Medical Treatment Act proposes one way to extend freedom of choice to medical consumers under carefully controlled situations. It suggests that individuals—especially those who face life-threatening afflictions for which conventional treatments have proven ineffective—should have the option of trying an alternative treatment, so long as they have been fully informed of the nature of the treatment, potential side effects and any other information necessary to fully meet FDA informed consent requirements. This is a choice that is rightly left to the consumer, and not dictated by the Federal Government.

The bill requires that a treatment be administered by a properly licensed health care practitioner who has personally examined the patient. It requires the practitioner to comply fully with FDA informed consent requirements. And it strictly regulates the circumstances under which claims regarding the efficacy of a treatment can be made.

No advertising claims can be made about the efficacy of a treatment by a manufacturer, distributor, or other seller of the treatment. Claims may be made by the practitioner administering the treatment, but only so long as he or she has not received any financial benefit from the manufacturer, distributor, or other seller of the treatment. No statement made by a practitioner about his or her administration of a treatment may be used by a manufacturer, distributor, or other seller to advance the sale of such treatment.

What this means is that there can be no marketing of any treatment administered under this bill. As such, there should be little incentive for anyone to try to use this bill as a bypass to the process of obtaining FDA approval. Also, because only properly licensed practitioners are able to make any claims at all about the efficacy of a treatment, there should be little room for so-called quack medicine. In short, if an individual or a company wants to earn a profit off their product, they would be wise to go through the standard FDA approval process rather than utilizing this legislation.

In essence, this legislation addresses the fundamental balance between two seemingly irreconcilable interests: the protection of patients from dangerous treatments and those who would advocate unsafe and ineffective medicine—and the preservation of the consumer's freedom to choose alternative therapies.

The complexity of this policy challenge should not discourage us from seeking to solve it. I am convinced that the public good will be served by a serious attempt to reconcile these contradictory interests, and I am hopeful the discussion generated by introduction of this legislation will help point the way to its resolution. I welcome anyone who would like to join me in promoting this important debate to cosponsor this legislation. I also welcome alternative suggestions for accomplishing this objective.

As I mentioned previously, I am sympathetic to the concern about the need to protect patients against unscrupulous practitioners. Individuals are often at their most vulnerable when they are in desperate need of medical treatment. That is why it is absolutely critical that a proposal of this nature include strong protections to ensure that patients are not subject to charlatans who would prey on their misfortunate and fears for personal gain. The Access to Medical Treatment Act contains such protections.

Mr. President, this legislation represents an honest attempt to focus serious attention on the value of alternative treatments and overcome current obstacles to their safe development and utilization. If there is a better way to make alternative therapies available to people safely, let's find that way. But let's continue this discussion and get the job done.

I ask unanimous consent that the text of the Access to Medical Treatment Act be printed in the RECORD.

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

S. 578

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 ''Access to Medical Treatment Act''.

SEC. 2. DEFINITIONS.

In this Act:

(1) ADVERTISING CLAIMS.—The term ''advertising claims'' means any representations made or suggested by statement, word, design, device, sound, or any combination thereof with respect to a medical treatment.

(2) DANGER.—The term ''danger'' means any negative reaction that—

(A) causes serious harm;

(B) occurred as a result of a method of medical treatment;

(C) would not otherwise have occurred; and

(D) is more serious than reactions experienced with routinely used medical treatments for the same medical condition or conditions.

(3) DEVICE.—The term ''device'' has the same meaning given such term in section 201(h) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321(h)).

(4) DRUG.—The term ''drug'' has the same meaning given such term in section 201(g)(1) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321(g)(1)).

(5) FOOD.—The term ''food''—

(A) has the same meaning given such term in section 201(f) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321(f)); and

(B) includes a dietary supplement as defined in section 201(ff) of such Act.

(6) HEALTH CARE PRACTITIONER.—The term ''health care practitioner'' means a physician or another person who is legally authorized to provide health professional services in the State in which the services are provided.

(7) LABEL.—The term ''label'' has the same meaning given such term in section 201(k) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321(k)).

(8) LABELING.—The term ''labeling'' has the same meaning given such term in section 201(m) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321(m)).

(9) LEGAL REPRESENTATIVE.—The term ''legal representative'' means a parent or an individual who qualifies as a legal guardian under State law.

(10) MEDICAL TREATMENT.—The term ''medical treatment'' means any food, drug, device, or procedure that is used and intended as a cure, mitigation, treatment, or prevention of disease.

(11) SELLER.—The term ''seller'' means a person, company, or organization that receives payment related to a medical treatment of a patient of a health practitioner, except that this term does not apply to a health care practitioner who receives payment from an individual or representative of such individual for the administration of a medical treatment to such individual.

SEC. 3. ACCESS TO MEDICAL TREATMENT.

(a) IN GENERAL.—Notwithstanding any other provision of law, and except as provided in subsection (b), an individual shall have the right to be treated by a health care practitioner with any medical treatment (including a medical treatment that is not approved, certified, or licensed by the Secretary of Health and Human Services) that such individual desires or the legal representative of such individual authorizes if—

(1) such practitioner has personally examined such individual and agrees to treat such individual; and

(2) the administration of such treatment does not violate licensing laws.

(b) MEDICAL TREATMENT REQUIREMENTS.—A health care practitioner may provide any medical treatment to an individual described in subsection (a) if—

(1) there is no reasonable basis to conclude that the medical treatment itself, when used as directed, poses an unreasonable and significant risk of danger to such individual;

(2) in the case of an individual whose treatment is the administration of a food, drug, or device that has to be approved, certified, or licensed by the Secretary of Health and Human Services, but has not been approved, certified, or licensed by the Secretary of Health and Human Services—

(A) such individual has been informed in writing that such food, drug, or device has not yet been approved, certified, or licensed by the Secretary of Health and Human Services for use as a medical treatment of the medical condition of such individual; and

(B) prior to the administration of such treatment, the practitioner has provided the patient a written statement that states the following:

''WARNING: This food, drug, or device has not been declared to be safe and effective by the Federal Government and any individual who uses such food, drug, or device, does so at his or her own risk.'';

(3) such individual has been informed in writing of the nature of the medical treatment, including—

(A) the contents and methods of such treatment;

(B) the anticipated benefits of such treatment;

(C) any reasonably foreseeable side effects that may result from such treatment;

(D) the results of past applications of such treatment by the health care practitioner and others; and

(E) any other information necessary to fully meet the requirements for informed consent of human subjects prescribed by regulations issued by the Food and Drug Administration;

(4) except as provided in subsection (c), there have been no advertising claims made with respect to the efficacy of the medical treatment by the practitioner;

(5) the label or labeling of a food, drug, or device that is a medical treatment is not false or misleading; and

(6) such individual—

(A) has been provided a written statement that such individual has been fully informed with respect to the information described in paragraphs (1) through (4);

(B) desires such treatment; and

(C) signs such statement.

(c) CLAIM EXCEPTIONS.—

(1) REPORTING BY A PRACTITIONER.—Subsection (b)(4) shall not apply to an accurate and truthful reporting by a health care practitioner of the results of the practitioner's administration of a medical treatment in recognized journals, at seminars, conventions, or similar meetings, or to others, so long as the reporting practitioner has no direct or indirect financial interest in the reporting of the material and has received no financial benefits of any kind from the manufacturer, distributor, or other seller for such reporting. Such reporting may not be used by a manufacturer, distributor, or other seller to advance the sale of such treatment.

(2) STATEMENTS BY A PRACTITIONER TO A PATIENT.—Subsection (b)(4) shall not apply to any statement made in person by a health care practitioner to an individual patient or an individual prospective patient.

(3) DIETARY SUPPLEMENTS STATEMENTS.—Subsection (b)(4) shall not apply to statements or claims permitted under sections 403B and 403(r)(6) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 343–2 and 343(r)(6)).

SEC. 4. REPORTING OF A DANGEROUS MEDICAL TREATMENT.

(a) HEALTH CARE PRACTITIONER.—If a health care practitioner, after administering a medical treatment, discovers that the treatment itself was a danger to the individual receiving such treatment, the practitioner shall immediately report to the Secretary of Health and Human Services the nature of such treatment, the results of such treatment, the complete protocol of such treatment, and the source from which such treatment or any part thereof was obtained.

(b) SECRETARY.—Upon confirmation that a medical treatment has proven dangerous to an individual, the Secretary of Health and Human Services shall properly disseminate information with respect to the danger of the medical treatment.

SEC. 5. REPORTING OF A BENEFICIAL MEDICAL TREATMENT.

If a health care practitioner, after administering a medical treatment that is not a conventional medical treatment for a life-threatening medical condition or conditions, discovers that such medical treatment has positive effects on such condition or conditions that are significantly greater than the positive effects that are expected from a conventional medical treatment for the same condition or conditions, the practitioner shall immediately make a reporting, which is accurate and truthful, to the Office of Alternative Medicine of—

(1) the nature of such medical treatment (which is not a conventional medical treatment);

(2) the results of such treatment; and

(3) the protocol of such treatment.

SEC. 6. TRANSPORTATION AND PRODUCTION OF FOOD, DRUGS, DEVICES, AND OTHER EQUIPMENT.

Notwithstanding any other provision of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 201 et seq.), a person may—

(1) introduce or deliver into interstate commerce a food, drug, device, or any other equipment; and

(2) produce a food, drug, device, or any other equipment,

solely for use in accordance with this Act if there have been no advertising claims by the manufacturer, distributor, or seller.

SEC. 7. VIOLATION OF THE CONTROLLED SUBSTANCES ACT.

A health care practitioner, manufacturer, distributor, or other seller may not violate any provision of the Controlled Substances Act (21 U.S.C. 801 et seq.) in the provision of medical treatment in accordance with this Act.

SEC. 8. PENALTY.

A health care practitioner who knowingly violates any provisions under this Act shall not be covered by the protections under this Act and shall be subject to all other applicable laws and regulations.

By Mr. ASHCROFT:

S. 579. A bill to amend the Internal Revenue Code of 1986 to allow a deduction for the old-age, survivors, and disability insurance taxes paid by employees and self-employed individuals, and for other purposes; to the Committee on Finance.

THE WORKING AMERICANS WAGE RESTORATION ACT

Mr. ASHCROFT. Mr. President, it has been said that America is a city on a hill, a special example for the rest of the world to observe—a place of hope, a place of opportunity—what America is and ought to be. But it might be said that if we are a city, we are in need of urban renewal. We need to restart our engine, to regenerate the potential for growth, for the development of opportunity in this culture.

Economic growth has been the idea, it has been the mechanism whereby America could find a special place of opportunity, where America could be that particular country that said:

> Give me your tired, your poor, your huddled masses, yearning to breathe free, the wretched refuse of your teeming shore. Send these, the homeless tempest tossed, to me.

With what the writer of that great poem inscribed on the Statue of Liberty, America could proudly proclaim, ''I lift my lamp beside the golden door.''

America has been a place of opportunity because it has been a place of growth, with an understanding that we could always grow our way through problems. Growth has been that marvelous key toward providing some new hope for individuals. Individuals from anywhere and everywhere at all times in our history have provided a part of the stream of a growing America, a set of opportunities that is the envy of the world. Yet what is happening and has happened to our growth? What has happened to our culture? Working families are being stressed. They get up early. They work hard. They sacrifice time with each other and with their children, and they seem to have less and less to show for it. They are squeezed not just financially but as families.

What is the reason? Why is that we as a culture find ourselves laboring under this weight rather than soaring with the opportunity characteristic of our heritage?

I think we have a tax load that is weighing down individuals in this culture, and it is a major one. It is simple. It is not hard to understand. The most recent issue of Baron's magazine, which is a magazine that monitors business activity and government and families and opportunity, spells out the tremendous tax load—heavier at this moment in history than at any other time in the history of America. It is interesting to note that we were able to spend our way out of the Great Depression with lower tax rates than we now have. We were able to make the world safe for democracy or to work toward making it in the First World War. We were able to defeat the onerous and terrible power of Nazi Germany in the Second World War with lower tax rates than we have now.

Big government is taking so much of the working wages of Americans that Americans no longer have the resources to spend on themselves that they need.

The family budget in 1955, for example, was 27.7 percent in total taxes. Now the total taxes of the average American family is well over 38 percent. And you are well aware of the fact that we spend more on taxes than

we do on food, clothing, and shelter combined. We need to take a look at what we are spending and how we are deploying it, to see what has happened to what we thought were our wage increases. We have had a lot of wage increases, but we end up with less and less. It turns out that the wage increase for America has been stolen by the Government. If we had the kind of income that we have now and we were paying 27.7 in total taxes like we were in 1955, we would have had real wage increases.

Mr. President, today is April 15. It is tax day. Yet most Americans do not realize that we are forced to pay a double tax. We pay income tax on the Social Security taxes that are deducted from our check, on those taxes which are pulled out before we ever see our check. We pay income taxes on that tax. That is particularly unfortunate. We are double taxed. Money that we never see, money that goes to Government, we pay a second tax to Government on that money. It does not make sense.

Interestingly enough, this is not a tax that hits American businesses the same way. As you will recall, half of the Social Security tax is paid by citizens; half is paid by corporations or the employers. The citizen who pays the tax pays a double tax—not only pays the Social Security tax but then has an income tax on that same money that is required to be taken out of his remaining funds. The business that pays Social Security taxes gets to deduct from its other taxes what it has paid in Social Security taxes, or gets to deduct from its taxable income what it has paid in Social Security taxes.

So the business community gets fair treatment of a single tax while the working individual has a double tax situation there, and it is time to end that kind of arbitrary, unreasonable, unequal, discriminatory approach to the worker and to provide parity with the reasonable expectation that is demanded from the employer and the corporation. If this is deductible to the employers and to corporations and to businesses, the payment of those taxes should also be deductible to individuals in our culture.

