hospitals across the Commonwealth and across the country be protected and preserved so that continued health care will be available to veterans seeking the unique services they provide: and be it further

Resolved, That a copy of these resolutions be transmitted forthwith by the clerk of the Senate to the President of the United States, to the presiding officer of each branch of Congress and to the members thereof from this Commonwealth.

REPORT OF COMMITTEE RECEIVED DURING ADJOURNMENT

Under the authority of the order of the Senate of June 12, 1997, the following reports of committee as submitted on June 13, 1997.

By Mr. HELMS, from the Committee on Foreign Relations, without amendment:

S. 903. An original bill to consolidate the foreign affairs agencies of the United States, to authorize appropriations for the Department of State for fiscal years 1998 and 1999, and to provide for reform of the United Nations, and for other purposes (Rept. No. 105–28).

INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bill was introduced, read the first and second time by unanimous consent, and referred as indicated on June 12, 1997:

By Mrs. BOXER:

S. 902. A bill to require physicians to provide certain men with information concerning prostate specific antigen tests and to provide for programs of research on prostate cancer; to the Committee on Labor and Human Resources.

The following bills and joint resolutions were introduced, read the first and second time by unanimous consent, and referred as indicated on June 13, 1997:

By Mr. HELMS:

S. 903. An original bill to consolidate the foreign affairs agencies of the United States, to authorize appropriations for the Department of State for fiscal years 1998 and 1999, and to provide for reform of the United Nations, and for other purposes; from the Committee on Foreign Relations; placed on the calendar.

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

By Mr. BREAUX (for himself, Mr. MACK, and Mr. KERREY):

S. 904. A bill to amend title XVIII of the Social Security Act to provide medicare beneficiaries with choices, and for other purposes; to the Committee on Finance.

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

S. 905. A bill to establish a National Physical Fitness and Sports Foundation to carry out activities to support and supplement the mission of the President's Council on Physical Fitness and Sports, and for other purposes; to the Committee on Commerce, Science, and Transportation.

By Mr. D'AMATO (for himself, Mr. MOYNIHAN, Mr. CHAFEE, Mr. BREAUX, Mr. HATCH, and Mr. GRAHAM):

S. 906. A bill to amend the Internal Revenue Code of 1986 to extend the economic activity credit for Puerto Rico, and for other purposes; to the Committee on Finance.

By Mr. D'AMATO (for himself and Mr. BAUCUS):

S. 907. A bill to amend the Revenue Act of 1987 to provide a permanent extension of the transition rule for certain publicly traded partnerships; to the Committee on Finance.

By Mr. SMITH of Oregon (for himself and Mr. WYDEN):

S. 908. A bill to authorize the Secretary of the Interior to participate in a water conservation project with the Tumalo Irrigation District, Oregon; to the Committee on Energy and Natural Resources.

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

S. 909. A bill to encourage and facilitate the creation of secure public networks for communication, commerce, education, medicine, and government; to the Committee on Commerce, Science, and Transportation.

By Mr. FRIST:

S. 910. A bill to authorize appropriations for carrying out the Earthquake Hazards Reduction Act of 1977 for fiscal years 1998 and 1999, and for other purposes; to the Committee on Commerce, Science, and Transportation.

By Mr. TORRICELLI:

S. 911. A bill to amend the Internal Revenue Code of 1986 to allow a credit against income tax to individuals who are active participants in neighborhood crime watch organizations which actively involve the community in the reduction of local crime; to the Committee on Finance.

By Mr. BOND:

S. 912. A bill to provide for certain military retirees and dependents a special medicare part B enrollment period during which the late enrollment penalty is waived and a special medigap open period during which no under-writing is permitted; to the Committee on Finance.

By Mr. HATCH:

S. 913. A bill to amend title XVIII of the Social Security Act to provide for a prospective payment system for home health services, and for other purposes; to the Committee on Finance.

S. 914. A bill to establish a prospective payment system under the medicare program for skilled nursing facility services; to the Committee on Finance.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. BREAUX (for himself, Mr. MACK and Mr. KERREY):

S. 904. A bill to amend title XVIII of the Social Security Act to provide Medicare beneficiaries with choices, and for other purposes; to the Committee on Finance.

THE COMPREHENSIVE MEDICARE REFORM AND IMPROVEMENT ACT OF 1997

Mr. BREAUX. Mr. President, I rise for a moment or two to speak to a bill which Senator MACK and I are introducing today on the entire question of Medicare. So many people around the country have heard Congress and elected officials for a long period of time talk about how we need to reform the Medicare Program. The Medicare Program has been a wonderful program since 1965. It has assured our senior citizens they will have adequate health care in a period in their lives when health care is vitally important.

We have all seen the studies and the reports which clearly point out that unless Congress fundamentally reforms this program, it is not going to be around for much longer. We clearly see a program that will be bankrupt, which is running out of money, and that has to be a tremendous concern not only to our Nation's seniors but also to their children and their grandchildren and to society at large. Unfortunately, every time Congress moves toward trying to reform Medicare, we do not do it. We have taken the same approach year in and year out with the thought of fixing Medicare with a Band-Aid type of approach instead of addressing the fundamental defects in the program. We have every year said we are going to fix it this year by reducing the reimbursement fees that doctors and hospitals get for treating Medicare patients.

I said the other day, and others have made this comment, that before too long doctors and hospitals will refuse to take Medicare patients because their reimbursement rate from the Government will be less than it costs them to do business, that they will simply refuse to take Medicare patients any longer.

That is already happening in my own family. My mother-in-law just a week ago informed us that after being diagnosed with an ailment of diabetes, in trying to go to a local physician in our State of Louisiana, they promptly informed her they do not take Medicare patients. I think that is something we all need to be very concerned about. We cannot continue to try to fix Medicare with a proposal that truly does not fix it.

What we introduce today is a proposal to make an option available to Medicare recipients which is patterned on the Federal Employees Health Benefit Plan that every Member of the Senate and every Member of the House and all 9 million Federal employees have.

It is a program which is fundamentally different than Medicare because, unlike Medicare, it is based on competition in the marketplace as opposed to arbitrary price fixing of Medicare services, which is the current system under Medicare based here in Washington.

There was an interesting story in the Washington Post this morning which talked about how House and Senate committees are looking at bringing about reform to Medicare and Medicaid and basing that reform on the Federal health plan available to Members of Congress and other Federal employees. Unfortunately, while the Medicare proposals which are now pending in the House and the Senate will increase the range of options available to seniors, they lack the most important feature of the Federal Employees Health Benefit Plan. That is competition. Medicare is the only program that fails to deliver health care based on competition but does it based on arbitrary price fixing, which is no longer working. The proposals currently in both the House and the Senate plan would continue to base what we pay managed care programs on what we spend on the so-called fee-for-service, currently available under Medicare. And that is the

problem. There is not fundamental reform.

I think most committees are to be commended. Our Finance Committee draft does recognize that there is a problem. But in trying to reduce the costs of Medicare by $115 billion, almost all of those savings come out of reducing payments to doctors and hospitals. I have said what the problem is there. Doctors and hospitals will begin to refuse to take Medicare patients. That, certainly, is not going to help anyone.

So what we are recommending, Senator MACK and I, by our approach, is to introduce a test program over a 5-year period to try to fundamentally reform Medicare; to set up demonstration projects around the country to allow competitive bidding and negotiations to take part in the delivery of Medicare services to seniors in this country. We had an interesting report the other day in our Aging Committee that pointed out we are overpaying managed care programs under Medicare by almost $2 billion a year more than it is costing them to treat the patients. That is because it is not based on competition, but rather on an arbitrary, bureaucratic program that is run out of a department here in Washington. I don't fault the program managers and the bureaucrats. That is how Congress set it up. But while it may have been a good idea in 1965, in 1997 it is no longer working. It is totally out of step with the way health care services need to be delivered in this country.

