develop the field of health promotion and disease prevention, and to explore how strategies can be developed to integrate lifestyle improvement programs into national policy, our health care system, schools, workplaces, families and communities; to the Committee on Health, Education, Labor, and Pensions.

By Mr. DURBIN (for himself, Mr. FRIST, Mr. KENNEDY, Mr . SANTORUM, Mr. SPECTER, Mr. DORGAN, Ms. MIKULSKI, Mr. DEWINE, Mr. HAGEL, Mr. KERRY, Ms. COLLINS, Mrs. FEINSTEIN, Mr. WELLSTONE, Mr. LEVIN, Mr. BIDEN, Mr. CLELAND, Mr. FEINGOLD, Mr. ENZI, Ms. LANDRIEU, Mr. ROCKEFELLER, Mr. INOUYE, Mr. TORRICELLI, Mr. GRAHAM, Mr. REID, Mrs. CLINTON, Mr. DODD, Mr. BREAUX, Mr. KOHL, and Mrs. LINCOLN):

S. Con. Res. 12. A concurrent resolution expressing the sense of Congress regarding the importance of organ, tissue, bone marrow, and blood donation, and supporting National Donor Day; considered and agreed to.

By Mr. DEWINE (for himself, Mr. HELMS, Mr. DODD, Mr. MCCAIN, Mr. LOTT, Ms. LANDRIEU, Mr. GRASSLEY, Mr. BREAUX, Mr. CHAFEE, Mr. VOINOVICH, and Mr. LEAHY):

S. Con. Res. 13. A concurrent resolution expressing the sense of Congress with respect to the upcoming trip of President George W. Bush to Mexico to meet with the newly elected President Vicente Fox, and with respect to future cooperative efforts between the United States and Mexico; considered and agreed to.

By Mr. CAMPBELL (for himself and Mr. KOHL):

S. Con. Res. 14. A concurrent resolution recognizing the social problem of child abuse and neglect, and supporting efforts to enhance public awareness of it; to the Committee on Health, Education, Labor, and Pensions.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. THOMAS (for himself and Mr. HELMS):

S. 322. A bill to limit the acquisition by the United States of land located in a State in which 25 percent or more of the land in that State is owned by the United States; to the Committee on Energy and Natural Resources.

Mr. THOMAS. Mr. President, I rise today to introduce the no net loss of private lands bill. This legislation has to do with acquisition of lands by the Federal Government, particularly lands to be acquired by the Federal Government in the West. This is a commonsense proposal, I believe, to Federal land acquisitions in public land States of the West.

The Federal Government continues to acquire large amounts of land throughout the Nation. In many instances, it is justified. There are many reasons why land should be acquired, but there does become a question of how much land in any given State will belong to the Federal Government.

In almost every State, officials and concerned citizens are saying we need to address this question of public land needs before we continue to increase the holdings of the Federal Government. The Federal Government is not always the best neighbor of the people in the West, largely because so much land in our States—in my State, 50 percent of the State—belongs to the Federal Government. Even though everyone wants to protect the lands, and that is an obligation we all have, we also have an opportunity for the most part to use these lands in multiple use. We should be able to have both access for hunting, fishing, grazing, for visitation and camping, and use the lands for other economic activity in such a way that we can protect the environment.

What we have run into from time to time is the effort to lock up the public lands and restrict access. We find this happening in a number of ways, including excessive emphasis on roads, where people cannot have access to the lands they occupy.

Interestingly enough, we hear from all kinds of people. Often they say it is the oil companies. As a matter of fact, it is often disabled veterans. For example, they say they would like to go into the back country and get into some of the public lands, but if we don't have highway access for doing that, it is impossible.

This setting aside and this decisionmaking that comes from the top down creates great hardships for many local communities, destroys jobs, and depresses the economy in many places around the West. As we provide funds—and there is always a proposition to provide automatic funding for acquisition—it threatens the culture, it threatens the economics of many of our States and local governments, and the rights of individual property owners throughout the Nation. Even this proposed language would put constraints on mandatory spending and Federal land acquisition. If we don't do that, we will see it increasing at a faster and faster pace.

How does it work? The bill limits the amount of private land the Federal Government acquires in States where 25 percent or more now belongs to the Federal Government. When a Federal Government has reason, and they will have reasons to purchase 100 acres or more, it will require disposing of an equal value of amount away from Federal ownership. If there is 40-percent Federal ownership in your State, and there were good reasons to acquire more, there would have to be an exchange of lands so the 40-percent factor continues.

Fifty percent of Wyoming and much of the West is already owned by the Federal Government. Many people throughout the country don't realize that. They know about Yellowstone Park. But much of the State was left in Federal ownership when the homestead proposition was completed and these lands were never really set aside for value of the land. They were just there when this homestead stopped. They came under Federal ownership, not because of any particular reason but because that is the way it was at that time.

I think it is time for the Federal Government to make a move to protect private property owners and use restraint in terms of land acquisition. The no net loss of private lands acquisition bill will provide that discipline. As I mentioned, this amendment does not limit the ability to acquire pristine or special areas in the future, areas that have a particular use and that use should be under Federal ownership. They can continue to acquire more land in many areas. But in order to do that, as I mentioned, there would have to be some trading.