The ordinary citizen, the worker, cannot though, and it is time that we lift the American worker at least to tax parity and to tax equality, a position that they should share with the corporate community and the business community.

For those who are fond of saying that every tax break is a tax break for the rich, it is time to think again. This is not a proposal that is designed to help people who make millions and millions of dollars. Social Security taxes are only levied on the first $65,000 of income. If we provide a deduction for those Social Security taxes which are paid, the person who makes $65,000 in income does not have any smaller deduction or any smaller benefit than the person who makes $650,000 in income or the person who makes $65 million in income. The tax benefit is the same once you reach the $65,000 level.

So this is a tax benefit that is not focused on the rich. It is not any more valuable to the very rich than it is to the middle class. The truth is this is the middle-class tax cut that is fair. It provides for people who work, that they will not be double taxed on their work. Social Security taxes are the only tax in America levied on work. Income taxes are levied on earned income or unearned income, but Social Security taxes are levied on work. How ironic that in America we would have a double tax on work. We ought to be standing for a proposition, instead of double taxing work, at least give it equality with other income that would not be double taxed. We would give Americans an opportunity to retain some of that for which they had worked so they could spend it themselves.

There would be a significant improvement in the setting for the average two-income family in America. The average two-earner family pays about $1,227 more in income taxes because they cannot deduct from their income tax the taxes they have already paid to Social Security. If we allow them to deduct those, that means that $1,227 that is paid in income taxes would be available for individuals to have to meet their family needs. This is not just a way of saying that people will be able to spend the money. It is saying that people will be able to spend this money on themselves rather than have Government spend this money on more Government programs. I think most Americans understand that they would be better off deciding what they need most and how best to meet those needs than expecting Government to spend the money for them.

The thrust of the matter is that this $1,227 per year for the average two-income family would be a welcome relief from a tax load which is higher than it has ever been before in the history of this country.

I had the privilege of being Governor in my State for two terms before I came here, and I know what jobs mean and how important jobs are. What is interesting to note is that if we were to implement this tax measure of relief for the American people, the scholars estimate it would mean 900,000 new jobs in this country. Nine hundred thousand new jobs would provide a real spurt of growth for this Nation and would help us reacquire the sense of dynamic that America has had historically and that our heritage contains. Nine hundred thousand new jobs would be an average of about 18,000 jobs per State. I know that 18,000 jobs is equivalent to at least 3 car plants, new car plants, in a State. That would mean growth. That would mean opportunity. It would build for the future of this great country. I think we need to remind ourselves on a consistent basis when we tax people it is not a question of whether or not the money will be spent; it is a question of whether Government will spend the money or people will spend the money. I believe people can decide best.

The passage of this act would affect the take-home pay of 77 million Americans who would have more resources to devote to meet the needs of their families, and it would be a measure of providing equity and fairness so that they would not be double taxed and neither would they be taxed unequally and in a discriminatory way as compared to the taxes which are levied on the corporate community.

Mr. President, so often we say that bigger Government is required because some think that families will not do what they ought to do. I believe we have come to a juncture where Government has made it impossible for families to do what they need to do. Families want to share. They want to be involved in their communities. They want to be involved in reaching out to other people. When Government takes such a big portion of your income, when you have to work 3 hours every day to pay your taxes and you struggle through the rest of your day to meet your own needs, it does not leave much opportunity for sharing.

The purpose of Government is related to growth. It is related to the growth of people, not the growth of Government. If we are to perpetuate a system where the only thing that can grow is Government, we have made a mistake. We would have destroyed the genius of America and repudiated our rich history of being able to grow our way through any challenge. It is time for us, the United States of America, the city on the Hill, again to be a city of hope and opportunity. It is time for us to provide a basis upon which the American worker and the American economy can grow. We can do that by ceasing the practice of double taxing work. We must stop double taxing working Americans.

The bill, which I now send to the desk, is cosponsored by Senators CRAIG, SHELBY, COCHRAN, HAGEL, and HATCH. It would end the double taxation that American workers pay on Social Security taxes, because income taxes are levied on those amounts which are deducted as payroll taxes, known as Social Security taxes.

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. 579

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 ''Working Americans Wage Restoration Act''.

SEC. 2. DEDUCTION FOR OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE TAXES OF EMPLOYEES AND SELF-EMPLOYED INDIVIDUALS.

(a) TAXES OF EMPLOYEES.—

(1) DEDUCTION ALLOWED IN ARRIVING AT ADJUSTED GROSS INCOME.—Section 62(a) of the Internal Revenue Code of 1986 (defining adjusted gross income) is amended by inserting after paragraph (16) the following new paragraph:

''(17) EMPLOYEES' OASDI TAXES.—The deduction allowed by section 164(g).''

(2) DETERMINATION OF DEDUCTION.—Section 164 of such Code (relating to deduction for taxes) is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) EMPLOYEES' OASDI TAXES.—

''(1) IN GENERAL.—In the case of an individual, in addition to the taxes described in subsection (a), there shall be allowed as a deduction for the taxable year an amount equal to the sum of—

''(A) the taxes imposed by section 3101(a) for the taxable year, and

''(B) the taxes imposed by section 3201(a) for the taxable year but only to the extent attributable to the percentage in effect under section 3101(a).

''(2) SPECIAL RULE FOR CERTAIN AGREEMENTS.—For purposes of paragraph (1), taxes imposed by section 3101(a) shall include amounts equivalent to such taxes imposed with respect to remuneration covered by—

''(A) an agreement under section 218 of the Social Security Act, or

''(B) an agreement under section 3121(l) (relating to agreements entered into by American employers with respect to foreign affiliates).

''(3) COORDINATION WITH SPECIAL REFUND OF SOCIAL SECURITY TAXES.—Taxes shall not be taken into account under paragraph (1) to the extent the taxpayer is entitled to a special refund of such taxes under section 6413(c).

''(4) COORDINATION WITH EARNED INCOME CREDIT.—No deduction shall be allowed under paragraph (1) for any taxable year if the individual elects to claim the earned income credit under section 32 for the taxable year.''

(3) CONFORMING AMENDMENT.—The next to last sentence of section 275(a) of such Code is amended by inserting ''or 164(g)'' after ''164(f)''.

(b) DEDUCTION FOR SELF-EMPLOYED INDIVIDUALS.—

(1) IN GENERAL.—Paragraph (1) of section 164(f) of the Internal Revenue Code of 1986 (relating to deduction for one-half of self-employment taxes) is amended to read as follows:

''(1) IN GENERAL.—In the case of an individual, in addition to the taxes described in subsection (a), there shall be allowed as a deduction for the taxable year an amount equal to the sum of—

''(A) the taxes imposed by section 1401(a) for such taxable year, plus

''(B) 50 percent of the taxes imposed by section 1401(b) for such taxable year.

In the case of an individual who elects to claim the earned income credit under section 32 for the taxable year, only 50 percent of the taxes described in subparagraph (A) shall be taken into account.''

(2) CONFORMING AMENDMENTS.—

(A) Section 32(a)(1) of such Code is amended by inserting ''who elects the application of this section'' after ''eligible individual''.

(B) The heading for section 164(f) of such Code is amended by striking ''ONE-HALF'' and inserting ''PORTION''.

(C) Section 1402(a)(12) of such Code is amended—

(i) by striking ''one-half'' the first place it appears and inserting ''portion'', and

(ii) by striking subparagraph (B) and inserting:

''(B) a percentage equal to the sum for such year of the rate of tax under section 1401(a) and one-half of the rate of tax under section 1401(b);''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

By Mr. SMITH of New Hampshire (for himself, Mr. FAIRCLOTH, Mr. GRAMM, Mr. HATCH and Mr. KYL):

S. 580. A bill to amend the Internal Revenue Code of 1986 to allow individuals to designate that up to 10 percent of their income tax liability be used to reduce the national debt, and to require spending reductions equal to the amounts so designated; to the Committee on Finance.

THE TAXPAYER DEBT BUY-DOWN ACT OF 1997

Mr. SMITH, Mr. President, today I am introducing legislation to create an active role for ''We the People'' in the fiscal matters of the Federal Government.

I am joined by my colleagues, Senators FAIRCLOTH, GRAMM, HATCH, and KYL, who are original cosponsors of this measure.

WHY WE NEED THE TAXPAYER DEBT BUY-DOWN: THE PRESIDENT AND CONGRESS HAVE NOT STEPPED UP TO THE PLATE

On February 6, President Clinton submitted his fifth unbalanced budget.

Then, on March 4, the Senate failed by one vote to approve the balanced budget constitutional amendment (BBCA).

During the debate on the balanced budget constitutional amendment, the president and his congressional allies decried the constitutional change as too permanent, and argued that Congress could impose fiscal self-discipline.

In response to these claims, today I am reintroducing the Taxpayer Debt Buy-Down Act. This legislation not only answers appeals for statutory restrictions, but also takes the balanced budget debate to the people.

If the President and Congress cannot agree, the American people should decide.

I first introduced the bill in 1992, and it was endorsed by President George Bush.

More than one-third of the Senate voted for my plan which I offered as an amendment to the tax bill of 1992.

I feel the time has come again to empower the taxpayers to tell Congress how much spending they want cut in order to balance the budget and buy down the debt.

For example; in 1996, individual income tax revenue totaled over $650 billion.

So if every taxpayer checked off the maximum designation of 10-percent, Congress would have to come up with roughly $65 billion in spending cuts.

Admittedly, this level of participation is highly unlikely initially.

A more reasonable estimate would be that the total taxpayer check-off would amount to about 3-percent of all individual tax revenue in the first few years.

Under this scenario, Congress would only have to find less than $20 billion in spending reductions.

Considering the danger posed by our growing national debt, who could oppose $20 billion in spending cuts.

The American people will be able to tell us if we are on the right track, or if they want more deficit and debt reduction.

I challenge my colleagues to support their claims that they support a balanced budget. Ask the taxpayers.

THE PROCESS WOULD BE SIMPLE

First, by checking off a box on their April 1040 tax forms, taxpayers would designate up to 10 percent of their income tax liability, what they owe, for the purpose of deficit and debt reduction. Once the deficit is eliminated, designated cuts would buy down the debt.

Second, the following October, the Treasury Department would calculate the amount demanded by the taxpayers. Congress would then have until the end of the next fiscal year to cut Federal spending in any area to meet this target.

Third, if Congress failed to make the necessary cuts, an automatic across-the-board sequester of all Government accounts, with some necessary exemptions, would be triggered at the end of the session. This sequester would ensure compliance with the taxpayer-mandated spending reductions. However, I would hope this would not occur if Congress listens to the mandate of the taxpayers.

Fourth, furthermore, to harmonize this grassroots effort with congressional efforts to balance the budget, the check-off will initially mandate spending cuts and debt retirement only over and above the savings that Congress otherwise enacts. For example, if Congress passes legislation that implements savings of $50 billion in fiscal year 1999, and the check-off for that year totals $60 billion, only an additional $10 billion would be cut under this bill.

By Mr. DURBIN (for himself, Mr. LEAHY, Mrs. FEINSTEIN and Mr. TORRICELLI):

S. 581. A bill to amend section 49 of title 28, United States Code, to limit the periods of service that a judge or justice may serve on the division of the United States Court of Appeals for the District of Columbia to appoint independent counsels, and for other purposes; to the Committee on the Judiciary.

INDEPENDENT COUNSEL LEGISLATION

Mr. DURBIN. Mr. President, I rise today to introduce, with Senators LEAHY, FEINSTEIN and TORRICELLI, legislation dealing with the three-judge panel that appoints independent counsels.

In the last few days, we have heard a flurry of speeches about the appointment of an independent counsel and about the grasp that the Attorney General has on her job. Recently some Members of Congress have suggested that we should open an investigation on the Attorney General because of her

decision not to seek the appointment of an independent counsel.

This is a new high in the efforts to politicize the independent counsel statute and a new low in bullying tactics.

And, Mr. President, these tactics have worked insofar as their goal was to politicize this issue. Many Americans now view this statute as just another political football. Here in Congress, we toss about calls for an independent counsel. We threaten to minutely examine every act of the Attorney General in her efforts to carry out her duties under the statute.

Meanwhile, one of the most important institutions to the operation of the independent counsel statute goes unexamined. The three-judge panel that appoints and oversees the independent counsels wields enormous power. And it has tainted itself through close connections to partisan politics and through the appointment of special counsels who are likewise partisans.

This panel seems to operate free of any genuine scrutiny. It plays one of the most important roles in the administration of the statute. And it is the most in need of some oversight.

The last time an independent counsel was appointed, we all saw just how embroiled that three-judge panel is in partisan politics. The head of that panel, the Republican-appointed David Sentelle, had lunch with two Republican Senators just a few weeks before he appointed an independent counsel who was a Republican Justice Department official and who had just recently publicly contemplated running for the Senate as a Republican. As a result of this incident, five former presidents of the American Bar Association issued a letter rebuking Judge Sentelle for his actions.

A recent article in the Legal Times noted:

In fact, with the appointment of independent counsel[s] handled by a highly secretive three-judge panel, named by the chief judge of the United States, it could be argued that one partisan system has simply been supplanted by another.

Let me explain what the panel currently does and how that contributes to the failings of the statute.

The first flaw in the statute is in the appointment terms of the judges who sit on this special panel. Currently, three judges are appointed to the panel by the Chief Justice of the United States. The judges are appointed to the division for 2-year terms.

But David Sentelle is now serving his third 2-year term. Judge John D. Butzner, Jr., is in the middle of his fourth 2-year term. And Judge Peter T. Fay is in the midst of his second 2-year term.

In short, some judges are becoming entrenched in the independent counsel process.