So what the Breaux-Mack proposal says is that we are going to take a look at how the Federal employee plan works; we are going to do some demonstration projects around the country; we are going to take those results, and Congress will act on those results. We will not just let the study sit on a shelf somewhere in a library and not have anything happen with it, but rather we will have the Congress actually take those recommendations and act on those recommendations.

We are convinced that with this new approach, Medicare beneficiaries will get more services. We start off with a basic standardized plan that in addition to what is now available to Medicare patients, also includes prescription drugs, which is incredibly important. We also guarantee this basic package will be available to all of the people we are proposing. But the fundamental difference is they will have more information about the plans, so the plans will be able to be compared for people to see which plan is the best. So we will create a situation where Medicare beneficiaries will have more services offered to them, more choices of which plan they would like to consider, more benefits under those plans, and we think we can clearly do it for less money than is being spent on the program right now.

One of the features of our program is that it sets up an office of competition, much like the private plans that are available now to Federal employees. We think that an office of competition will be able to call for people to actually come in and submit proposals. Then, after they look at these proposals and make sure they meet the standardized package of benefits, they will begin to negotiate with these people who are offering these plans to our seniors in the United States.

Competition is a wonderful thing. For the right to treat 38 million Medicare recipients, people will compete. They will say, ''Our plan is better than their plan. Our plan offers more than their plan. Our plan can do it at a better price.'' There will be a competitive world set up that is not now available to Medicare recipients.

That is the fundamental problem, I think, that the House and Senate bills, and respective Finance and Ways and Means Committee bills, do not address. It still says we are going to continue to fix prices out of Washington for Medicare recipients. I think that every think tank we have talked to—and Senator MACK and I have met with liberal think tanks and conservative think tanks, and people who have spent a lifetime studying this problem. Generally, they all have come to the same conclusion—that greater competition in the marketplace will allow health providers to offer more services to senior citizens and do it at a better price.

So we are going to introduce today legislation that does establish a Medicare reform package or proposals which we think represent fundamental reform in the system. We are not saying that all seniors have to move into this program immediately. No, we are saying we ought to have a demonstration project in 10 cities around the country and in rural areas around America, to see how it would work, do this test marketing for about a 5-year period, until we can get a great deal of information about what is happening out there when you try to reform this system, then take that information and bring it back to the Congress and have Congress act on that recommendation. We think that is something that makes a great deal of sense.

I think it is a balanced way to proceed. We are not rushing into it. We are not telling seniors they have to do something overnight, but merely giving them the choice during this period of time. I think that is what seniors really want. They want the choice. They want more information. They want a better benefit package. And all of us want, bottom line, to see that this program is going to be around for when we move into it, when our children move into it, when the baby-boomer generation we hear so much talk about is ready to participate in the program.

We clearly cannot continue down the same path that we have continued on for so many years, since 1965. We think the Breaux-Mack proposal is a realistic alternative. It merits bipartisan support, and we hope both committees ultimately will bring to the floor a type of program based on what myself and Senator MACK will be introducing in the Congress today.

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

S. 905. A bill to establish a national physical fitness and sports foundation to carry out activities to support and supplement the mission of the President's Council on Physical Fitness and Sports, and for other purposes; to the Committee on Commerce, Science, and Transportation.

THE SPORTS FOUNDATION ESTABLISHMENT ACT

Mr. MCCAIN. Mr. President, I am pleased to introduce, along with Senator HOLLINGS, the National Physical Fitness and Sports Foundation Establishment Act. This bill would create a charitable, not-for-profit foundation to raise funds from the private sector to support the activities of the President's Council on Physical Fitness.

The President's Council presently relies on Federal appropriations to support its activities. In each of the last 2 fiscal years, the President's Council has received appropriations of approximately $1 million. Future appropriations for the Mr. President's Council are at risk as we strive to balance the Federal budget.

The foundation created by this bill would raise private funds to sustain the President's Council on Physical Fitness. To facilitate fundraising, the foundation is permitted to offer the use of the seal of the President's Council for promotional purposes in exchange for sponsorship funds. The bill does not authorize the expenditure of Federal funds.

The primary goal of the President's Council is to foster programs that encourage people of all ages to participate regularly in sports and physical activities. The President's Council focuses on grassroots, community-based programs. Perhaps the Council's most well known activity is the President's Challenge Physical Fitness Awards Program which is administered by teachers and youth programs across the country.

We should act to preserve the President's Council. Its activities are particularly important because our Nation's children are becoming increasingly less physically fit even as we learn that physical fitness in one's youth is important to living a healthy life during adulthood.

By Mr. D'AMATO (for himself, Mr. MOYNIHAN, Mr. CHAFEE, Mr. BREAUX, Mr. HATCH, and Mr. GRAHAM):

S. 906. A bill to amend the Internal Revenue Code of 1986 to extend the economic activity credit for Puerto Rico, and for other purposes; to the Committee on Finance.

THE PUERTO RICO ECONOMIC ACTIVITY CREDIT IMPROVEMENT ACT OF 1997

Mr. D'AMATO. Mr. President, I rise today to join Senator CHAFEE, Senator

MOYNIHAN, Senator BREAUX, Senator HATCH, and Senator Bob GRAHAM in introducing legislation that will induce investment and create employment in Puerto Rico. Puerto Ricans have been U.S. citizens since 1917. Since World War I an estimated 200,000 Puerto Ricans have served in the U.S. Armed Forces. Yet, the Puerto Rican unemployment rate is more than twice the national average, its annual per capita income is less than half the national average, and well over 50 percent of its population live below the poverty line. We as a Congress must take action to bring Puerto Rico's economy up to the levels that we expect for all Americans.

Under current law, section 30A of the Internal Revenue Code provides a targeted wage credit to companies during business in Puerto Rico based upon the compensation paid to their employees. It does not allow new business starts and the credit terminates in 2006. As a result, existing companies have little incentive to make new investments or replace depreciating plant and equipment. Job losses will occur as existing plants are shut down and these activities may be transferred to foreign locations. Net job growth can only occur if new firms start up and if expanding firms replace job losses. Manufacturing accounts for more than 40 percent of Puerto Ricos gross domestic product.

This legislation expands section 30A to provide an employer tax credit for employees located in Puerto Rico that will also cover new businesses. This credit is based upon the compensation to their employees. The credit will only remain until economic conditions improve within Puerto Rico including an unemployment rate not to exceed 150 percent of the U.S. average, per capita income is at least 66 percent of the national average, and that the poverty level does not exceed 30 percent. The economic conditions for the tax incentives to end are modest but achieve significant economic progress for the people of Puerto Rico.

This legislation serves U.S. fiscal interests. Without spurring job creation in Puerto Rico, the United States will be paying unemployment and welfare benefits to people that have a strong work ethic and impressive job skills. Puerto Rico has a labor force of 1.3 million people. Of this total approximately 190,000 are available for employment. We must do everything possible to help facilitate employment for these people.

Even though Puerto Rico is located 1,600 miles southeast of New York City, the people of New York have a direct interest in the Puerto Rican economy. Puerto Rican subsidiaries of mainland companies purchase approximately $195 million per year worth of supplies and services from New York. Corporations headquartered in New York State that have invested in Puerto Rico employ over 39,000 persons in New York. If corporations are drawn to other regions where there are tax incentives, New York State will not only lose jobs but also significant amounts of income from goods and services.

Mr. President, this legislation is a powerful economic development initative that is vital to Puerto Rico because of the many hurdles the people face in their struggle for development. The island faces much higher transportation costs than most States; an infrastructure which still needs billions in investment to bring it up to acceptable standards and it is faced with competition within the Caribbean and other locations which pay wages a fraction of Puerto Rico's.