A second flaw in the judges' panel is in its consistent failure to issue any rules of procedure and practice. In 1994, when we reauthorized the act, Congress called on the panel to promulgate rules of procedure for practice before it, clarify available avenues of appellate review, and undertake to catalog and preserve independent counsel reports and make public versions accessible upon request.

They have not done so. Only recently, the panel issued some draft rules of procedure dealing with attorney fee applications, but in 3 years they do seem to have not otherwise complied with Congress's request.

This special division is like a magician's hat: independent counsels emerge from it. But we do not know how. Are there any criteria used by the panel to appoint an independent counsel? Does the panel make any effort to assure that the person it appoints is actually independent? How does someone get this job—a job with a virtually unlimited budget and a stunning array of powers?

We do not know because the Court will not tell us, even though we asked them to 3 years ago.

We need to do a few things about this panel. The legislation I introduce today is intended to remove any taint of partisan politics from this panel. It requires that judges on the panel serve no more than two, 2-year terms. This will ensure that no one judge gets entrenched in appointing independent counsels. And it assures that the division does not get politicized. In addition, it is consistent with current law. Why have 2-year terms if the judges just stay on as long as they want? The 2-year term was clearly inserted with the view that judges would not stay on the division forever.

In addition to limiting judges on the panel to 4 years, the measure I introduce requires that the division promulgate the very rules that we asked them to issue 3 years ago.

The special division should not be a mysterious black box. People who practice before it should know the rules. Attorney fee applications are the most common things the Division has to deal with, but this provision also requires that the Special Division have rules governing the appointment of an independent counsel. We should know what criteria and what procedure they use to assure that the independent counsel is indeed independent and qualified.

Mr. President, I hope we can all agree that this measure is vitally needed. It is simply aimed at improving the operation of the independent counsel statute not tearing it down. It's goal is to take some partisan politics out of the system and to put a little more independence back into the statute.

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. 581

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

SECTION 1. LIMITATION ON PERIODS OF SERVICE THAT A JUDGE MAY SERVE ON THE DIVISION TO APPOINT INDEPENDENT COUNSELS.

(a) LIMITATION ON SERVICE.—

(1) IN GENERAL.—Section 49 of title 28, United States Code, is amended by adding at the end the following:

''(g)(1) Notwithstanding subsections (a) through (f) and subject to paragraphs (2) and (3) of this subsection, no judge or justice may serve more than 2 two-year periods assigned to the division to appoint independent counsels under this section.

''(2) For purposes of paragraph (1), service in filling a vacancy on the division of—

''(A) less than 1 year shall not apply; and

''(B) 1 year or more shall be considered service for the full two-year period.

''(3) A judge of the United States Court of Appeals for the District of Columbia who has served 2 two-year periods on the division may be assigned to serve an additional two-year period, if—

''(A) every other judge of such Court otherwise eligible for such assignment has served 2 two-year periods in such assignment; and

''(B) the period of time since such judge last served in such assignment is not less than the period of time any other judge of such Court (who is otherwise eligible to serve) last served in such assignment.''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on the date of enactment of this Act and shall apply to any judge or justice serving on such date on the division to appoint independent counsels of the United States Court of Appeals for the District of Columbia.

(b) ADMINISTRATION OF DIVISION BY THE CIRCUIT JUDICIAL COUNCIL.—

(1) IN GENERAL.—Section 332 of title 28, United States Code (including subsection (d) of such section relating to making all necessary and appropriate orders for the effective and expeditious administration of justice), shall apply with respect to the administration of the division of the United States Court of Appeals for the District of Columbia to appoint independent counsels by the Circuit Judicial Council for the District of Columbia.

(2) RULES.—No later than 6 months after the date of enactment of this Act, the Circuit Judicial Council for the District of Columbia shall promulgate rules to—

(A) govern practice and procedures before the division to appoint independent counsels;

(B) govern the procedure for the appointment of an independent counsel by the division;

(C) clarify procedures for judicial appellate review of actions of the division; and

(D) catalog and preserve independent counsel reports and make public versions available upon request.

Mr. LEAHY. Mr. President, the whole purpose of the independent counsel law—to get politics out of the process of investigating politically potent matters—has been severely undercut recently by partisan efforts to bully the Attorney General into appointing an independent counsel to investigate fundraising activities in the 1996 Presidential campaign. In fact, some Republicans in Congress have threatened that if Janet Reno refuses to do what they want, she will be investigated and her job will be at stake.

This marks a new low in the politicization of the independent counsel process. These threats demean our system of justice and, I fear, undermines public confidence in all branches of government.

Continued politicization of the independent counsel process will be the death knell for this law. The American people already have legitimate questions about how much independent counsels cost, how long they take, and how this law is working. By last count, independent counsels have cost taxpayers a total of over $125 million. Whitewater counsel Ken Starr alone has already spent over $22 million. We still have an independent counsel investigating matters from the Reagan administration.

Suspicions about the role of partisan politics in the selection of so-called independent counsels are already strong. A Reagan-appointed Chief Justice, who served in the Nixon administration, appointed a staunchly Republican judge to the selection panel that, after meeting in secret, appointed partisan Republican Kenneth Starr to investigate Whitewater.

If the results of independent counsel investigations cannot be trusted because they are tainted by partisan politics, we will not be able to justify the costs of this law.

That is why I am commending Senator DURBIN for his work on this bill. It takes important steps to begin restoring public confidence in the process by which independent counsels are selected. Specifically, the bill sets term limits for the three judges who serve on the Special Division of the D.C. Circuit division that appoints the independent counsel. Under current law, these judges serve for 2-year terms. However, all of them are on at least their second 2-year term. The legislation would prohibit a judge, including the current panel, from serving more than 2-year terms.

In addition, the bill would allow sunshine on the selection of independent counsels and the results of independent counsel investigations. What criteria does the Special Division use to select independent counsels? Do they look for trial experience, prosecutorial experience or political experience? The bill places the Special Division that selects independent counsels under the authority of the Circuit Judicial Council and requires that the Council promulgate within 6 months rules of practice for the Division. These rules would specify the procedure for selection of an independent counsel. This is important so everyone will know what qualifications the Special Division uses to evaluate candidates. Public procedures should also open up the process so that appropriate candidates know how to apply for independent counsel positions when openings occur. This is too important a process to be decided by political cronies over lunch.

The bill would also require that the Court catalog and preserve independent counsel reports and make public versions available upon request.

This bill is not a cure-all for the problems we have seen with the independent counsel law. But this is a good start.

Mr. President, the whole purpose of the independent counsel law—to get politics out of the process of investigating politically potent matters—has been severely undercut recently by partisan efforts to bully the Attorney General into appointing an independent counsel to investigate fundraising activities in the 1996 Presidential campaign. In statement after statement by otherwise responsible Members of Congress, they tell her how she should use here discretion and how she should make up her mind, before she even has an opportunity to do so. Some Republicans in Congress have threatened that if Janet Reno refuses to do what they want, she will be investigated and her job will be at stake.

Basically, the American people were asked last night to make this choice: Would they let the Speaker of the House, Mr. GINGRICH, determine what the ethics rules should be, or would they rather allow the Attorney General of the United States, Janet Reno to follow the law and investigate whether crimes have occurred?

Frankly, I am very confident in allowing Attorney General Reno to proceed. She has done a pretty darn good job so far. She calls them as she sees them and has been a very straightforward Attorney General.

I hope that everybody, whether in this body or the other body, will stop trying to substitute their ethical standards and political judgment as to what should be done and allow the Attorney General, who sticks to a very strong ethical standard, to follow and enforce the law. I believe the statements seeking to intimidate the Attorney General mark a new low in the politicization of the independent counsel process.

By Mr. GREGG:

S. 583. A bill to change the date on which individual Federal income tax returns must be filed to the Nation's Tax Freedom Day, the day on which the country's citizens no longer work to pay taxes, and for other purposes; to the Committee on Finance.

TAX FILING ON TAX FREEDOM DAY ACT OF 1997

Mr. GREGG. Mr. President, this past weekend we had a weekend of firsts. Tiger Woods became the youngest PGA player to ever win the Masters and in doing so broke the all-time scoring record of 270 and established the largest margin of victory—12 shots—in the tournament's 61-year history.

On April 14, 1997, the Tax Foundation announced another first, Tax Freedom Day this year will be on May 9.

What is Tax Freedom Day? Tax Freedom Day is the day when the average American stops working for the Government and starts working for themselves. This year's record date for Tax Freedom Day of May 9 is 2 days after last year's record of May 7 and up significantly since the Clinton administration took office in 1993.

This year the average American will have to work a total of 128 days to pay his or her tax bill. That equates to 2 hours 49 minutes of each working day laboring to pay taxes. That's hard time any way you slice it.

Over the years, April 15 has metamorphosized from being a trip to the dentist's office to being a major root canal without the novocaine.

I rise today to introduce legislation that will change the date on which individuals file their Federal income tax returns from April 15 to May 9, Tax Freedom Day.

While this legislation does little to bring about a change in the amount of money paid by the average American wage earner, I believe that issue would be helped greatly with the enactment of a balanced budget with tax relief. It does ensure that your taxes won't be due until you free yourself from crushing Federal taxes.

I ask unanimous consent that a copy of the bill be placed in the RECORD.

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

S. 583

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 ''Tax Filing On Tax Freedom Day Act of 1997''.

SEC. 2. TAX FILING ON TAX FREEDOM DAY.

(a) IN GENERAL.—Each year, in time to be included in the instruction and information booklets that accompany the year's individual income tax returns, the Secretary of the Treasury (in this Act referred to as the ''Secretary'') shall determine the year's Tax Freedom Day pursuant to subsection (d).

(b) DUE DATE FOR TAXES.—Notwithstanding any other provision of law, Federal individual income tax returns for each year shall be due on the date of the Tax Freedom Day in the subsequent year (rather than April 15th).

(c) INFORMATION PROVIDED.—The Secretary shall include in the instruction and information booklets a prominent section that provides the following information with respect to the Tax Freedom Day:

(1) An explanation of Tax Freedom Day and what it signifies.

(2) A statement that Congress provided for Federal individual income tax returns to be due on Tax Freedom Day to emphasize how long the average citizen works to pay government taxes.

(3) During leap years, a note that the year's Tax Freedom Day appears one calendar day earlier than normal.

(4) A chart showing how the Tax Freedom Day's date has changed over time.

(5) Information on the State and Federal components of the total tax burden, and how the Tax Freedom Day would differ on a State-by-State basis.

(d) DETERMINATION OF TAX FREEDOM DAY.—Each year, the Secretary shall determine the Tax Freedom Day as follows:

(1) TAX FOUNDATION.—By contacting and receiving the date from the Tax Foundation (which has been determining and publishing a Tax Freedom Day since 1973), in time to meet the informational requirements of subsection (c), as long as the Tax Foundation maintains its—

(A) status as a non-profit, non-partisan research and public education organization;

(B) consistent method of analysis with respect to determining Tax Freedom Day (unless a change results in a demonstrably much more accurate determination); and

(C) trademark on Tax Freedom Day.

(2) REQUIREMENTS NOT MET.—If the Tax Foundation—

(A) fails to maintain any of the requirements described in paragraph (1), or

(B) does not provide such information to the Secretary in a timely manner after the Secretary's request for the information,

then the Secretary shall determine the year's Tax Freedom Day in accordance with paragraph (3).

(3) DETERMINATION BY THE SECRETARY.—If either subparagraph (A) or (B) of paragraph (2) are met, then the Secretary shall determine the year's Tax Freedom Day—

(A) by assuming that income is earned evenly throughout the year and that individuals initially devote all of their earnings to paying incomes taxes;

(B) by calculating an effective tax rate for the nation, by dividing the per capita income tax burden (including Federal, State and local taxes) by per capita income (using the net national product, a component of the national income product accounts, as compiled annually by the Bureau of Economic Analysis of the Department of Commerce);

(C) by multiplying the effective tax rate determined in subparagraph (B) by the number of days in the year; and

(D) by ensuring that a consistent methodology is utilized from year-to-year, and altering the existing methodology only if the new methodology is demonstrably much more accurate.

The resultant total shall signify the number of days the average citizen devotes to paying taxes, and the corresponding calendar day shall be the Tax Freedom Day.

SEC. 3. EFFECTIVE DATE AND SECRETARIAL SUBMISSION.

(a) EFFECTIVE DATE.—This Act shall take effect for taxable years beginning after December 31, 1997.

(b) SECRETARIAL SUBMISSION.—Not later than 90 days after the date of the enactment of this Act, the Secretary shall submit to the appropriate committees of the Congress a legislative proposal providing for such technical and conforming amendments in the law as are required by the provisions of this Act.

By Mr. ABRAHAM:

S. 584. A bill to amend the Internal Revenue Code of 1986 to change the time for filing income tax returns from April 15 to the first Tuesday in November, and for other purposes; to the Committee on Finance.

THE TAXATION ACCOUNTABILITY ACT

Mr. ABRAHAM. Mr. President, we made several reforms during the last Congress intended to put Members of this body in closer touch with the American people. Among those reforms were provisions applying to Members of Congress the same laws that apply to private businesses and citizens.

Today I am introducing legislation that I believe will further strengthen the ties between Members and their constituents. In particular, Mr. President, I am concerned that, where, according to a USA Today poll from this March, 70 percent of the American people believe that they need a tax cut, many in Congress still refuse to give it to them.

I am convinced, Mr. President, that some Members continue to oppose any limits on Federal tax funds because they are out of touch with the American people. That is why I am introducing the Taxation Accountability Act to tie the act of voting more closely with the act of taxpaying.

Too many Members believe that the American people are not, and do not believe themselves to be, over-taxed. This is wrong, Mr. President, and we must put an end to this mistaken and dangerous belief. How? By making it possible for Americans to more effectively act on their convictions regarding proper levels of taxation. By moving tax day, now April 15, to coincide with election day.