Mr. President, I urge my colleagues on both sides of the aisle to join us in cosponsoring this important legislation.

Mr. President, I ask unanimous consent that the complete text 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. 906

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

SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.

(a) SHORT TITLE.—This Act may be cited as the ''Puerto Rico Economic Activity Credit Improvement Act of 1997''.

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

SEC. 2. MODIFICATIONS OF PUERTO RICO ECONOMIC ACTIVITY CREDIT.

(a) CORPORATIONS ELIGIBLE TO CLAIM CREDIT.—Section 30A(a)(2) (defining qualified domestic corporation) is amended to read as follows:

''(2) QUALIFIED DOMESTIC CORPORATION.—For purposes of paragraph (1)—

''(A) IN GENERAL.—A domestic corporation shall be treated as a qualified domestic corporation for a taxable year if it is actively conducting within Puerto Rico during the taxable year—

''(i) a line of business with respect to which the domestic corporation is an existing credit claimant under section 936(j)(9), or

''(ii) an eligible line of business not described in clause (i).

''(B) LIMITATION TO LINES OF BUSINESS.—A domestic corporation shall be treated as a qualified domestic corporation under subparagraph (A) only with respect to the lines of business described in subparagraph (A) which it is actively conducting in Puerto Rico during the taxable year.

''(C) EXCEPTION FOR CORPORATIONS ELECTING REDUCED CREDIT.—A domestic corporation shall not be treated as a qualified corporation if such corporation (or any predecessor) had an election in effect under section 936(a)(4)(B)(iii) for any taxable year beginning after December 31, 1996.''

(b) APPLICATION ON SEPARATE LINE OF BUSINESS BASIS; ELIGIBLE LINE OF BUSINESS.—Section 30A is amended by redesignating subsection (g) as subsection (h) and by inserting after subsection (f) the following new subsection:

''(g) APPLICATION ON LINE OF BUSINESS BASIS; ELIGIBLE LINES OF BUSINESS.—For purposes of this section—

''(1) APPLICATION TO SEPARATE LINE OF BUSINESS.—

''(A) IN GENERAL.—In determining the amount of the credit under subsection (a), this section shall be applied separately with respect to each substantial line of business of the qualified domestic corporation.

''(B) EXCEPTIONS FOR EXISTING CREDIT CLAIMANT.—This paragraph shall not apply to a substantial line of business with respect to which the qualified domestic corporation is an existing credit claimant under section 936(j)(9).

''(C) ALLOCATION.—The Secretary shall prescribe rules necessary to carry out the purposes of this paragraph, including rules—

''(i) for the allocation of items of income, gain, deduction, and loss for purposes of determining taxable income under subsection (a), and

''(ii) for the allocation of wages, fringe benefit expenses, and depreciation allowances for purposes of applying the limitations under subsection (d).

''(2) ELIGIBLE LINE OF BUSINESS.—The term 'eligible line of business' means a substantial line of business in any of the following trades or businesses:

''(A) Manufacturing.

''(B) Agriculture.

''(C) Forestry.

''(D) Fishing.

''(3) SUBSTANTIAL LINE OF BUSINESS.—For purposes of this subsection, the determination of whether a line of business is a substantial line of business shall be determined by reference to 2-digit codes under the North American Industry Classification System (62 Fed. Reg. 17288 et seq., formerly known as 'SIC codes').''

(c) REPEAL OF BASE PERIOD CAP.—

(1) IN GENERAL.—Section 30A(a)(1) (relating to allowance of credit) is amended by striking the last sentence.

(2) CONFORMING AMENDMENT.—Section 30A(e)(1) is amended by inserting ''but not including subsection (j)(3)(A)(ii) thereof'' after ''thereunder''.

(d) APPLICATION OF CREDIT.—Section 30A(h) (relating to applicability of section), as redesignated by subsection (b), is amended to read as follows:

''(h) APPLICATION OF SECTION.—

''(1) IN GENERAL.—This section shall apply to taxable years beginning after December 31, 1995, and before the termination date.

''(2) TERMINATION DATE.—For purposes of paragraph (1)—

''(A) IN GENERAL.—The termination date is the first day of the 4th calendar year following the close of the first period for which a certification is issued by the Secretary under subparagraph (B).

''(B) CERTIFICATION.—

''(i) IN GENERAL.—The Secretary shall issue a certification under this subparagraph for the first 3-consecutive calendar year period beginning after December 31, 1997, for which the Secretary determines that Puerto Rico has met the requirements of clause (ii) for each calendar year within the period.

''(ii) REQUIREMENTS.—The requirements of this clause are met with respect to Puerto Rico for any calendar year if—

''(I) the average monthly rate of unemployment in Puerto Rico does not exceed 150 percent of the average monthly rate of unemployment for the United States for such year,

''(II) the per capita income of Puerto Rico is at least 66 percent of the per capita income of the United States, and

''(III) the poverty level within Puerto Rico does not exceed 30 percent.''

(e) CONFORMING AMENDMENTS.—

(1) Section 30A(b) is amended by striking ''within a possession'' each place it appears and inserting ''within Puerto Rico''.

(2) Section 30A(d) is amended by striking ''possession'' each place it appears.

(3) Section 30A(f) is amended to read as follows:

''(f) DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED INCOME TAXES.—The qualified income taxes for any taxable year allocable to nonsheltered income shall be determined in the same manner as under section 936(i)(3).

''(2) QUALIFIED WAGES.—The qualified wages for any taxable year shall be determined in the same manner as under section 936(i)(1).

''(3) OTHER TERMS.—Any term used in this section which is also used in section 936 shall have the same meaning given such term by section 936.''

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

SEC. 3. COMPARABLE TREATMENT FOR OTHER ECONOMIC ACTIVITY CREDIT.

(a) CORPORATIONS ELIGIBLE TO CLAIM CREDIT.—Section 936(j)(2)(A) (relating to economic activity credit) is amended to read as follows:

''(A) ECONOMIC ACTIVITY CREDIT.—

''(i) IN GENERAL.—In the case of a domestic corporation which, during the taxable year, is actively conducting within a possession other than Puerto Rico—

''(I) a line of business with respect to which the domestic corporation is an existing credit claimant under paragraph (9), or

''(II) an eligible line of business not described in subclause (I),

the credit determined under subsection (a)(1)(A) shall be allowed for taxable years beginning after December 31, 1995, and before January 1, 2002.

''(ii) LIMITATION TO LINES OF BUSINESS.—Clause (i) shall only apply with respect to the lines of business described in clause (i) which the domestic corporation is actively conducting in a possession other than Puerto Rico during the taxable year.

''(iii) EXCEPTION FOR CORPORATIONS ELECTING REDUCED CREDIT.—Clause (i) shall not apply to a domestic corporation if such corporation (or any predecessor) had an election in effect under subsection (a)(4)(B)(iii) for any taxable year beginning after December 31, 1996.''

(b) APPLICATION ON SEPARATE LINE OF BUSINESS BASIS; ELIGIBLE LINE OF BUSINESS.—

(1) IN GENERAL.—Section 936(j) is amended by adding at the end the following new paragraph:

''(11) APPLICATION ON LINE OF BUSINESS BASIS; ELIGIBLE LINES OF BUSINESS.—For purposes of this section—

''(A) APPLICATION TO SEPARATE LINE OF BUSINESS.—

''(i) IN GENERAL.—In determining the amount of the credit under subsection (a)(1)(A) for a corporation to which paragraph (2)(A) applies, this section shall be applied separately with respect to each substantial line of business of the corporation.

''(ii) EXCEPTIONS FOR EXISTING CREDIT CLAIMANT.—This paragraph shall not apply to a line of business with respect to which the qualified domestic corporation is an existing credit claimant under paragraph (9).