To begin with, Mr. President, most Americans are not even fully aware of the percentage of their income the government takes from them in the form of taxes. According to the National Taxpayer's Union, the average American family now pays almost 40 percent of its income in State, local, and Federal taxes. That is an all-time high.

Yet, with almost 40 percent of their income going to taxes, mothers and fathers in America still are not going to the polls. Despite the huge investment they are making, voluntarily or involuntarily, in government in this country, this last Presidential election showed the lowest turnout in our history. Americans are not exercising their right to decide who shall represent them in deciding how that government shall be run—what it shall do and at what expense.

Why are Americans so apathetic in the face of such staggering tax rates, Mr. President? Simple, most Americans simply do not know how high their taxes really are.

Two years ago a Readers Digest poll asked Americans, ''What is the highest percentage of income that is fair for a family of four making $200,000 to pay in all taxes?'' The median response, regardless of whether the respondent was rich or poor, black or white, was 25 percent.

This estimate among Americans, that 25 percent is the limit of fair taxation, is borne out by a grassroots research poll conducted last March. That poll found that a majority of Americans would favor a constitutional amendment to prohibit Federal, State, and local taxes from taking ''a combined total of more than 25 percent of anyone's income in taxes.''

Yet the Tax Foundation tells us that a dual-income family today pays an average of 38.4 percent of its income in taxes to State, local, and Federal governments.

Why is it, Mr. President, that Americans, are not aware of so vital a figure as the percentage of their income that is taken away by the government in taxes?

One reason is the significant extent to which the taxes they pay are hidden. Taxes on businesses eventually are paid by families. So are sales taxes. Taxes on the average loaf of bread equal 31 percent of the total cost. Taxes also represent 43 percent of the cost of a hotel room, 54 percent of the cost of a gallon of gas and 40 percent of the cost of an airline ticket.

Another, and perhaps the most significant way taxes are hidden is withholding. Many taxpayers do not realize how much the government is taking from them because it takes their money before they ever see it. Only when they fill out their tax forms do most Americans have a chance to see the full enormity of the tax burden they bear. And then they have 7 months to cool off before election day rolls around.

Combined, these factors keep Americans from realizing the extent of their tax burden, and acting on that realization. Information is crucial to effective voting. And just as crucial, in my view, is information that is timely. Only if people know the extent of their tax burden, and are made aware of it at a time when they can do something about it, will they act. Only if Americans are aware of what is at stake on election day will they vote on election day. And only if they vote, expressing their opinions on crucial issues like taxation, can they hold Members of Congress responsible for their actions.

Mr. President, we are not likely to do away with withholding or repeal Federal taxes on bread and butter. But we can highlight the importance of voting by tieing the process of tax-filing more closely to the process of voting.

To achieve this, Mr. President, I am proposing legislation that would move tax day, the day tax forms must be mailed to the Internal Revenue Service, to the first Tuesday after the first Monday in November—election day. In this way our citizens will have fresh in their minds the substantive importance of voting at the same time they are to exercise their right to vote. Voter participation will increase as effective information increases, and thus so will the accountability of elected officials, as was intended by our Founders.

There will be no cost to the Treasury because this bill moves the fiscal year into accord with the calendar year at the same time that it moves tax day. But there will be a significant impact on our form of government. Members of Congress will be put in closer touch with the people, to the vast improvement of democracy.

I urge my colleagues to support this legislation as we attempt to foster responsible voter conduct and responsible government.

By Mr. DORGAN (for himself, Mr. DASCHLE, Mr. JOHNSON, and Mr. WELLSTONE):

S. 585. A bill to amend the Internal Revenue Code of 1986 to authorize the Secretary of the Treasury to abate the accrual of interest on income tax underpayments by taxpayers located in Presidentially declared disaster areas if the Secretary extends the time for filing returns and payment of tax for such returns; to the Committee on Finance.

INCOME TAX RELIEF LEGISLATION

Mr. DORGAN. Mr. President, today I'm joined by Senators DASCHLE,

WELLSTONE, and JOHNSON in introducing legislation to provide much-needed income tax relief for North and South Dakotans and others pummeled by the severe blizzards and flooding this spring in the Upper Midwest. This legislation builds upon the good work started by the Internal Revenue Service [IRS] last week.

About a week ago, the Internal Revenue Service announced that taxpayers living in counties recently declared a disaster area by the President will be able to delay filing their Federal income tax returns until May 30, 1997, without facing a late filing or payment penalty. Clearly this is significant relief for those who may be prevented from filing their tax returns by the April 15, 1997 due date because of the recent blizzard and flooding in our part of the country.

In its announcement, however, the IRS stated that it did not have the authority to waive any interest charges accruing on delayed payments made between April 15, 1997 and May 30, 1997. It makes no sense to impose interest charges for payments occurring after the original due date, when the IRS itself says—and I think properly so—that it will extend the time for filing income tax returns and payments by taxpayers located in a Presidentially-declared disaster area. In my opinion, the IRS's action properly suggests that income tax return filing and payments made before the new date should not be treated as late. It is just that simple, and our legislation reflects this point.

Specifically, our legislation requires the IRS to abate the assessment of interest on underpayment by taxpayers in Presidentially-declared disaster areas if the IRS acts to extend the period of time for filing income tax returns and paying income tax by taxpayers in such areas. The legislation would apply to all Presidentially-declared disasters announced after December 31, 1996.

Once again, the IRS wisely and promptly granted an extension for North Dakotans and others to file their income tax returns due to flood-and snow-related emergencies without facing late filing and payment penalties. But the IRS has been prevented from doing more by statute. Our legislation remedies this problem in the case of IRS extensions due to Presidential disaster declarations.

We intend to advance this proposal at the first available opportunity in the U.S. Senate. We urge our colleagues to support this important initiative to provide income tax relief for those affected by this year's weather-related disasters and for those living in disaster areas in the future.

Mr. DASCHLE. Mr. President, I would like to commend Senator DORGAN on the introduction of legislation authorizing the Internal Revenue Service to waive interest on late payments of taxes in Presidentially-declared disaster areas. The IRS currently has authority to waive penalties for late tax filings following natural disasters. Last week, it did so in the Dakotas and part of Minnesota in response to the severe flooding in the region. However, the IRS does not now have parallel authority for waiving interest in these circumstances.

A number of South Dakotans have raised questions about the disparate treatment of penalties and interest. If taxpayers deserve more time to file and pay their taxes due to a natural disaster, why should they be charged 9 percent interest, a rate many would consider punitive, on these same taxes? Senator DORGAN's bill would address this apparent anomaly in our tax laws and help numerous flood victims who are too busy securing their homes, businesses, and communities to file on time. Some of these people have been physically prevented from obtaining tax forms by the rising flood waters.

For this reason, I am pleased to cosponsor Senator DORGAN's legislation, and I thank him for his leadership on this pressing matter.

By Mr. MOYNIHAN (for himself, Mr. LAUTENBERG, Mr. LIEBERMAN, Mr. CHAFEE, Mr. SMITH of New Hampshire, Mrs. BOXER, Mr. WYDEN, Mr. BYRD, Mr. KENNEDY, Mr. INOUYE, Mr. ROTH, Mr. BIDEN, Mr. LEAHY, Mr. SARBANES, Mr. DODD, Mr. D'AMATO, Mr. SPECTER, Mr. KERRY, Mr. ROCKEFELLER, Ms. MIKULSKI, Mr. JEFFORDS, Mr. AKAKA, Mrs. FEINSTEIN, Mr. GREGG, Ms. MOSELEY-BRAUN, Mrs. MURRAY, Ms. SNOWE, Mr. SANTORUM, Mr. DURBIN, Mr. TORRICELLI, Mr. REED, and Ms. COLLINS):

S. 586. A bill to reauthorize the Intermodal Surface Transportation Efficiency Act of 1991, and for other purposes; to the Committee on Environment and Public Works.

THE ISTEA REAUTHORIZATION ACT OF 1997

Mr. MOYNIHAN. I rise with Senators LAUTENBERG and LIEBERMAN and a distinguished group of my colleagues today to introduce the ISTEA Reauthorization Act of 1997. This bill is designed to reauthorize, with some modifications and improvements, the Intermodal Surface Transportation Efficiency Act of 1991. ISTEA is an innovative law that addresses the fundamental imbalance in national transportation investment, and in so doing, serves to promote intermodalism, improve mobility and access to jobs, protect the environment, empower local communities, and enhance transportation safety.

ISTEA spurred the Federal Government and the States to invest their transportation dollars in whatever modes were most efficient for moving people and goods and to solicit the input of local communities in planning those investments. The result was a dramatic increase in investment in maintenance and rehabilitation of existing roads and bridges, in mass transit, and in creative approaches to our transportation needs, from bicycle and pedestrian paths to ferry boats.

When I introduced the original ISTEA legislation in 1991, I had only four Senate cosponsors—Quentin Burdick of North Dakota, Steve Symms of Idaho, JOHN CHAFEE of Rhode Island, and FRANK LAUTENBERG of New Jersey. The bill I introduce today has broad bipartisan and grassroots support, with 31 Senate cosponsors from across the country joining me. We have learned a lot over the last 6 years.

In 1991, my House counterpart Robert A. Roe of New Jersey, then chairman of the Public Works Committee, and I had hoped to develop a Federal highway bill that would mark the end of the era of interstate highway construction. That era had brought the nationwide, multilane, limited access highway system, as first envisioned at the General Motors Futurama exhibit at the 1939 World's Fair, and then advanced in 1944 by President Roosevelt. The New York State Thruway was the system's first segment. In fact, the civil engineer who built it, Bertram Tallamy, left Albany in 1956 to start up the national program in Washington with funding from a dedicated tax proposed by President Eisenhower and approved by Congress that year.

But by 1991 the interstate system was essentially done and Chairman Roe and I confronted the question, ''What now?''

We developed three principles for the first highway bill to mark the post-interstate era. First, the primary objective was to improve efficiency of the transportation system we already had. Second, the time had come to turn the initiative in transportation matters back to the States and cities. Third, transit was to be an option for cities.

I am proud to say we achieved our three principles and more.

The Interstate Highway System left a big mark on American cities, where the majority of the funds were spent. I wrote in *The Reporter* in 1960:

> It is not true, as is sometimes alleged, that the sponsors of the interstate program ignored the consequences it would have in the cities. Nor did they simply acquiesce in them. They exulted in them . . . This rhapsody startled many of those who have been concerned with the future of the American city. To undertake a vast program of urban highway construction with no thought for other forms of transportation seemed lunatic.

The results often were. American cities were cruelly split, their character and geography changed forever, with interstate highways running through once-thriving working class neighborhoods from Newark to Detroit to Miami. Homes and jobs were dispersed to the outlying suburbs and beyond. The wreckage was something to see. Some cities have used ISTEA funds to try to repair the damage where they could, using funds for transit—even bike and pedestrian paths—instead of more road building. Or with plans such as Boston's Central Artery, a project

that will reunite some of that city's most historic and colorful neighborhoods, separated for almost 40 years by an elevated highway.

Today, I ask that we continue to build upon our success with ISTEA, changing it only as needed. The bill we introduce today retains the basic structure of ISTEA, which distributes funds primarily on needs balanced with such factors as historical shares, but updates outmoded formulas and streamlines the equity adjustment programs. The ISTEA Reauthorization Act of 1997 also increases flexibility for States by allowing them to use some of their transportation funding to support Amtrak. This is the first step this year in meeting our commitment to address Amtrak's long-term funding needs.

The ISTEA Reauthorization Act of 1997 reauthorizes all the program categories of the original legislation—the National Highway System, the Interstate Maintenance Program, the Highway Bridge Rehabilitation and Replacement Program, the Congestion Mitigation and Air Quality Improvement Program, the Surface Transportation Program, the Interstate Highway Reimbursement Program, and the Transportation Enhancements Program—at a total funding level of $26 billion, which can be fully supported by the Highway Trust Fund.

While the ISTEA Reauthorization Act increases funding for all the program categories, I want to mention three programs in more detail. The bill strengthens the Congestion Mitigation and Air Quality Improvement Program, funding it at $2 billion annually, with a portion of the authorized amount to be distributed on the basis of population residing in fine particulate non-attainment areas. The CMAQ program, which has allowed States and municipalities to find creative solutions to improving air quality and reducing traffic congestion, has been an ISTEA success story, resulting in impressive improvement in U.S. air quality over the last few years.

The bill also increases funding for the Highway Bridge Rehabilitation and Replacement Program to $3.75 billion per year. The success of the Bridge Program is dramatic—in four years, there has been a 15 percent drop in deficient bridges—from 111,200 in 1990 to 94,800 in 1994. I believe broad consensus exists to strengthen this important program that has already done so much to preserve our existing bridge infrastructure.

Finally, the ISTEA Reauthorization Act fully funds the Interstate Highway Reimbursement Program at $2 billion per year. The Federal-Aid Highway Act of 1956 provided for the Federal Government to fund the construction of the Interstate Highway System with a Federal-State share of 90–10. At that time a number of States had, at their own expense, already constructed a total of 10,859 miles of highways that later became part of the Interstate System.

As a result, Congress tasked the Bureau of Public Roads with determining the cost of reimbursing States for those segments, and the Bureau arrived at a figure of $5 billion in 1957 dollars. ISTEA used that figure, adjusted to $30 billion in 1991 dollars, and established a 15-year repayment schedule. The ISTEA Reauthorization Act retains this program, which is a matter of basic equity and provides urgently needed funds for those highways that are the oldest and among the most heavily used portions of the Interstate System.

These programs are essentially, but I do hope that as Congress considers reauthorization of ISTEA, we can ask the question once again, ''What now?''

Congress must focus on increasing the U.S. investment in transportation infrastructure. The United States has watched our European and Asian competitors finance and build innovative transportation infrastructure that is the envy of the world. As the budget process gets underway this year, we will need innovative financing ideas to leverage scarce Federal dollars and address our chronic multi-billion dollar underinvestment in U.S. roads, bridges, rails, ports, and transit systems.

We must also search for new technologies and innovations—like Magnetic-Levitation trains [maglev] and Intelligent Transportation Systems [ITS]—to solve our congestion and air quality problems without pouring ever more concrete. The railroad represents an early 19th century technology, the automobile an early 20th century technology; we need new modes of transportation for the next century.

Today, maglev trains run in Bremen, but not in New York, where the maglev concept was first conceived in 1960 by a young Brookhaven scientist, James Powell, as he sat mired in traffic on the Bronx-Whitestone Bridge. In truth, today most of the meager Federal transportation research and development resources are going for improvements in existing highways, and not into other modes such as rail and transit, where I suspect we can achieve much greater economic and environmental returns.

As we determine the course for this bill, I also wish to address the so-called donor State issue. To distribute Federal transportation funds primarily upon the ability of each State to collect fuel taxes, as advocated by representatives of the donor States, would run counter to whole concept of federalism, which is based on collecting national resources to address national needs. When California has an earthquake, or Florida has a hurricane, or the Mississippi River floods its banks, the entire Nation addresses these needs, without considering whether the needed funds were raised in the affected States. Every other Federal program—from crop supports to water reclamation projects to airport improvement grants—distributes funds on the basis of need.

For example, in response to the Savings & Loan crisis, the Resolution Trust Corp. was formed to help bail out depositors, but each State did not contribute according to the amount of dollars lost in that State. If such an approach had been taken, Texas alone would have faced costs of over $26 billion, while the cost to New York would have been only $3 billion. Under our Federal system, which allocates national resources to meet national needs, the taxpayers of New York shouldered a significant portion of Texas's burden. The cosponsors of the ISTEA Reauthorization Act, most of them from donor States in the larger scheme of the balance of Federal payments, reject the idea that gasoline taxes should be distributed according to where they are collected.

Furthermore, some of the highway bill proposals put forth this year, which distribute up to 60 percent of transportation funding on the basis of where the gas taxes were collected, thwart our national environmental efforts. These bills reward States with high gas consumption, and punish States that conserve fuel and invest in mass transit. Under these proposals, a State that invests in a new bus or rail line, or in other improvements that reduce traffic congestion and improve air quality, would receive less transportation money as gas consumption falls.

As a Nation we have made clean air and reduced dependence on foreign oil two major priorities—these bills threaten to undo the progress we have made. In 1944, the United States exported oil. In 1956, we imported only 11.5 percent of consumption. Today, we import nearly 50 percent of the oil we consume. It could be said that the biggest single effect of the Interstate Highway System has been in the field of American foreign policy. We are a nation that absolutely must have foreign oil, and must shape our defense and foreign policies accordingly. We must strive to keep that dependency to a minimum. The sponsors of the ISTEA Reauthorization Act of 1997 are committed to that goal.

We are also committed to working with other Members, including our distinguished colleagues on the Transportation and Infrastructure Subcommittee, Senators WARNER and BAUCUS, who have both put forth their own proposals for reauthorizing ISTEA. Each coalition's bill reflects, to a greater or lesser extent, the interests of its own member States and regions, and I am confident that all will ultimately contribute to a transportation bill that best serves the Nation.

I ask unanimous consent that the text of the ISTEA Reauthorization Act of 1997 legislation be printed in the RECORD.

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

S. 586

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

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''ISTEA Reauthorization Act of 1997''.

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

SEC. 2. FINDINGS.

Congress finds that—

(1) the Intermodal Surface Transportation Efficiency Act of 1991 (Public Law 102–240) (referred to in this section as ''ISTEA'') was the result of a bipartisan and multiregional consensus to change transportation policy by giving States and localities more flexibility in spending Federal funds while still pursuing important national goals;

(2) the Federal Government has an important role to play in helping to fund transportation improvements and ensuring that a national focus remains on national goals such as mobility, connectivity and integrity of the transportation system, safety, research, air quality, global and national economic competitiveness, and improved quality of life;

(3) this role as funding partner and policymaker—

(A) should nurture State and local flexibility in using funds to solve problems creatively; and

(B) should relieve the States of burdensome regulation and review procedures that slow down project implementation without adding value;

(4)(A) the economic health of the United States and of the metropolitan and rural areas in the United States depends on—

(i) a strong transit program funded above fiscal year 1997 levels; and

(ii) dedicated support for intercity passenger rail; and

(B) this Act should be accompanied by companion legislation to provide for the needs described in subparagraph (A);

(5) the funding programs authorized by ISTEA were visionary and will continue to influence transportation into the future;

(6) the partnerships between the Federal Government and State and local governments, and between the public and private sectors, that were reaffirmed and strengthened by ISTEA are helping to improve transportation investment and transportation policy choices; and

(7) it is in the interest of the United States as a whole to—

(A) reauthorize ISTEA in 1997 with refinements but without significant changes, and without eliminating current funding categories;

(B) authorize the maximum feasible level of funding for ISTEA programs;

(C) allocate these funds among the States based primarily on need, with adjustments to be considered to reflect—

(i) system usage;

(ii) system extent; and

(iii) historic distribution patterns;

(D) preserve and strengthen the partnerships among the Federal Government, State governments, local governments, and the private sector;

(E) minimize prescriptive Federal regulation that is unnecessary and eliminate regulatory duplication between the Federal Government and State governments;

(F) increase flexibility to address intermodal projects; and

(G) provide a separate adequately funded transit program.

SEC. 3. AUTHORIZATION OF APPROPRIATIONS.

(a) IN GENERAL.—For the purpose of carrying out title 23, United States Code, the following sums are authorized to be appropriated out of the Highway Trust Fund (other than the Mass Transit Account):

(1) NATIONAL HIGHWAY SYSTEM.—For the National Highway System under section 103 of title 23, United States Code, $5,600,000,000 for each of fiscal years 1998 through 2003.

(2) INTERSTATE MAINTENANCE PROGRAM.—For the Interstate maintenance program under section 119 of that title $5,250,000,000 for each of fiscal years 1998 through 2003.

(3) SURFACE TRANSPORTATION PROGRAM.—For the surface transportation program under section 133 of that title $5,250,000,000 for each of fiscal years 1998 through 2003.

(4) BRIDGE PROGRAM.—For the highway bridge replacement and rehabilitation program under section 144 of that title $3,750,000,000 for each of fiscal years 1998 through 2003.

(5) CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT PROGRAM.—For the congestion mitigation and air quality improvement program under section 149 of that title $2,000,000,000 for each of fiscal years 1998 through 2003.

(6) MINIMUM ALLOCATION.—For the minimum allocation program under section 157 of that title $830,000,000 for each of fiscal years 1998 through 2003. Such sums shall not be subject to subsection (a) or (f) of section 104 of title 23, United States Code.

(7) APPORTIONMENT ADJUSTMENTS.—For apportionment adjustments under section 10 $470,000,000 for each of fiscal years 1998 through 2003. Such sums shall not be subject to subsection (a) or (f) of section 104 of title 23, United States Code.

(8) INTERSTATE REIMBURSEMENT PROGRAM.—For reimbursement for segments of the Interstate System constructed without Federal assistance under section 160 of that title $2,050,000,000 for each of fiscal years 1998 through 2003.

(9) FEDERAL LANDS HIGHWAYS PROGRAM.—

(A) INDIAN RESERVATION ROADS.—For Indian reservation roads under section 204 of that title $210,000,000 for each of fiscal years 1998 through 2003.

(B) PUBLIC LANDS HIGHWAYS.—For public lands highways under section 204 of that title $215,000,000 for each of fiscal years 1998 through 2003.

(C) PARKWAYS AND PARK ROADS.—For parkways and park roads under section 204 of that title $100,000,000 for each of fiscal years 1998 through 2003.

(10) FHWA HIGHWAY SAFETY PROGRAMS.—For carrying out section 402 of that title by the Federal Highway Administration $25,000,000 for each of fiscal years 1998 through 2003.

(11) FHWA HIGHWAY SAFETY RESEARCH AND DEVELOPMENT.—For carrying out section 403 of that title by the Federal Highway Administration $10,000,000 for each of fiscal years 1998 through 2003.

(b) LIMITATION ON OBLIGATIONS.—Notwithstanding any other provision of law, any limitation on obligations established for any of fiscal years 1998 through 2003 for funds apportioned or allocated from the Highway Trust Fund (other than the Mass Transit Account) shall apply equally to all such apportionments and allocations, except that no such limitation shall apply to any allocation made under section 125 of title 23, United States Code, for emergency relief.

SEC. 4. NATIONAL HIGHWAY SYSTEM.

(a) IN GENERAL.—Section 104(b) of title 23, United States Code, is amended by striking paragraph (1) and inserting the following:

''(1) NATIONAL HIGHWAY SYSTEM.—For the National Highway System, 1 percent to the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands and the remaining 99 percent apportioned as follows:

''(A) ⅓ of the remaining apportionments in the ratio that—

''(i) the total vehicle miles traveled on public highways in each State; bears to

''(ii) the total vehicle miles traveled on public highways in all States;

''(B) ⅓ of the remaining apportionments in the ratio that—

''(i) the total lane miles of public highways in each State; bears to

''(ii) the total lane miles of public highways in all States; and

''(C) ⅓ of the remaining apportionments in equal amounts to each State.''.

(b) SET ASIDE FOR 4R PROJECTS.—Section 118(c)(2)(A) of title 23, United States Code, is amended in the first sentence—

(1) by striking ''1996, and'' and inserting ''1996,''; and

(2) by inserting after ''1997'' the following: '', and $100,000,000 for each of fiscal years 1998 through 2003''.

SEC. 5. CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT PROGRAM.

(a) ADJUSTMENT FOR NEW NONATTAINMENT AREAS.—

(1) REPORT.—Not later than April 1, 2000, the Secretary of Transportation, in consultation with the Administrator of the Environmental Protection Agency, shall—

(A) prepare a report containing recommended adjustments to the formula used to apportion funds for the congestion mitigation and air quality improvement program under section 149 of title 23, United States Code, and the amount apportioned for the program, to reflect changes, since the enactment of the Intermodal Surface Transportation Efficiency Act of 1991 (Public Law 102–240), in—

(i) national ambient air quality standards under the Clean Air Act (42 U.S.C. 7401 et seq.); and

(ii) the emission control requirements that result from the standards; and

(B) submit the report to the Committee on Environment and Public Works of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives.

(2) ADOPTION OF NEW FORMULA AND APPORTIONMENTS.—

(A) EFFECT OF FAILURE TO ADOPT.—Notwithstanding any other provision of law, if, by September 30, 2000, the recommendations contained in the report described in paragraph (1) have not been enacted into law, as proposed in the report or as amended by Congress, the Secretary of Transportation shall withhold 10 percent of the apportionments otherwise required to be made under title 23, United States Code, on October 1, 2000.

(B) EFFECT OF LATER ADOPTION.—The Secretary shall apportion the amount withheld under subparagraph (A) upon the enactment of a law described in subparagraph (A).

(b) PARTICULATE MATTER.—Section 104(b)(2) of title 23, United States Code, is amended—

(1) by redesignating subparagraphs (A) through (E) as clauses (i) through (v), respectively, and indenting appropriately;

(2) by striking ''For the congestion mitigation and air quality improvement program,

in the ratio which'' and inserting the following:

''(A) IN GENERAL.—For the congestion mitigation and air quality improvement program in accordance with subparagraphs (B) and (C).

''(B) WEIGHTED NONATTAINMENT AREA POPULATION.—The Secretary shall apportion 90 percent of the remainder of the sums authorized to be appropriated for expenditure on the program in the ratio that'';

(3) in subparagraph (B) (as so designated)—

(A) by striking ''such subpart.'' in clause (v) and all that follows through ''the area was'' and inserting the following: ''such subpart.

If the area was''; and

(B) in the sentence beginning with ''If the area'', by striking ''paragraph'' and inserting ''subparagraph'';

(4) by striking the sentence beginning with ''Notwithstanding any provision'' and inserting the following:

''(C) PARTICULATE MATTER.—The Secretary shall apportion 10 percent of the remainder of the sums authorized to be appropriated for expenditure on the program in the ratio that—

''(i) the population of all areas that are nonattainment under the Clean Air Act (42 U.S.C. 7401 et seq.) for particulate matter with an aerodynamic diameter smaller than or equal to 10 micrometers (known as 'PM–10') in each State; bears to

''(ii) the population of all such areas in all States.'';

(5) in the next-to-last sentence, by striking ''Notwithstanding'' and inserting the following:

''(D) MINIMUM APPORTIONMENT.—Notwithstanding''; and

(6) in the last sentence, by striking ''The Secretary'' and inserting the following:

''(E) DETERMINATION OF POPULATION.—In determining population for the purpose of this paragraph, the Secretary''.

(c) INCREASED FLEXIBILITY.—The first sentence of section 149(b) of title 23, United States Code, is amended—

(1) in paragraph (3), by striking ''or'' at the end;

(2) in paragraph (4), by striking the period at the end and inserting ''; or''; and

(3) by adding at the end the following:

''(5) if the project or program will have air quality benefits and consists of—

''(A) construction, reconstruction, or rehabilitation of, or operational improvements for, intercity rail passenger facilities (including facilities owned by the National Railroad Passenger Corporation);

''(B) operation of intercity rail passenger trains; or

''(C) acquisition or remanufacture of rolling stock for intercity rail passenger service; except that not more than 50 percent of the funds apportioned to a State for a fiscal year under section 104(b)(2) may be obligated for operations.''.

SEC. 6. SURFACE TRANSPORTATION PROGRAM.