''(iii) ALLOCATION.—The Secretary shall prescribe rules necessary to carry out the purposes of this subparagraph, including rules—

''(I) for the allocation of items of income, gain, deduction, and loss for purposes of determining taxable income under subsection (a)(1)(A), and

''(II) for the allocation of wages, fringe benefit expenses, and depreciation allowances for purposes of applying the limitations under subsection (a)(4)(A).

''(B) ELIGIBLE LINE OF BUSINESS.—For purposes of this subsection, the term 'eligible line of business' means a substantial line of business in any of the following trades or businesses:

''(i) Manufacturing.

''(ii) Agriculture.

''(iii) Forestry.

''(iv) Fishing.''

(2) NEW LINES OF BUSINESS.—Section 936(j)(9)(B) is amended to read as follows:

''(B) NEW LINES OF BUSINESS.—A corporation shall not be treated as an existing credit claimant with respect to any substantial new line of business which is added after October 13, 1995, unless such addition is pursuant to an acquisition described in subparagraph (A)(ii).''

(3) SEPARATE LINES OF BUSINESS.—Section 936(j), as amended by paragraph (1), is amended by adding at the end the following new paragraph:

''(12) SUBSTANTIAL LINE OF BUSINESS.—For purposes of this subsection (other than paragraph (9)(B) thereof), the determination of whether a line of business is a substantial line of business shall be determined by reference to 2-digit codes under the North American Industry Classification System (62 Fed. Reg. 17288 et seq., formerly known as 'SIC codes').''

(c) REPEAL OF BASE PERIOD CAP FOR ECONOMIC ACTIVITY CREDIT.—

(1) IN GENERAL.—Section 936(j)(3) is amended to read as follows:

''(3) ADDITIONAL RESTRICTED REDUCED CREDIT.—

''(A) IN GENERAL.—In the case of an existing credit claimant to which paragraph (2)(B) applies, the credit determined under subsection (a)(1)(A) shall be allowed for any taxable year beginning after December 31, 1997, and before January 1, 2006, except that the aggregate amount of taxable income taken into account under subsection (a)(1)(A) for such taxable year shall not exceed the adjusted base period income of such claimant.

''(B) COORDINATION WITH SUBSECTION (a)(4)(B).—The amount of income described in subsection (a)(1)(A) which is taken into account in applying subsection (a)(4)(B) shall be such income as reduced under this paragraph.''

(2) CONFORMING AMENDMENT.—Section 936(j)(2)(A), as amended by subsection (a), is amended by striking ''2002'' and inserting ''2006''.

(d) APPLICATION OF CREDIT.—

(1) IN GENERAL.—Section 936(j)(2)(A), as amended by this section, is amended by striking ''January 1, 2006'' and inserting ''the termination date''.

(2) SPECIAL RULES FOR APPLICABLE POSSESSIONS.—Section 936(j)(8)(A) is amended to read as follows:

''(A) IN GENERAL.—In the case of an applicable possession—

''(i) this section (other than the preceding paragraphs of this subsection) shall not apply for taxable years beginning after December 31, 1995, and before January 1, 2006, with respect to any substantial line of business actively conducted in such possession by a domestic corporation which is an existing credit claimant with respect to such line of business, and

''(ii) this section (including this subsection) shall apply—

''(I) with respect to any substantial line of business not described in clause (i) for taxable years beginning after December 31, 1997, and before the termination date, and

''(II) with respect to any substantial line of business described in clause (i) for taxable years beginning after December 31, 2006, and before the termination date.''

(3) TERMINATION DATE.—Section 936(j), as amended by subsection (b), is amended by adding at the end the following new paragraph.

''(13) TERMINATION DATE.—For purposes of this subsection—

''(A) IN GENERAL.—The termination date for any possession other than Puerto Rico is the first day of the 4th calendar year following the close of the first period for which a certification is issued by the Secretary under subparagraph (B).

''(B) CERTIFICATION.—

''(i) IN GENERAL.—The Secretary shall issue a certification for a possession under this subparagraph for the first 3-consecutive calendar year period beginning after December 31, 1997, for which the Secretary determines that the possession has met the requirements of clause (ii) for each calendar year within the period.

''(ii) REQUIREMENTS.—The requirements of this clause are met with respect to a possession for any calendar year if—

''(I) the average monthly rate of unemployment in the possession does not exceed 150 percent of the average monthly rate of unemployment for the United States for such year,

''(II) the per capita income of the possession is at least 66 percent of the per capita income of the United States, and

''(III) the poverty level within the possession does not exceed 30 percent.''

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 1997.

(2) NEW LINES OF BUSINESS.—The amendment made by subsection (b)(2) shall apply to taxable years beginning after December 31, 1995.

Mr. MOYNIHAN. Mr. President, today I am joining Senator D'AMATO, along with Senators CHAFEE, BREAUX, HATCH and GRAHAM, in introducing bipartisan legislation to improve the existing tax credit for providing employment in Puerto Rico.

Economic conditions in Puerto Rico are cause for serious concern. Over half of the population lives below the poverty line. Puerto Rico's average annual per capita income of approximately $7,500 is less than one-third the national average. Its average unemployment rate is well over twice the national average of 4.8 percent for May 1997.

In recent years, Congress has twice imposed significant tax increases on companies doing business in Puerto Rico, first in 1993 and again in 1996. While it is unclear to what extent those tax changes will result in employer relocation or lost jobs, they undoubtedly have increased the vulnerability of the economy of Puerto Rico. Exacerbating this economic uncertainty, the tax changes are being phased in at the same time that Puerto Rico faces increased economic competition from low-wage Caribbean countries and from Mexico.

This legislation would respond to these serious problems by building on the temporary wage credit that is currently provided in the Internal Revenue Code. Employers generally would be eligible for a tax credit equal to 60 percent of wages and fringe benefit expenses for employees located in Puerto Rico. New as well as existing employers would be rewarded for providing local jobs. The credit would remain in effect until the attainment of specific

economic goals in Puerto Rico, which would trigger an automatic phaseout of the credit.

I believe this investment in the long-term economic health and well-being of Puerto Rico is imperative. It is our obligation to the people of Puerto Rico, who are U.S. citizens but not represented in the Senate, to take note and address the very serious plight of their economy.

Mr. GRAHAM. Mr. President, I would like to join with my distinguished colleague, Senator MOYNIHAN, the ranking member of the Finance Committee, along with both Republicans and Democrats on the Finance Committee to seek a restoration of job creation and economic growth incentives for U.S. businesses in Puerto Rico.

Last year's tax legislation eliminated the longstanding incentive that applied in Puerto Rico: section 936. Efforts were made to replace section 936 with a new wage credit provision in section 30A, but even that provision is scheduled to expire. The legislation enacted did not provide for any tax benefits for new companies locating in Puerto Rico or existing companies expanding their operation on the island. The legislation we introduce today will make permanent wage credit benefits of section 30A to companies seeking to locate or expand their activities in Puerto Rico.

Puerto Rico's economy is directly related to the economies of Florida and many other States. Most of the materials and many services used by manufacturing facilities in Puerto Rico are supplied from the States. Puerto Rico is also the center of economic activity for the entire strategic Caribbean region. Any downturn in the economy of Puerto Rico would have serious negative implications for the States that do significant business with the island as well as for the Caribbean Basin as a whole.

The bill we introduce today would tie tax benefits directly to wages paid and investment made in Puerto Rico. It is targeted, efficient, and has the broad bipartisan support of the public and private sectors in Puerto Rico. It is a provision that we should act on now. We should not await a significant downturn in the Puerto Rico economy before taking action. It is clearly desirable and necessary to act this year if we are to increase economic conditions in Puerto Rico to levels consistent with those we should expect for all American citizens.

By Mr. D'AMATO (for himself and Mr. BAUCUS):

S. 907. A bill to amend the Revenue Act of 1987 to provide a permanent extension of the transition rule for certain publicly traded partnerships; to the Committee on Finance.

TAX CODE LEGISLATION

Mr. D'AMATO. Mr. President, I rise today to join Senator BAUCUS in introducing legislation that will amend the Tax Code to provide a permanent extension of a grandfather provision contained in the Omnibus Budget Reconciliation Act of 1987. This 10 year grandfather provision was provided for publicly traded partnerships [PTP's] that were in existence as of December 17, 1987. A PTP is a partnership whose interests are traded on established securities exchanges or are readily tradable in secondary markets.

Included in the Omnibus Budget Reconciliation Act of 1987 is section 7704 of the Internal Revenue Code. The section provides that PTP's will generally be taxed as corporations; income or loss does not pass through to the partners. Section 7704 does not apply, however, to PTP's where 90 percent or more of their income is qualifying income, such as from interest, dividends, real estate, timber, oil, and gas. This exception applies regardless when the PTP was formed. Other PTP's in existence when section 7704 was enacted were grandfathered, but only for 10 years, through 1997. Our legislation would extend the grandfather provision permanently.

The purpose of section 7704 according to the committee reports was intended to stop the long term erosion of the corporate tax base. There was a concern that much of corporate America would convert to PTP's resulting in a decline of corporate tax revenues.

This purpose has been achieved because of the prospective application of that section. There were approximately 120 PTP's in existence in 1987 and because of the legislation the number of PTP's did not snowball. Permanently grandfathering PTP's would not defeat the purpose of the 1987 legislation since the grandfather applies only to those PTP's that were in existence at the time of the 1987 legislation.

Fairness to the owners of the PTP's that were grandfathered during the Omnibus Budget Reconciliation Act of 1987 is an important issue. The conversion from a corporation to a PTP was a costly and time-consuming process. The companies that converted to PTP form relied on the expectation that they would be able to operate as partnerships as long as they wanted. The conversion process involved consultation with investment bankers, appraisals, planning by corporate finance, securities and tax lawyers, multiple filings with the Securities and Exchange Commission and State securities agencies, proxy statements and shareholder votes, et cetera. This process would not have been started or completed had there been any reasonable prospect that a change in the tax law would have applied retroactively or after a limited period of time. Failure to pass this legislation will be punishing PTPs that played by the rules.

If the grandfather is not made permanent many of these same costs will be incurred once again. Grandfathered PTP's will be forced to convert to corporate form by January 1998. To do so will require lengthy planning, and the same investment banking advice, appraisals and attorney fees. The need for extensive, advance planning makes it essential that the matter be resolved this year. These PTP's relied on the law in effect before passage of the 1987 act and it is unreasonable and unfair to now force these PTP's to undergo this expensive, time consuming process to convert to corporate form. No public purpose will be served by such forced conversions.

The loss of the grandfather will hurt PTP investors and employees of the companies. The value of PTP units will decline if the grandfather is not permanently implemented. Most of these investors are average, middle-class taxpayers who have invested in PTP units oftentimes through an individual retirement account, because of the desire for a safe, liquid investment. As PTP units decline in value, a company's ability to expand will be negatively affected and the employees will suffer.

We do not achieve any tax policy goal by honoring the 10-year grandfather. That goal was fully achieved by making section 7704 apply prospectively. Instead, all we would accomplish by not making the grandfather provision permanent would be harm to these PTP's and their investors. The PTP's operate in all 50 States affecting many of our districts and include a wide variety of industries, from motels and restaurants to chemicals and financial advising. The most recent count indicates that there are well over 300,000 individual investors.

Mr. President, I urge my colleagues on both sides of the aisle to join me and Senator BAUCUS in cosponsoring this important legislation.

Mr. President, I ask unanimous consent that the complete text 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. 907

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

SECTION 1. PERMANENT EXTENSION OF TRANSITION RULE FOR CERTAIN PUBLICLY TRADED PARTNERSHIPS.

(a) IN GENERAL.—Paragraph (1) of section 10211(c) of the Revenue Act of 1987 (Public Law 100–203) is amended to read as follows:

''(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 1987, except that such amendments shall not apply to any existing partnership.''

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the provisions of section 10211 of the Revenue Act of 1987.

Mr. BAUCUS. Mr. President, I am pleased to join with my colleague, Senator D'AMATO, in introducing this legislation, which would permanently extend the 10-year grandfather for publicly traded partnerships [PTP's].

PTP's were first created in the early 1980's for the purpose of combining the traditional limited partnership form with the ability to have the partnership units freely traded on established securities or secondary markets. When Congress enacted the Omnibus Budget Reconciliation Act of 1987, it included a

provision which reversed existing law at the time by requiring that PTP's would generally be treated as corporations for income tax purposes. The act completely exempted certain types of PTP's from the law, primarily those whose income is derived from resources such as timber, oil and gas, minerals, and real estate. PTP's which did not meet the criteria were given a 10-year transition period, after which they would no longer be exempted from the new requirements. This transition period, the grandfather, expires at the end of 1997. Our bill would extend it permanently.

Mr. President, there is no public or tax policy reason for treating the grandfathered PTP's differently than those completely exempted from the law. All of the PTP's relied upon the law that was in effect when they were created. They are all similarly structured and deserve the same right to preserve their partnership status, regardless of the line of business in which they operate. There are only 27 of them remaining, and they are involved in a wide variety of industries, from motels and restaurants to chemicals, financial advising and macadamia nuts. They went through a costly and time-consuming process in order to convert from a corporation to a PTP in the first place, and will incur many of the same costs if they are now required to convert back to corporate form when the grandfather expires in January.

More importantly, I am concerned about the effect that the loss of the grandfather will have on PTP investors. It is a virtual certainty that the value of PTP units will be adversely affected if the grandfather expires, reducing the value of the investor's holdings. Most of these investors are average, middle-class taxpayers, many of them elderly, who invested in PTP units because of their high yield. They are scattered throughout the country, and at last count numbered over 300,000. Many made this investment before the 1987 act was passed.

There is no tax policy goal that will be achieved by allowing the grandfather to expire. That goal was fully achieved by making the law apply prospectively. All we accomplish is inflicting harm on these PTP's and their investors, without their having done anything illegal or improper when they were created. With this action, all remaining PTP's would be treated uniformly under the law. If the legislation is incorporated into this year's reconciliation bill, it will be as a revenue-neutral measure.

By Mr. SMITH of Oregon (for himself and Mr. WYDEN):

S. 908. A bill to authorize the Secretary of the Interior to participate in a water conservation project with the Tumalo Irrigation District, OR; to the Committee on Energy and Natural Resources.

THE TUMALO IRRIGATION DISTRICT WATER CONSERVATION PROJECT AUTHORIZATION ACT

Mr. SMITH of Oregon. Mr. President, I am today introducing legislation to authorize financial assistance to the Tumalo Irrigation District for the construction of water system improvements for the purposes of efficient utilization of water and to increase water for in-stream flows in Tumalo Creek and the Deschutes River basin.

The district will conserve approximately 40,000 acre feet of water per year upon completion of the project. This conservation will allow the diversions from the Deschutes River and Tumalo Creek to be reduced by about 32,000 acre-feet. This increased in-stream waterflow will improve water quality, fisheries, increase opportunities for recreation, and enhance fire protection with the possible installation of hydrants.

This legislation also has the added benefit of local funding with 50 percent coming from the district, State, and community. This project will be completed in phases with the recommended total appropriation at $15,000,000.

I am proud of the district's work to improve in-stream flows. This is a positive solution to the inefficient and environmentally unsound system now in place. Oregon has long demonstrated its ability to identify innovative and progressive solutions, and I believe that this legislation will allow the Tumalo Irrigation District to proudly continue that tradition.