(a) APPORTIONMENT FORMULA.—Section 104(b) of title 23, United States Code, is amended by striking paragraph (3) and inserting the following:

''(3) SURFACE TRANSPORTATION PROGRAM.—

''(A) IN GENERAL.—For the surface transportation program, in the ratio that—

''(i) the total lane miles of public highways in each State multiplied by the relative intensity of use of public highways in the State; bears to

''(ii) the sum of—

''(I) the total lane miles of public highways in each State; multiplied by

''(II) the relative intensity of use of public highways in the State.

''(B) DETERMINATION OF RELATIVE INTENSITY OF USE.—For the purpose of subparagraph (A), the relative intensity of use of public highways in a State shall be determined by dividing—

''(i) the vehicle miles traveled on public highways in the State per lane mile of public highways in the State during the latest 1-year-period for which data are available; by

''(ii) the vehicle miles traveled on public highways in all States per lane mile of public highways in all States during that period.

''(C) MINIMUM APPORTIONMENT.—Notwithstanding any other provision of this paragraph, for each fiscal year, each State shall receive an apportionment under this paragraph of not less than ½ of 1 percent of all funds apportioned under this paragraph for the fiscal year.''.

(b) INCREASED FLEXIBILITY.—Section 133(b) of title 23, United States Code, is amended by adding at the end the following:

''(12) Construction, reconstruction, and rehabilitation of, and operational improvements for, intercity rail passenger facilities (including facilities owned by the National Railroad Passenger Corporation), operation of intercity rail passenger trains, and acquisition or remanufacture of rolling stock for intercity rail passenger service, except that not more than 50 percent of the funds apportioned to a State for a fiscal year under section 104(b)(3) may be obligated for operations.''.

(c) ALLOCATION OF OBLIGATION AUTHORITY.—Section 133(f) of title 23, United States Code, is amended by striking ''6-fiscal year period 1992 through 1997'' and inserting ''6-fiscal-year period 1998 through 2003''.

SEC. 7. BRIDGE PROGRAM.

(a) MINIMUM APPORTIONMENT.—Section 144(e) of title 23, United States Code, is amended in the fifth sentence by striking ''0.25'' and inserting ''0.5''.

(b) AUTHORIZATIONS FOR DISCRETIONARY PROGRAM.—Section 144(g) of title 23, United States Code, is by striking paragraph (1) and inserting the following:

''(1) DISCRETIONARY BRIDGE PROGRAM.—

''(A) IN GENERAL.—For each of fiscal years 1998 through 2003, of the amounts authorized to be appropriated to carry out this section, all but $100,000,000 in the case of each such fiscal year shall be apportioned as provided in subsection (e).

''(B) RESERVED AMOUNT.—For each of fiscal years 1998 through 2003, of the $100,000,000 referred to in subparagraph (A)—

''(i) $90,000,000 shall be allocated at the discretion of the Secretary on the same date and in the same manner as funds apportioned under subsection (e); and

''(ii) $10,000,000 shall be allocated by the Secretary in accordance with section 1039 of the Intermodal Surface Transportation Efficiency Act of 1991 (23 U.S.C. 144 note; 105 Stat. 1990).''.

(c) CONFORMING AMENDMENT.—Section 1039(e) of the Intermodal Surface Transportation Efficiency Act of 1991 (23 U.S.C. 144 note; 105 Stat. 1991) is amended by striking ''1992, 1993,'' and all that follows and inserting the following: ''1998 through 2003, $1,500,000 shall be available to the Secretary to carry out subsections (a) and (b), and $8,500,000 shall be available to the Secretary to carry out subsection (c). Such sums shall remain available until expended.''.

SEC. 8. MINIMUM ALLOCATION.

Section 157 of title 23, United States Code, is amended—

(1) in subsection (a)—

(A) in paragraph (4), by striking the paragraph designation and all that follows before ''on October 1'' and inserting the following:

''(4) FISCAL YEARS 1992–1997.—In each of fiscal years 1992 through 1997,''; and

(B) by adding at the end the following:

''(5) FISCAL YEAR 1998 AND THEREAFTER.—

''(A) DETERMINATION OF AMOUNTS.—In fiscal year 1998 and each fiscal year thereafter on October 1, or as soon as practicable thereafter, the Secretary shall determine what amount of funds would be required to ensure that a State's percentage of the total apportionments in each such fiscal year and allocations for the prior fiscal year for—

''(i) the National Highway System under section 103;

''(ii) the Interstate maintenance program under section 119;

''(iii) the surface transportation program under section 133;

''(iv) the bridge program under section 144;

''(v) the congestion mitigation and air quality improvement program under section 149;

''(vi) grants for safety belts and motorcycle helmets under section 153;

''(vii) the Interstate reimbursement program under section 160; and

''(viii) the scenic byways program under section 1047 of the Intermodal Surface Transportation Efficiency Act of 1991 (23 U.S.C. 101 note; 105 Stat. 1996);

is not less than 90 percent of the percentage that the population of the State is of the population of the United States.

''(B) APPORTIONMENT.—After determining the amounts of funds under subparagraph (A), the Secretary shall apportion the funds authorized to carry out this section to each State in the ratio that the amount determined for the State under subparagraph (A) bears to the total amount determined for all States under subparagraph (A).'';

(2) in subsection (b), by striking the last 2 sentences and inserting the following: ''Funds apportioned under this section shall be subject to any limitation on obligations established for Federal-aid highways and highway safety construction programs.''; and

(3) by striking subsection (e) and inserting the following:

''(e) DEFINITION OF STATE.—Notwithstanding any other provision of this title, in this section, the term 'State' means each of the 50 States.''.

SEC. 9. REIMBURSEMENT PROGRAM.

Section 160 of title 23, United States Code, is amended—

(1) in subsection (a), by striking ''The Secretary shall allocate to the States in each of fiscal years 1996 and 1997'' and inserting ''For any fiscal year for which funds are authorized to carry out this section, the Secretary shall allocate to the States''; and

(2) in subsection (b), by striking ''each of fiscal years 1996 and 1997'' and inserting ''each fiscal year described in subsection (a)''.

SEC. 10. APPORTIONMENT ADJUSTMENTS.

(a) DEFINITION OF STATE.—In this section, the term ''State'' means each of the 50 States.

(b) DENSITY ADJUSTMENT.—

(1) IN GENERAL.—Subject to subsection (d), in the case of any State eligible for a density adjustment under paragraph (3), the amount of funds apportioned to the State for the surface transportation program under section 133 of title 23, United States Code, for each of fiscal years 1998 through 2003—

(A) shall be increased as necessary to ensure that the percentage obtained by dividing—

(i) the total apportionments to the State for the fiscal year for Federal-aid highways and highway safety construction programs; by

(ii) the total of all apportionments to all States for the fiscal year for Federal-aid highways and highway safety construction programs;

is not less than the minimum percentage for the State determined under paragraph (2); and

(B) shall be increased as necessary to ensure that the State receives an increased apportionment under subparagraph (A) of not less than $5,000,000.

(2) MINIMUM PERCENTAGE.—The minimum percentage referred to in paragraph (1)(A) for a State shall be equal to the State's percentage of the total apportionments and allocations during fiscal years 1992 through 1997 under title 23, United States Code, the Intermodal Surface Transportation Efficiency Act of 1991 (Public Law 102–240), and the National Highway System Designation Act of 1995 (Public Law 104–59), excluding apportionments and allocations made for—

(A) Interstate construction under section 104(b)(5)(A);

(B) emergency relief under section 125;

(C) the Federal lands highways program under section 204;

(D) donor State bonus amounts under section 1013(c) of the Intermodal Surface Transportation Efficiency Act of 1991 (23 U.S.C. 157 note; 105 Stat. 1940);

(E) Kansas projects under section 1014(c) of the Intermodal Surface Transportation Efficiency Act of 1991 (Public Law 102–240; 105 Stat. 1942);

(F) hold harmless adjustments under section 1015(a) of the Intermodal Surface Transportation Efficiency Act of 1991 (23 U.S.C. 104 note; 105 Stat. 1943);

(G) 90 percent of payment adjustments under section 1015(b) of the Intermodal Surface Transportation Efficiency Act of 1991 (23 U.S.C. 104 note; 105 Stat. 1944); and

(H) demonstration projects under the Intermodal Surface Transportation Efficiency Act of 1991 (Public Law 102–240).

(3) ELIGIBLE STATES.—A State shall be eligible for a density adjustment under this subsection if the State—

(A) has a population density of less than 20 persons per square mile or more than 450 persons per square mile; or

(B) is an island State completely separated from the continental United States by water.

(c) MINIMUM APPORTIONMENT ADJUSTMENT.—Subject to subsection (d), the amount of funds apportioned to a State for the surface transportation program under section 133 for each of fiscal years 1998 through 2003 shall be increased as necessary to ensure that—

(1) the sum of—

(A) the total apportionments to the State for the fiscal year; and

(B) the total allocations, authorized by this Act, to the State for the previous fiscal year;

for Federal-aid highways and highway safety construction programs (excluding apportionments and allocations for emergency relief under section 125 and for Federal lands highways under section 204); is not less than

(2)(A) ½ of 1 percent of the sum of—

(i) the total of all apportionments described in paragraph (1) to all States for the fiscal year; and

(ii) the total of all allocations described in paragraph (1) to all States for the previous fiscal year; or

(B) 90 percent of the total of all apportionments described in paragraph (1) to the State for fiscal year 1997.

(d) LIMITATION ON APPORTIONMENT ADJUSTMENTS.—If the amounts authorized to be appropriated for apportionment adjustments under this section for a fiscal year are insufficient to fund the increased apportionments required by subsections (b) and (c) for the fiscal year, the increased apportionment for each State shall be reduced proportionately.

SEC. 11. RESEARCH PROGRAMS.

(a) STRATEGIC HIGHWAY RESEARCH PROGRAM.—Section 307(b)(2)(B) of title 23, United States Code, is amended by striking ''1994, 1995, 1996 and 1997'' and inserting ''1994 through 2003''.

(b) APPLIED RESEARCH PROGRAM.—Section 307(e)(13) of title 23, United States Code, is amended in the first sentence by striking ''1993, 1994, 1995, 1996, and 1997'' and inserting ''1993 through 2003''.

(c) INTELLIGENT TRANSPORTATION SYSTEMS.—Section 6058 of the Intermodal Surface Transportation Efficiency Act of 1991 (23 U.S.C. 307 note; 105 Stat. 2191) is amended—

(1) in subsection (a), by striking ''1997'' and inserting ''2003''; and

(2) in subsection (b), by striking ''1997'' and inserting ''2003''.

SEC. 12. SCENIC BYWAYS PROGRAM.

Section 1047(d) of the Intermodal Surface Transportation Efficiency Act of 1991 (23 U.S.C. 101 note; 105 Stat. 1996) is amended by striking ''1995, 1996, and 1997'' and inserting ''1995 through 2003''.

SEC. 13. FERRY BOATS AND TERMINALS.

Section 1064(c) of the Intermodal Surface Transportation Efficiency Act of 1991 (23 U.S.C. 129 note; 105 Stat. 2005) is amended by striking ''fiscal year 1997'' and inserting ''each of fiscal years 1997 through 2003''.

SEC. 14. NATIONAL RECREATIONAL TRAILS PROGRAM.

Section 1302(d)(3) of the Intermodal Surface Transportation Efficiency Act of 1991 (16 U.S.C. 1261(d)(3)) is amended by striking ''shall not exceed'' and all that follows and inserting ''shall not exceed $30,000,000 for each of fiscal years 1992 through 2003.''.

SEC. 15. TRANSPORTATION AND LAND USE INITIATIVE.

(a) IN GENERAL.—Chapter 3 of title 23, United States Code, is amended by inserting after section 307 the following:

''§307A. Transportation and land use initiative

''(a) ESTABLISHMENT.—The Secretary shall establish a comprehensive initiative to investigate, understand, and, in cooperation with appropriate State, regional, and local authorities, address the relationships between transportation and land use.

''(b) TRANSPORTATION AND LAND USE RESEARCH.—

''(1) IN GENERAL.—The Secretary, in cooperation with appropriate Federal, State, regional, and local agencies and experts, including States and other entities eligible for assistance under subsection (d), shall develop and carry out a comprehensive research program to investigate and understand the relationships between transportation, land use, and the environment.

''(2) FUNDING.—For each of fiscal years 1998 through 2003, of the sum deducted by the Secretary under section 104(a), not less than $1,000,000 shall be made available to carry out this subsection.

''(c) TRANSPORTATION AND LAND USE PLANNING GRANTS.—

''(1) APPLICATIONS.—The Secretary shall solicit applications for transportation and land use planning grants under this subsection from State, regional, and local agencies, individually or in the form of consortia, to plan, develop, implement, and monitor strategies to integrate transportation and land use plans and practices.

''(2) PURPOSES.—The purposes of grants under this subsection shall be—

''(A) to support initiatives to reduce the need for costly future highway investments;

''(B) to provide access to jobs, services, recreational and educational opportunities, and centers of trade, in a cost-effective and efficient manner;

''(C) to otherwise improve the efficiency of the transportation system; and

''(D) to avoid, minimize, or mitigate the environmental impacts of transportation projects.

''(3) PREFERENCES.—In selecting recipients of grants under this subsection, the Secretary shall give preference to applicants that—

''(A) are agencies that have significant responsibilities for transportation and land use; and

''(B) submit applications that—

''(i) demonstrate a commitment to public involvement; and

''(ii) demonstrate a meaningful commitment of non-Federal resources to support the efforts of the project team.

''(4) NUMBER.—For each fiscal year, the Secretary shall make not more than 5 grants under this subsection.

''(5) MAXIMUM AMOUNT.—A grant made under this subsection for a fiscal year shall be in an amount not greater than $1,000,000.