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

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

S. 908

Be it enacted by the Senate and House of Representatives of the United States of America in Congress Assembled, That this Act may be cited as the ''Tumalo Irrigation District Water Conservation Project Authorization Act''.

SEC. 2. At the request of the Tumalo Irrigation District, Oregon, the Secretary of the Interior may participate in the design, planning, and construction of a comprehensive water conservation project by the District. The federal share of the costs of such project may not exceed 50 percent.

SEC. 3. There are authorized to be appropriated to the Secretary of the Interior, plus or minus such amounts as may be justified by reason of ordinary fluctuations of applicable cost indexes, not to exceed $15,000,000 for the federal share of costs related to the project.

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

S. 909. A bill to encourage and facilitate the creation of secure public networks for communication, commerce, education, medicine, and government; to the Committee on Commerce, Science, and Transportation.

SECURE PUBLIC NETWORKS ACT

Mr. KERREY. Mr. President, earlier, I sent to the desk a bill that I introduced on behalf of myself, Senator MCCAIN of Arizona, Senator JOHN KERRY of Massachusetts, and Senator FRITZ HOLLINGS of South Carolina. The bill is called the Secure Public Networks Act of 1997, and it establishes as a priority that we are going to try with our law to develop a mechanism whereby, in collaboration with the private sector, the U.S. Government can work to secure these public networks upon which our commerce depends, our Government operations depend, and increasingly our national security depends.

Secure public networks are essential to the protection of personal privacy and the promotion of commerce on the Internet and other communications networks. Without trust in the system, the Internet will never reach its full potential as a new form of communications in commerce.

I believe there is an urgent need to enact legislation this year which can promote the creation and use of new networks, provide the security American citizens require in their communications and balance America's compelling interest in commerce and public safety.

Congress has been gridlocked for more than a year in the debate about the Nation's export policy for encryption products. Our Nation's policy on encryption is only a single piece of the puzzle, however. We need to ensure that the whole system of our public communications networks provides the security required.

There are three large interests, as I see it, at stake in this entire debate. One of the reasons there is an urgency to develop new legislation and enact new legislation that the President will be able to sign this year is that unless these networks are secure, we risk all three.

The first is in the area of commerce. The increasing amount of business that is being done on the network and the failure to be able to establish security on an international basis risks the full development potential of commercial networks.

The second is in the area of Government operations itself. Not only are there concerns in the private sector but on the Government side, from the Internal Revenue Service even to the operations of schools, that we need to have a secure public network. Obviously, if we are going to develop fully the electronic filing system—and for colleagues' reference, less than 1 percent error rate occurs in electronic filing, where nearly a 25-percent filing rate occurs in paper filing, there is a potential for saving money.

In addition to that, there is an increasing amount of education that is occurring on the network, once again offering a tremendous amount of savings for individuals who look for ways to leverage intellectual property and increase the efficiency of education. You need look no further than what is going on now in the area of education on the network, but it needs to be secure.

In the area of law enforcement, again, there is an offensive and defensive capability, and I am addressing at this instance the defensive capability, our ability to be able to communicate, for national security reasons, and our ability to be able to communicate for law enforcement reasons and know those communications are secure is the first order of business of the Secure Public Networks Act of 1997.

Our commercial interests, Mr. President, lie in maintaining American companies' leading position as producers of software and in the promotion of commerce on-line on the Internet. I do not believe we can fully achieve either of these objectives if the current law remains unchanged.

Second, the American people should be able to have secure access to their Government, as I indicated before, not just with the IRS, but also a whole range of other services, including the Government job of educating our people. There is a tremendous requirement in every single operation of Government for the consumer of those services to know that their communication is secure, that there is no manipulation of the data, no transference of that data.

And as I said, again, thirdly, there is a public safety interest in meeting the needs of law enforcement and national defense. Here a secure public network can provide both defensive and offensive security.

Mr. President, the greatest threat to our citizens' privacy is very often described by some advocates of change as being the Government. They are afraid of the Government interfering with their privacy. But I urge my colleagues to consider what the marketplace sees out there, which is that increasingly it is the private-sector interests that are the greatest threat to the privacy of citizens.

For example, the FBI reported last month that a hacker collected 100,000 credit card numbers from an Internet provider and then attempted to sell these numbers for cash. This is a private-sector individual out there, obviously very skilled. These hackers and crackers are skilled way beyond my capacity to understand what they are doing, except to know that they have the ability to come in and steal information that has great value, to manipulate that data and do not just a little bit of mischief but put our commercial and our national security interests at risk.

There was a story in the New York Times last week, Mr. President, that detailed the trauma and the horror faced in 1994 by a Texas woman who received a letter full of threatening sexual comments from an inmate in a Texas prison. She asked the question, ''How did this inmate get access to the information?'' and was surprised to discover that her personal life had become available as a result of a private-sector company's use of Texas inmates to do input into their data bases.

There was another example in this same article about a 1993 employee at a car dealership in New Jersey using their company's access to credit information to open false accounts in their customers' names and charging up thousands of dollars of merchandise with the fraudulent cards.

Another example, in 1995, a convicted child rapist, working in a Boston hospital, used a former fellow employee's password to access information on the hospital's patients. He found the phone numbers of young patients in the area, and then made obscene phone calls to girls as young as 8 years old.

There are many other examples that one could give. The point that I am trying to make, Mr. President, is, as this debate unfolds, one of the things you will hear immediately is that this legislation is an attempt by Government to gain access over the privacy of individuals. That is simply not true. There is protection after protection after protection in this legislation guarding against that.

This is an attempt to tighten up the security so that we know that a private individual, as I indicated here earlier with three or four examples, does not have the opportunity to either come in and intercept your communication or go into your data base and retrieve information that they will use against you or manipulate a data base so as to engage in fraudulent transactions that could cost not only the companies but could cost the individual substantial amounts of money.

To provide privacy protection and help prevent abuse of public networks, the Secure Public Networks Act makes it illegal for a person to use encryption to commit a crime; to exceed lawful authority in decrypting data or communications; to break the encryption code of another for the purpose of violating privacy, security, and property rights; to steal intellectual property on a public communications network; and to misuse key recovery information.

This act fully protects and strengthens the privacy rights of the individual without damaging the interest of public safety. Law enforcement will be granted access to key recovery information only if they have authority based on existing statute, rule or law. Audits will be performed by the Department of Justice which will ensure this process is not circumvented or abused, and I would expect these audits to be available to the appropriate congressional oversight committees.

Both the Government and the private sector need to work together to create the infrastructure and technology that will give the users total confidence in the security of commercial transactions and personal communications. As the largest purchaser of computer software and hardware, the Federal Government can create important incentives to help the market fulfill this need.

The idea here, Mr. President, is to say that the Federal law can provide incentives for market-based solutions. It will be for the most part the market that solves these problems and determines what kind of technology will be used in the solution of these problems. The Secure Public Networks Act of 1997, however, provides a framework and some standardization to make certain that we expedite that happening.

This act also sets up a voluntary registration system for public key certificate authorities and key recovery agents which help build confidence in the secure public network. Since the Internet is international and online commerce will be worldwide, the United States alone cannot develop a secure public network on the scale necessary to address this technology. Our legislation therefore, Mr. President, calls on the President to continue consultations and negotiations with foreign countries to ensure secure public networks are built on a global scale.

The Secure Public Networks Act creates an advisory panel with industry representatives to assist the Government in adapting policies to meet changing technology and changing commercial situations. This panel will also advise the Secretary of Commerce on the commercial situation American companies face overseas and recommend changes in U.S. policy to assist industry.