''(d) TRANSPORTATION AND LAND USE POLICY GRANTS.—

''(1) IN GENERAL.—The Secretary may make transportation and land use policy grants to State agencies, metropolitan planning organizations, and local governments to—

''(A) recognize significant progress in integrating transportation and land use plans and programs; and

''(B) further aid in the implementation of the programs.

''(2) PREFERENCES.—In selecting recipients of grants under this subsection, the Secretary shall give preference to applicants that—

''(A) have instituted transportation processes, plans, and programs that—

''(i) are coordinated with adopted State land use policies; and

''(ii) are intended to reduce the need for costly future highway investments through adopted State land use policies;

''(B) have instituted other policies to promote the integration of land use and transportation, such as—

''(i) 'green corridors' programs that limit access to major highway corridors to areas targeted for efficient and compact development;

''(ii) urban growth boundaries to guide metropolitan expansion;

''(iii) State spending policies that target funds to areas targeted for growth; and

''(iv) other such programs or policies as determined by the Secretary; and

''(C) have adopted land use policies that include a mechanism for assessing and avoiding, minimizing, or mitigating potential impacts of transportation development activities on the environment.

''(3) USE OF GRANT FUNDS.—Grants made under this subsection shall be available for obligation for—

''(A) any project eligible for funding under this title or title 49; and

''(B) any other activity relating to transportation and land use that the Secretary determines appropriate, including purchase of land or development easements and activities that are necessary to implement—

''(i) transit-oriented development plans;

''(ii) traffic calming measures; or

''(iii) any other coordinated transportation and land use policy.

''(4) MINIMUM AMOUNT.—A grant made under this subsection for a fiscal year shall be in an amount not less than $10,000,000.

''(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated out of the Highway Trust Fund (other than the Mass Transit Account)—

''(1) to carry out subsection (c) $3,000,000 for each of fiscal years 1998 through 2003; and

''(2) to carry out subsection (d) $50,000,000 for each of fiscal years 1998 through 2003.''.

(b) CONFORMING AMENDMENT.—The analysis for chapter 3 of title 23, United States Code, is amended by inserting after the item relating to section 307 the following:

''307A. Transportation and land use initiative.''.

SEC. 16. APPALACHIAN DEVELOPMENT HIGHWAY SYSTEM.

(a) AUTHORIZATION.—

(1) IN GENERAL.—There is authorized to be appropriated out of the Highway Trust Fund (other than the Mass Transit Account) for construction of the Appalachian development highway system authorized by section 201 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) $425,000,000 for each of fiscal years 1998 through 2003.

(2) TRANSFER AND ADMINISTRATION OF FUNDS.—The Secretary of Transportation shall transfer the funds made available by paragraph (1) to the Appalachian Regional Commission, which shall be responsible for the administration of the funds.

(b) FEDERAL SHARE.—The Federal share under this section shall be 80 percent.

(c) DELEGATION TO STATES.—Subject to title 23, United States Code, the Secretary of Transportation shall delegate responsibility for completion of construction of each segment of the Appalachian development highway system under this section to the State in which the segment is located, upon request of the State.

(d) ADVANCE CONSTRUCTION.—The Secretary of Transportation may make available amounts authorized by this section in the manner described in section 115(a) of title 23, United States Code.

(e) CONTRACT AUTHORITY.—Funds authorized by this section shall be available for obligation in the same manner as if the funds were apportioned under chapter 1 of title 23, United States Code, except that—

(1) the Federal share of the cost of any construction under this section shall be determined in accordance with subsection (b); and

(2) the funds shall remain available until expended.

(f) OTHER STATE FUNDS.—Funds made available to a State under this section shall not be considered in determining the apportionments and allocations that any State shall be entitled to receive, under title 23, United States Code, and other law, of amounts in the Highway Trust Fund.

Mrs. BOXER. Mr. President, it is an honor for me to join today with four of the giants of the first ISTEA—Senators MOYNIHAN, CHAFEE, LAUTENBERG, and LIEBERMAN to support the ISTEA Reauthorization Act, the reauthorization of the 1991 Intermodal Surface Transportation Efficiency Act. Their vision of how we should shape transportation in this country in the postinterstate era is why we are here today to carry that vision into the next century.

The economic power of California and this Nation can only be unleashed if we invest in the means to get our workers to their jobs and our exports into international trade. This legislation not only will accomplish that vital goal but it will do so without leaving our environment in worst shape for generations to come.

At this time, Senator MOYNIHAN's bill best meets the goals that I have set for rewriting our surface transportation law. It is the best approach for California, which contributes more in Federal gas taxes than any other State. While this legislation is not what I will expect in a final bill, it is the best horse for California out of the starting gate.

I look forward to working with colleagues in committee to add provisions important to my State, including adding my legislation to provide Federal investment in border infrastructure to relieve border choke points resulting from increased trade. Senator MOYNIHAN knows this is a key issue for the border States.

Let me tell you briefly why this bill is the best for California right now:

First and foremost, this bill recognizes the responsibility that transportation bears to environmental protection by preserving the Congestion Mitigation and Air Quality Program. Nearly 26 million of California's 33 million residents live in an area that fails to meet one or more of the EPA's air quality standards. CMAQ must be preserved as a separate program targeted to those areas that need alternative transportation choices.

The bill also anticipates the adoption of new standards that will increase CMAQ funding for new nonattainment areas while protecting the funding levels of current areas. In addition, the bill preserves funding for areas that are in maintenance status, a measure that I authored in the 1995 National Highway System Designation Act to help these areas continue their path toward improved air quality.

Second, the bill uses up to date factors such as actual vehicle use and current population estimates in determining the highway funding categories. Those factors help raise California's share of funding. I will continue to work with my colleagues in the committee for a fairer share of the transportation funds for California, but this is a good start.

Third, the bill continues the Bridge Rehabilitation and Repair Program. In 1994, after the Northridge disaster, my colleagues here supported my bill that permitted this program to fund seismic retrofit projects without needing some other kind of repair first. This program is unique in that it permits such funding for local bridges.

Last, but not least, this bill carries the torch for the basic framework of ISTEA. I have heard from my local governments north to south in California that ISTEA works. Some change, yes. But the basic integrity of this law is sound. I agree with them, and I am proud to join the ''ISTEA works team.''

Mr. LAUTENBERG. Mr. President, I am pleased to join with Senator PATRICK MOYNIHAN, Senator JOSEPH LIEBERMAN, and 32 other Senators to introduce the ISTEA Reauthorization Act of 1997. This bill recognizes the success of the 1991 law, the Intermodal Surface Transportation Efficiency Act, by reauthorizing it with no major changes.

Mr. President, 17 Governors endorsed a statement of principles for the next surface transportation law that strongly affirmed ISTEA's goals and effectiveness in ensuring a sound national transportation infrastructure. Included in those goals were these statements: Maintain the course set by ISTEA; reauthorize ISTEA with simplification and refinement but without significant changes; allocate funds to states primarily based on needs; retain the Federal Government's role as a key transportation partner to help fund highway, bridge, and transit projects and to assure that a national focus remains on mobility, connectivity, uniformity, integrity, safety, and research. Their message was, plain and simple, ISTEA works.

Over the past few months, many others, from coast to coast, have sounded that message. Some are in the transportation business, others, such as mayors, county officials, and environmentalists are not. The drumbeat has sounded, that ISTEA works.

I strongly support that message. ISTEA was bold and innovative, and changed the way we think and make decisions about transportation. It brought the public into the process. It requires sound planning. It promotes energy efficient transportation, research and development. It strengthens safety.

It recognizes that the goal of a transportation system is how best to move goods and people, efficiently and effectively.

Mr. President, ISTEA has worked across this Nation, as witnessed by the 32 cosponsors from 17 States. ISTEA has also worked for my home State of New Jersey. ISTEA could not have had a better laboratory than New Jersey. New Jersey is a corridor State, linking commerce and travel to the Northeast and the rest of the country. New Jersey has the highest vehicle density of any State in the United States. Thousands of heavy duty trucks, only half of which are not registered in New Jersey, use New Jersey's roads.

It is a commuter State, heavily reliant on mass transit. New Jersey's transportation infrastructure is heavily used and is significantly older than many other State's. We as a State have had to be creative in finding ways to maintain the condition of the infrastructure, while improving mobility and promoting sound planning.

Improving mobility reduces congestion, which in turn, improves air quality and makes our highways safer. This means that our time is not spent in long commutes to work or stuck in traffic. We need to remember why sensible transportation funding and planning is important. It's not to satisfy some special interest. It's to remember that sound transportation systems help cope with growing communities—our neighborhoods. Sound transportation systems help to improve mobility to transport freight and promote domestic and international commerce, making our economy more efficient and creating jobs—our businesses. Sound transportation systems help to improve air quality and protect the environment—our personal health. In short, transportation can, and should, help develop liveable communities and create a better way of life.

Mr. President, ISTEA was the first step toward this goal. The ISTEA Reauthorization Act of 1997 is the next logical step to launch our Nation's transportation system into the 21st century.

The bill we are introducing today recognizes that current levels of transportation investment fall short of needs, so it increases authorized transportation funding over 6 years and continues the emphasis on preservation and maintenance of transportation systems.

The bill continues to support the scientifically proven link between transportation and air quality by bolstering the Congestion Mitigation and Air Quality Program.

The bill supports allocating transportation funds based on need, by continuing the bridge program without any changes.

The bill increases flexibility by making Amtrak eligible for certain highway funds, and maintains the flexibility for transit.

And, the bill recognizes special needs of States with both low and high density populations, by providing additional funding.

Mr. President, I would also like to comment on the effort to revise our national highway program to ensure that each State receives allocations based on a certain percentage of its gas tax contributions to the highway trust fund—the donor-donee issue. This is the wrong way to think about transportation funding. It is in the national interest to have a Federal transportation policy with national goals. That's how we promote interstate and international commerce, further economic productivity, protect the environment, and ensure safety. That's why decisions to allocate Federal transportation funding should be based on need, not on a State's contribution to the highway trust fund. We do not allocate airport improvement program funds based on the amount of ticket tax that is collected in each State. No Federal programs work that way.

However, if we choose to approach the issue in that context, then we must first recognize each State's return on the Federal dollar for all Federal programs. New Jersey receives only 68 cents of return on the Federal dollar—second to last, just ahead of Connecticut. New Jerseyans collectively contribute $15 billion more in Federal payments than they receive—that's more than $1,800 per resident.

Mr. President, if we were to adopt an across-the-board rule to require 95 percent return on Federal dollars, consider what would happen if we apply that test to other programs. New Jersey would then receive $169 million more for agriculture subsidies, $2.1 billion more of defense spending, and about $55 million more for child and family health services funding.

Mr. President, national transportation funding should continue to be allocated based on national goals and State needs like other Federal programs.

Mr. President, ISTEA has worked for our cities, our counties, our environment, and for economic development. Let us build on the success of the past and not turn the clock back on transportation progress.

Mr. LEAHY. Mr. President, 6 years ago, thanks to the leadership of Senators MOYNIHAN and C0HAFEE, this Nation made a fundamental change in the way that it allocates public investment in transportation. That change was based on the premises that local people understand local needs, that funding should be flexible, and that transportation should contribute to meeting national environmental and public health goals.

I made a commitment to myself and to Vermonters that I would only sponsor legislation that embodies those three premises. Today I announce that I am proud to be an original cosponsor of the ISTEA Reauthorization Act of 1997, and I look forward to doing whatever I can to ensure that this progressive legislation makes it through the Senate and into law.

This bill maintains and enhances our transportation commitments in ways that will benefit Vermonters. I fought hard to include the provision that will allow the State of Vermont the flexibility to use Federal funds for Amtrak service. Our small State has two successful Amtrak trains, both of which operate because of the leadership shown by Governor Dean and the legislature. If this provision passes it will mean that Amtrak service in Vermont can be maintained and possibly even expanded.

This bill also protects transportation flexibility that has been so popular in Vermont. It maintains the recreational trails and scenic byways programs, and allows States to continue to use funds for bicycle transportation and pedestrian walkways. I will continue to fight for these programs in the coming months.

Finally, this bill will bring more resources to Vermont. Out small State lies on a major north-south truck route. Much of this traffic passes through Vermont without stopping for fuel. Consequently, our roads get a lot of the wear and tear that goes along with commerce, without the accompanying gas tax receipts. This legislation provides Vermont with a major boost in highway funding, so that we can better maintain and repair our existing roads.

In closing, Mr. President, I urge my colleagues who have not yet done so to join me and the bipartisan group of 32 other Senators who have committed themselves to the ISTEA reauthorization bill of 1997.

Mr. LIEBERMAN. Mr. President, I'm delighted to join with Senator MOYNIHAN and Senators LAUTENBERG, CHAFEE, DODD, and numerous other colleagues to introduce the Intermodal Surface Transportation Efficiency Reauthorization Act of l997.

As a member of the Environment and Public Works Committee, I was proud to have worked hard with Senator MOYNIHAN and others to craft ISTEA in l991. Without a doubt, ISTEA was the most significant and innovative transportation legislation of a generation. It recognized that our Nation is now reaching a maturing system of transportation. With our Interstate system built, ISTEA moved us to also focus on maintenance, intermodalism, efficiency, funding flexibility, and environmental protection.

So often today we hear complaints about laws and programs that don't work. ISTEA is a law that has worked and is working—very well. It's one area where we don't need to reinvent government—we did that in l991 when we adopted ISTEA. That's why Governors, mayors, county officials, guilders unions, environmental groups, planners, businessmen and women, and others are telling us to reauthorize the law with minimal change. That was the resounding message I heard in Connecticut at a forum yesterday from a broad range of interests.

Let me spend a few minutes reviewing why ISTEA is so important.

In a very unique way, ISTEA combines this country's long-standing commitment to our national priorities—a national system of transportation central to our economic growth and our commitment to protecting and enhancing our environment—with a new emphasis on responding to local conditions, priorities, and interests and involving the public in this decisionmaking process.