The act also calls for additional Federal research to facilitate the creation of secure public networks and the cooperation and coordination of departments and agencies on both Federal and State levels to ensure the development of secure public networks.

Mr. President, I believe the Secure Public Networks Act of 1997 will move our Nation closer to secure computer and telecommunications networks and help resolve the debate on encryption as well. The alternative to the rule of law in this dynamic area is chaos and anarchy, a condition which will prevent Internet-type networks from reaching their full potential and which will hurt the interests of industry, the interests of the public, and the interests of law enforcement and national security. Congress' duty to make laws to strengthen these networks is clear. I suggest we set a public goal of getting a bill to the President by October 1. I believe if we set a goal of this kind and stick to it, we will enable not only the market to develop, but it will enable us to provide the security needed for us to be able to move Government operations into the new paradigm of network activity.

By Mr. FRIST:

S. 910. A bill to authorize appropriations for carrying out the Earthquake Hazard Reduction Act of 1977 for fiscal years 1998 and 1999, and for other purposes; to the Committee on Commerce, Science, and Transportation.

THE 1998–99 REAUTHORIZATION OF THE EARTHQUAKE HAZARD REDUCTION ACT OF 1997

Mr. FRIST. Mr. President, I rise today to offer the 1998–99 Reauthorization of the Earthquake Hazard Reduction Act of 1977. This piece of legislation reauthorizes the agencies that are working to reduce earthquake hazards throughout the Nation. These four agencies: The Federal Emergency Management Agency [FEMA], which serves as the lead agency, the U.S. Geological Survey [USGS], National Science Foundation [NSF], and National Institute of Standards and Technology [NIST], each play a critical role in this important mission.

This bill continues the funding for agency activities including research, hazard assessment, and public education, and moves these activities forward. It also builds upon the national seismic network, improving its capability, and forming the basis for a real-time seismic hazard warning system. A real-time warning system has the potential for saving lives by alerting people outside the immediate area of an impending seismic shock. Advance warning can be critical in preventing injury in many sectors of modern life, such as high-speed trail transportation.

This reauthorization has an important provision which underscores our commitment to education. This bill would let NSF create and disseminate Earth science educational materials in a way that permits easy access by educators and the general public. Acknowledging that FEMA and NSF have both done an outstanding job in creating educational material, we are looking for continued cooperation of all the agencies, one of the hallmarks of the National Earthquake Hazard Reduction Program [NEHRP].

Mr. President, I believe that the passage of this legislation will continue of the good work that these four agencies have been undertaking—work that saves property, but most importantly, saves American lives.

I ask unanimous consent that the full text of this legislation be printed in the RECORD.

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

S. 910

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

SECTION 1. AUTHORIZATION OF APPROPRIATIONS.

Section 12 of the Earthquake Hazards Reduction Act of 1977 (42 U.S.C. 7706) is amended—

(1) in subsection (a)(7)—

(A) by striking ''and'' after ''1995,''; and

(B) by inserting before the period at the end the following: '', $19,228,000 for the fiscal year ending September 30, 1998, and $19,804,000 for the fiscal year ending September 30, 1999'';

(2) in subsection (b)—

(A) by striking ''and'' after ''September 30, 1995;''; and

(B) by inserting before the period at the end the following: ''; $51,142,000 for the fiscal year ending September 30, 1998; and $52,676,000 for the fiscal year ending September 30, 1999'';

(3) in subsection (c)—

(A) by striking ''and'' at the end of paragraph (1); and

(B) by inserting before the period at the end the following: '', (3) $18,450,000 for engineering research and $11,920,000 for geosciences research for the fiscal year ending September 30, 1998, and (4) $19,000,000 for engineering research and $12,280,000 for geosciences research for the fiscal year ending September 30, 1999''; and

(4) in the last sentence of subsection (d)—

(A) by striking ''and'' after ''September 30, 1995,''; and

(B) by inserting before the period at the end the following: '', $2,000,000 for the fiscal year ending September 30, 1998, and $2,060,000 for the fiscal year ending September 30, 1999''.

SEC. 2. REAL-TIME SEISMIC HAZARD WARNING SYSTEM DEVELOPMENT AND PHASED DEPLOYMENT.

(a) AUTOMATIC SEISMIC WARNING SYSTEM DEVELOPMENT AND PHASED DEPLOYMENT.—

(1) DEFINITIONS.—In this section:

(A) DIRECTOR.—The term ''Director'' means the Director of the United States Geological Survey.

(B) HIGH-RISK ACTIVITY.—The term ''high-risk activity'' means an activity that may be adversely affected by a moderate to severe seismic event (as determined by the Director). The term includes high-speed rail transportation.

(C) REAL-TIME SEISMIC WARNING SYSTEM.—The term ''real-time seismic warning system'' means a system that issues warnings in real-time from a network of seismic sensors to a set of analysis processors, directly to receivers related to high-risk activities.

(2) IN GENERAL.—The Director shall conduct a program to develop and deploy a real-time seismic warning system. The Director may use funds made available to the Director pursuant to this section to provide for a joint program with an entity that the Director determines to be appropriate to develop and deploy a real-time seismic warning system. The Director may enter into such agreements or contracts as may be necessary to carry out the program.

(3) UPGRADE OF SEISMIC SENSORS.—In carrying out a program under paragraph (2), in order to increase the accuracy and speed of seismic event analysis to provide for timely warning signals, the Director shall provide for the upgrading of the network of seismic sensors in existence at the time of the establishment of the program to increase the capability of the sensors—

(A) to measure accurately large magnitude seismic events (as determined by the Director); and

(B) to acquire additional parametric data.

(4) DEVELOPMENT OF COMMUNICATIONS AND COMPUTATION INFRASTRUCTURE.—In carrying out a program under paragraph (2), the Director shall develop a communications and computation infrastructure that is necessary—

(A) to process the data obtained from the upgraded seismic sensor network referred to in paragraph (3); and

(B) to provide for, and carry out, such communications engineering and development as is necessary to facilitate—

(i) the timely flow of data within a real-time seismic hazard warning system; and

(ii) the issuance of warnings to receivers related to high-risk activities.

(5) PROCUREMENT OF COMPUTER HARDWARE AND COMPUTER SOFTWARE.—In carrying out a program under paragraph (2), the Director shall procure such computer hardware and computer software as may be necessary to carry out the program.

(6) REPORTS ON PROGRESS.—

(A) IN GENERAL.—Not later than 120 days after the date of enactment of this Act, the Director shall prepare and submit to Congress a report that contains a plan for implementing a real-time seismic hazard warning system.

(B) ADDITIONAL REPORTS.—Not later than 1 year after the date on which the Director submits the report under subparagraph (A), and annually thereafter, the Director shall prepare and submit to Congress a report that summarizes the progress of the Director in implementing the plan referred to in subparagraph (A).

(7) AUTHORIZATION OF APPROPRIATIONS.—In addition to the amounts made available to the Director under section 12(b) of the Earthquake Hazards Reduction Act of 1977 (42 U.S.C. 7706(b)), there are authorized to be appropriated to the Department of the Interior, to be used by the Director to carry out this section, $10,000,000 for each of fiscal years 1998 and 1999.

(b) EARTH SCIENCE TEACHING MATERIALS.—

(1) DEFINITIONS.—In this subsection:

(A) LOCAL EDUCATIONAL AGENCY.—The term ''local educational agency'' has the meaning given that term in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

(B) SCHOOL.—The term ''school'' means a nonprofit institutional day or residential school that provides education for any of the grades kindergarten through grade 12.

(2) TEACHING MATERIALS.—In a manner consistent with the requirement under section 5(b)(4)(B) of the Earthquake Hazards Reduction Act of 1977 (42 U.S.C. 7704(b)(4)(B)) and subject to a merit based competitive process, the Director of the National Science Foundation may use funds made available to the Director under section 12(c) of such Act (42 U.S.C. 7706(c)) to develop, and make available to schools and local educational agencies for use by schools, at a minimal cost, earth science teaching materials that are designed to meet the needs of elementary and secondary school teachers and students.