The statement of policy that introduces ISTEA reminds us that the economic health of the country depends on access to an efficient transportation system. It reads as follows:

> It is the policy of the United States to develop a national intermodal transportation system that is economically efficient and environmentally sound, provides the foundation for the nation to compete in the global economy and will move people and goods in an efficient manner.

ISTEA's commitment to a national transportation system includes dedicated sources of funding to preserve, restore, and rehabilitate our Interstate highways and bridges. In many areas of the country, like my own, our infrastructure is older and densely traveled. We need dedicated sources of funding for these programs to help ensure an efficient transportation system for our entire Nation.

Second, ISTEA recognized that there is an inextricable link between transportation and the quality of our environment, particularly our air quality. Automobiles are a large contributor to our smog, carbon monoxide, and particulate matter pollution. As Americans drive more and more miles, the pollution control gains from cleaner cars get wiped out.

The Congestion Mitigation and Air Quality Improvement Program is one of the most innovative programs created under ISTEA. It is providing $1

billion per year for projects to reduce air pollution. These funds are being used to help States restore air quality to healthy levels. This program is the opposite of the so-called unfunded mandates—it provides Federal funds to help meet the requirements of the Clean Air Act. In Connecticut where our air quality is so bad, this program provides an important source of funding to help us move toward clean air. Stamford, Greenwich, and Norwalk, for example, made innovative use of these funds. Our bill would substantially increase funding for this program.

While recognizing these national priorities, ISTEA also makes nearly one-half of all funds available for State and local decisionmaking. The transportation needs of Connecticut are different from the needs of Montana, and this program allows each area to decide what's right for them, again, within the context of protecting a national transportation system. And for the first time, it allowed local decisionmakers to spend funds on either highways or transit. This leveling of the playing field between transit and highways is very important for many areas of the country, including my own.

ISTEA also created a popular program known as Transportation Enhancements which provides a small amount of funding to mitigate some of the negative effects transportation has caused for our local communities. I heard yesterday at a forum in Connecticut how funds were used from this program to restore a recreational and open space corridor along the abandoned right of way of the former Farmington Canal and the Boston and Main Railroad. This project was selected as one of the Nation's 25 best enhancement projects. We've also used funds from this program to help restore some of our coastal wetlands, to protect and enhance the landscape of our famous Merritt Parkway and for the restoration of the Route 8 and Route 15 interchanges.

We should also not forget the important process changes made by ISTEA. The law gave local decisionmakers and the public a much greater role in making the transportation decisions that so affect their communities. In Connecticut, mayors and other local elected officials strongly support this approach. In fact, I heard from mayors at a forum yesterday that ISTEA's planning provisions have led to greater cooperation between central cities and their suburban neighbors on a wide variety of issues—extending beyond transportation.

Unfortunately, despite ISTEA's record of achievement, our efforts to reauthorize it will not be easy. ISTEA is under attack. A significant number of Senators already support proposals which would eliminate many of the fundamental bases of ISTEA, including much of our commitment to a national transportation system. Instead, these proposals would turn much of the program into essentially a block grant, where I'm concerned our national priorities for our transportation system would be lost. The funds would be distributed based on how much money each State is contributing to the Highway Trust Fund in gasoline taxes rather than looking to the Nation's infrastructure needs and also focusing funding on those systems that require preservation and enhancement. In short, these proposals would largely abandon the Federal role in transportation which is so essential to support national economic growth, global competitiveness, and the quality of life in our communities.

I congratulate my friend and colleague Senator MOYNIHAN and his staff for their outstanding work in putting this bill together. I look forward to working with him and my other colleagues as we move through this process.

Mr. KENNEDY. Mr. President, I join in commending Senator MOYNIHAN and the other bipartisan sponsors for their leadership on this important issue. The stakes are very high. The strength of our economy is directly tied to the quality of our transportation. This is no time to turn back the clock on ISTEA and its well-balanced commitment to seven key points: Highways; public transit; environmental protection; bikeways, recreational trails, and historic preservation; computerized traffic management; safety; and a strong voice for local communities in the allocation of funds.

In all of these areas, ISTEA has worked well and deserves to be continued.

This is our reply to the STEP 21 coalition and the Western coalition. Their proposals are blatant schemes to gerrymander the funding formula against our States and undermine other key aspects of ISTEA, and they're not acceptable.

They say their States should get back from the Treasury in ISTEA funds what they pay into the Treasury in gas tax revenues. But that kind of tunnel vision is distorting this debate. It's wrong to focus narrowly just on transportation spending versus gas tax revenues. The only fair comparison is between overall Federal spending that goes into a State, and the overall Federal tax revenues that come from that State.

By that standard, our States are donor States. We send more to Washington than we get back in return. The States complaining the loudest about not getting their fair share of Federal transportation dollars are huge net winners in the overall picture. They get back far more in Federal spending than they pay into the Treasury. And they're trying to grab even more through ISTEA. I say, they should keep their hands out of the ISTEA cookie jar.

We have enormous transportation needs in our States, and those needs deserve strong Federal support. Working together, we intend to do all we can to chart a fair transportation course for the coming years. I look forward to that challenge and to our successful efforts together.

Ms. MOSELEY-BRAUN. Mr. President, I am honored to join my colleague from New York, Senator MOYNIHAN, and Senator LAUTENBERG, Senator LIEBERMAN, and many others today to introduce the ISTEA Reauthorization Act of 1997. This law builds on the success of the last 6 years of ISTEA, and will guide more than $175 billion in Federal highway spending over the next 6 years.

Few laws we enact this year will have as much of an immediate and significant affect on our economy than the ISTEA reauthorization bill. The transportation industry employs 12 million people, consumes 20 percent of total household spending, and accounts for 11 percent of our Nation's total economic activity. Highways are the most important component of our transportation infrastructure, and their use is growing. Between 1984 and 1994, U.S. motor vehicle travel increased 37.5 percent.

Over the past 6 years, the Intermodal Surface Transportation and Efficiency Act has provided the basis for a strong Federal-State-local partnership to help the Nation meet its transportation needs. It has directed $157 billion into highways, mass transit, and related transportation priorities nationwide. It is one of the most successful intergovernmental partnerships in American history. Under ISTEA, we completed the system of Interstate and Defense Highways begun by President Eisenhower 40 years ago, defined the National Highway System that will help prioritize highway improvements for decades to come, and coordinated planning among different transportation modes.

ISTEA has improved the capacity and overall condition of our transportation infrastructure. According to the U.S. Department of Transportation, our highways and bridges are in better shape than they were a few years ago. Our environment is in better condition too, thanks to ISTEA innovations like the congestion mitigation and air quality and transportation enhancement programs.

Despite our success, we continue to face enormous challenges over the next 6 years to maintain and improve our highways and bridges. Over this time, it will cost an estimated $148.5 billion just to maintain the current physical conditions of our highways. Every year, we must renew 100,000 miles of highways in order to maintain current pavement conditions.

My own State of Illinois will need several billion dollars to repair aging roads and bridges. According to some estimates, nearly 43 percent of Illinois roads need repair, and almost one-fourth of Illinois bridges are in substandard condition. Every year, Illinois motorists pay an estimated $1 billion

in vehicle wear and tear and other expenses associated with poor road conditions.

In Chicago, the transportation hub of the Nation, the traffic flow on some of the major arterial highways has increased seven-fold since they were built in the 1950's and 1960's. According to a recent study, Chicago is the fifth most congested city in the Nation. The typical Chicago-area driver wastes 34 hours every year sitting still in traffic jams, and pays $470 a year in lost time and wasted fuel.

In order to meet the transportation infrastructure needs of Illinois and the Nation, the Federal Government must continue to play a lead role in the ongoing partnership to improve America's highways. If there were ever a legislative case in point for the saying, ''If it's not broken, don't fix it,'' ISTEA is it.

The ISTEA Reauthorization Act of 1997 is a simple bill. It builds on the success of the last 6 years. It does not represent a set of major policy changes. It provides a significant increase in funding over ISTEA levels, updates some of the funding formulas, and increases flexibility for States, all within the constructs defined by ISTEA. I hope the Environment and Public Works Committee will use this bill as the basis for its deliberations on ISTEA reauthorization, and I urge all of my colleagues to join us in sponsoring this important legislation.

I want to point out that this legislation does not reauthorize the mass transit half of ISTEA. That job falls on the Banking Committee. I look forward to working with my colleagues on the committee and with others who have a strong interest in transit to ensure the next 6 years of transit policy also mirror the successful framework of transit policy defined by ISTEA.

As we head into the 21st century, we must continue to maintain and improve America's transportation infrastructure. In the global economy, one of the things that makes our products competitive is our ability to move freight across the country cheaply and efficiently. The ISTEA Reauthorization Act of 1997 will accomplish that goal by continuing the success of ISTEA into the next 6 years.

ADDITIONAL COSPONSORS

S. 1

At the request of Mr. COVERDELL, the name of the Senator from Utah [Mr. BENNETT] was added as a cosponsor of S. 1, a bill to provide for safe and affordable schools.

S. 25

At the request of Mr. FEINGOLD, the name of the Senator from Maryland [Mr. SARBANES] was added as a cosponsor of S. 25, a bill to reform the financing of Federal elections.

S. 66

At the request of Mr. HATCH, the name of the Senator from California [Mrs. FEINSTEIN] 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. 181

At the request of Mr. GRASSLEY, the name of the Senator from Maine [Ms. COLLINS] was added as a cosponsor of S. 181, a bill to amend the Internal Revenue Code of 1986 to provide that installment sales of certain farmers not be treated as a preference item for purposes of the alternative minimum tax.

S. 194

At the request of Mr. CHAFEE, the name of the Senator from Alaska [Mr. MURKOWSKI] 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. 255

At the request of Mr. MCCAIN, the name of the Senator from Virginia [Mr. ROBB] was added as a cosponsor of S. 255, a bill to amend the Communications Act of 1934 to provide for the reallocation and auction of a portion of the electromagnetic spectrum to enhance law enforcement and public safety telecommunications, and for other purposes.

S. 261

At the request of Mr. DOMENICI, the name of the Senator from South Dakota [Mr. DASCHLE] was added as a cosponsor of S. 261, a bill to provide for a biennial budget process and a biennial appropriations process and to enhance oversight and the performance of the Federal Government.

S. 365

At the request of Mr. COVERDELL, the names of the Senator from Texas [Mr. GRAMM], the Senator from Colorado [Mr. ALLARD], the Senator from Missouri [Mr. ASHCROFT], the Senator from Washington [Mr. GORTON], the Senator from Ohio [Mr. DEWINE], and the Senator from Idaho [Mr. CRAIG] were added as cosponsors of S. 365, a bill to amend the Internal Revenue Code of 1986 to provide for increased accountability by Internal Revenue Service agents and other Federal Government officials in tax collection practices and procedures, and for other purposes.

S. 377

At the request of Mr. BURNS, the name of the Senator from Wyoming [Mr. ENZI] was added as a cosponsor of S. 377, a bill to promote electronic commerce by facilitating the use of strong encryption, and for other purposes.

S. 387

At the request of Mr. HATCH, the name of the Senator from Massachusetts [Mr. KENNEDY] was added as a cosponsor of S. 387, a bill to amend the Internal Revenue Code of 1986 to provide equity to exports of software.

S. 404

At the request of Mr. BOND, the name of the Senator from Florida [Mr. GRAHAM] was added as a cosponsor of 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.

S. 492

At the request of Mr. SARBANES, the names of the Senator from Kentucky [Mr. FORD] and the Senator from Massachusetts [Mr. KENNEDY] were added as cosponsors of S. 492, a bill to amend certain provisions of title 5, United States Code, in order to ensure equality between Federal firefighters and other employees in the civil service and other public sector firefighters, and for other purposes.

S. 494

At the request of Mr. KYL, the name of the Senator from Montana [Mr. BURNS] was added as a cosponsor of S. 494, a bill to combat the overutilization of prison health care services and control rising prisoner health care costs.

S. 521

At the request of Mr. COVERDELL, the names of the Senator from Missouri [Mr. ASHCROFT], the Senator from North Carolina [Mr. FAIRCLOTH], and the Senator from Ohio [Mr. DEWINE] were added as cosponsors of S. 521, a bill to amend the Internal Revenue Code of 1986 to impose civil and criminal penalties for the unauthorized access of tax returns and tax return information by Federal employees and other persons, and for other purposes.

S. 522

At the request of Mr. D'AMATO, his name was added as a cosponsor of S. 522, a bill to amend the Internal Revenue Code of 1986 to impose civil and criminal penalties for the unauthorized access of tax returns and tax return information by Federal employees and other persons, and for other purposes.

At the request of Mr. BRYAN, his name was added as a cosponsor of S. 522, supra.

At the request of Mr. COVERDELL, the names of the Senator from Texas [Mr. GRAMM], the Senator from Florida [Mr. MACK], the Senator from Colorado [Mr. ALLARD], the Senator from Missouri [Mr. ASHCROFT], the Senator from North Carolina [Mr. FAIRCLOTH], the Senator from Ohio [Mr. DEWINE], the Senator from Colorado [Mr. CAMPBELL], the Senator from Idaho [Mr. CRAIG], the Senator from Wisconsin [Mr. KOHL], and the Senator from Massachusetts [Mr. KERRY] were added as cosponsors of S. 522, supra.

S. 525

At the request of Mr. KENNEDY, the name of the Senator from Oregon [Mr. WYDEN] was added as a cosponsor of S. 525, a bill to amend the Public Health Service Act to provide access to health care insurance coverage for children.

S. 526

At the request of Mr. KENNEDY, the name of the Senator from Oregon [Mr. WYDEN] was added as a cosponsor of S.