(c) IMPROVED SEISMIC HAZARD ASSESSMENT.—

(1) IN GENERAL.—As soon as practicable after the date of enactment of this Act, the Director shall conduct a project to improve the seismic hazard assessment of the seismic zone in East Tennessee that is described in paragraph (2).

(2) EAST TENNESSEE SEISMIC ZONE.—The seismic zone described in this paragraph is the seismic zone located in East Tennessee, that underlies the Oak Ridge National Laboratory in Oak Ridge, Tennessee and the Watts Bar nuclear plant that is operated by the Tennessee Valley Authority.

(3) REPORTS.—

(A) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, and annually during the period of the assessment, the Director shall prepare, and submit to Congress a report on the findings of the assessment.

(B) FINAL REPORT.—Not later than 60 days after the date of termination of the assessment conducted under this subsection, the Director shall prepare and submit to Congress a report concerning the findings of the assessment.

(4) AUTHORIZATION OF APPROPRIATIONS.—In addition to the amounts made available to the Director under section 12(b) of the Earthquake Hazards Reduction Act of 1977 (42 U.S.C. 7706(b)), there are authorized to be appropriated to the Department of the Interior, to be used by the Director to carry out this section—

(A) $700,000 for fiscal year 1998; and

(B) $1,000,000 for fiscal year 1999.

By Mr. TORRICELLI:

S. 911. A bill to amend the Internal Revenue Code of 1986 to allow a credit against income tax to individuals who are active participants in neighborhood crime watch organizations which actively involve the community in the reduction of local crime; to the Committee on Finance.

TAKING BACK OUR NEIGHBORHOODS CRIME FIGHTING ACT

Mr. TORRICELLI. Mr. President, I rise today to introduce the Taking Back Our Neighborhoods Crime Fighting Act. This bill has already been introduced in the House by Representative BOB FILNER, and I thank him for his efforts in crafting this innovative and exciting approach to neighborhood crime fighting.

Mr. President, this is a very simple bill. Our legislation would provide a $50 tax credit to any American who actively participates in a Neighborhood Watch or other local crime fighting program. These local, citizen-run initiatives have proven extremely effective in reducing crime and restoring confidence in the safety of our local communities.

Neighborhood Watch programs empower residents and bring neighbors together, creating a renewed sense of community, and common purpose. Working hand in hand with law enforcement, these groups are a vital part of the community policing which has been so successful in dramatically reducing crime over the last few years. It is no wonder that this tax credit proposal has received support from hundreds of public officials, including dozens of big city mayors, local sheriffs, police chiefs, and district attorneys.

Mr. President, by providing this tax credit, we focus attention on the benefits of these local programs, and we reward those who already participate with a small token of appreciation. But more importantly, we also provide one more incentive to those who may have been reluctant to join a local group, or perhaps just didn't take the time to look into it. We hope that this additional incentive will create the final push needed to encourage everyone in our communities to join in the effort to stop crime and take back our streets.

Even if people intend to go just a couple of times in order to qualify for the tax credit, I am certain that many of them will become active and lifelong participants once they are exposed to what Neighborhood Watch is all about.

Mr. President, just a few months ago I traveled to a Newark townhouse and paid a visit to a courageous woman named Donna Cherry. Tired of the violence and the gunshots plaguing her neighborhood, Donna Cherry took matters into her own hands and formed a neighborhood watch organization to protect her community. Starting within her own townhouse complex, she and the group soon set their sights on surrounding areas. Members of the group patrol the streets, log and report suspicious activity, and plan youth conferences to educate local children about cooperation and making the right choices. By their actions—indeed simply by their visible presence on the streets of their community—these people undoubtedly deter crime.

When I visited that neighborhood in March, I assured the group that the Federal Government would always stand behind efforts within communities to cooperate in the fight against crime—valiant efforts to save communities should not fail for lack of resources. We already provide indirect Federal funding for many of these groups, but funding is useless without the people to use it efficiently. Our bill will provide one more tool for community leaders like Donna Cherry to recruit new members and clean up our communities.

Mr. President, I urge my colleagues to join me in supporting this economical and exciting bill to encourage local crime fighting. Every step we take towards encouraging citizen action is a step toward the reduction of crime in our communities. 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. 911

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 ''Taking Back Our Neighborhoods Crime Fighting Act''.

SEC. 2. CREDIT FOR INDIVIDUALS WHO ARE ACTIVE PARTICIPANTS IN NEIGHBORHOOD CRIME WATCH ORGANIZATIONS WHICH ACTIVELY INVOLVE THE COMMUNITY IN THE REDUCTION OF LOCAL CRIME.

(a) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to nonrefundable personal credits) is amended by inserting after section 23 the following new section:

''SEC. 24. ACTIVE PARTICIPANTS IN NEIGHBORHOOD CRIME WATCH ORGANIZATIONS WHICH ACTIVELY INVOLVE THE COMMUNITY IN THE REDUCTION OF LOCAL CRIME.

''(a) GENERAL RULE.—In the case of an individual who is an active participant during the taxable year in a neighborhood crime watch organization which actively involves the community in the reduction of local crime, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year the amount of $50.

''(b) ACTIVE PARTICIPANT.—For purposes of subsection (a), the term 'active participant' means any individual who attends during the taxable year at least 2 meetings of an organization referred to in subsection (a) at which instruction is given by a local law enforcement officer on how individuals may best and lawfully—

''(1) protect themselves and their community against crime, and

''(2) assist local law enforcement officials in preventing crime.''

(b) CLERICAL AMENDMENT.—The table of sections for such subpart A is amended by inserting after the item relating to section 23 the following new item:

''Sec. 24 Active participants in neighborhood crime watch organizations which actively involve the community in the reduction of local crime.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

By Mr. BOND:

S. 912. A bill to provide for certain military retirees and dependents a special medicare part B enrollment period during which the late enrollment penalty is waived and a special medigap open period during which no underwriting is permitted; to the Committee on Finance.

MEDICARE PART B LEGISLATION

Mr. BOND. Mr. President, I rise today to introduce a measure that would provide for certain military retirees a special Medicare part B enrollment period during which the late enrollment penalty is waived.

Major changes in the Department of Defense's [DOD] health care delivery system, including the introduction of a managed care program called TRICARE and the closing or downsizing of many military medical facilities, have hindered access to health care services for older military retirees, or those aged 65 and over. It is important to note that the TRICARE Program was designed for active duty and CHAMPUS eligible beneficiaries and the overall intent is for those aged 65 and older to receive their health care through the Medicare Program.

Many of our country's military retirees moved close to bases in order to receive care from these facilities. Due to the fact that they had medical services available on base, before the implementation of TRICARE and base closures, many of these retirees did not sign up for medicare part B. Once their access was restricted, many elected to choose part B after the enrollment period expired and were therefore slapped with a penalty for signing up late. Others chose not to sign up at all because they were unable to afford the late enrollment penalty.

Thus, waiving the part B penalty for those retirees who dedicated their lives to serving our country is a matter of justice. There was no way that military retirees could have anticipated the changes that have occurred within the DOD's health care delivery system.

Further, these changes were completely out of their control.

Mr. President, the Senate must act now. This measure rectifies the unfairness inherent in the Medicare part B penalty on certain military retirees and honors our Nation's commitment to those individuals who selflessly served our country through many years of military service. I look forward to the Senate's consideration of this proposal.

ADDITIONAL COSPONSORS

S. 112

At the request of Mr. MOYNIHAN, the name of the Senator from California [Mrs. BOXER] was added as a cosponsor