Regarding the Federal land ownership pattern, I suppose many people expected more, but in Alaska almost 68 percent of the State belongs to the Federal Government. Even in Arizona, as highly populated as it is, almost half, 47 percent, is Federally owned. In Colorado, it is 36 percent; in Idaho, 61 percent of the State is in Federal ownership; the number in Montana is 28 percent, and Nevada is 83 percent federally owned. Really, you could make a case that much of this land could be better managed by local or State governments or if it were in the private sector. In New Mexico, the percentage of Federal land ownership is 33 percent; Oregon, 52; Utah, 64; Washington, 29; and Wyoming, 49 percent.

So we are talking about providing an opportunity for the Federal Government to continue to acquire those lands if there is good reason to do that, but to recognize the impact that it does have on private ownership, on the economy, and on the culture of the states. We have some offsets.

In our State, we have 23 counties. They are quite different, but in some of those counties—for instance, my home county, ark County, Cody, WY, which is right outside of Yellowstone Park—82 percent of that county belongs to the Federal Government. In Teton County, next to Yellowstone, It is 96 percent. Four percent of Teton's land is in non-Federal ownership.

I think this is a reasonable thing to do. It certainly does not preclude the acquisition of lands the Federal Government has a good reason to acquire. It simply says if you want to acquire some, let's take a look at the other 50 percent that you already own of the State and see if we can't dispose of something in equal value.

By Mr. SHELBY:

S. 324. A bill to amend the Gramm-Leach-Bliley Act, to prohibit the sale and purchase of the social security number of an individual by financial institutions, to include social security numbers in the definition of nonpublic personal information, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

Mr. SHELBY. Mr. President, I rise today to introduce the Social Security Privacy Act of 2001. This legislation would prohibit the sale and purchase of an individual's Social Security number by financial institutions and include Social Security numbers as ''nonpublic personal information'' thereby subjecting the sharing of Social Security

numbers to the privacy protections of the Gramm-Leach-Bliley Act.

I believe Congress has a duty to stop Social Security numbers from being bought and sold like some common commodity. While the Social Security number was created by the federal government to track workers' earnings and eligibility for Social Security benefits, we all recognize that it has become something much more than that. The number is now the key to just about all the personal information concerning an individual.

There was never any intention or consideration for financial institutions to use a person's social security number as a universal access number. Such easy access and extreme availability of personal information leads to adverse consequences including fraud, abuse, identity theft and in the most extreme cases—staking and death.

While Congress waits to act, the number of incidents involving identity theft are rapidly increasing. In fact, last year the Washington Post, reported that ''ID Theft Becoming Public Fear No. 1.'' The New York Times noted that, ''Law enforcement authorities are becoming increasingly worried about a sudden, sharp rise in the incidence of identity theft, the outright pilfering of peoples personal information for use in obtaining credit cards, loans and other goods.''

Not only is identity theft happening more often, recent events confirm that no one is immune from this problem. Just last month, a California man was convicted of using Tiger Woods' Social Security number to obtain credit cards that he used to run up more than $17,000 in charges in Mr. Woods' name.

Identity theft can affect anyone. It is extremely serious. It costs our economy hundreds of millions of dollars each year. Once it occurs, it is very difficult for the victim to restore his or her good name and credit rating. The incidences of identity theft are growing at an ever increasing pace.

Now, how does identity theft relate to the average financial institution? In 1999, a reputable Fortune 500 company, U.S. Bancorp, legally sold account information—including Social Security numbers—of one million of its customers to MemberWorks, a telemarketer of membership programs that offer discounts on such things as travel to health care services. Now some may believe we stopped such activity by including a provision, Section 502 (d), in the Gramm-Leach-Bliley Act limiting the ability of institutions to share account information with telemarketers.

That provision, however, does not stop a financial institution from buying and selling individual Social Security numbers. Indeed, it is even legal to sell individual's birth date, and mother's maiden name. If you have those three things, you have the keys to the kingdom—not to mention any and every account that individual has.

The evolution of technology is making the collection, aggregation, and dissemination of vast amounts of personal information easier and cheaper. The longer we wait to act on this very important issue—an issue that is supported by a vast majority of Americans—the more the American people lose confidence in the U.S. Congress and out ability to lead.

This legislation would basically prohibit the sale and purchase of an individual's Social Security number. I do not know anyone in this country that believes financial institutions should be making a profit by trafficking individual's Social Security numbers. While financial institutions have used the Social Security number as an identifier, the sale and purchase of these numbers facilitates criminal activity and can result in significant invasions of individual privacy.

In addition, my legislation would include Social Security numbers as ''nonpublic personal information'' for the purpose of the Gramm-Leach-Bliley Act, thereby subjecting the sharing of Social Security numbers to the privacy protections in that Act. Current regulations say that Social Security numbers are not considered nonpublic personal information if the number is ''publicly available,'' as in bankruptcy filings, etc.

I just cannot find a reason as to why Congress should aid and abet criminals in attaining individual Social Security numbers by having a law on the books that treats Social Security numbers as ''public information.'' Indeed, no American would agree the public good is being served by making their personal Social Security number available for anyone who wants to see it.

For those of you who are concerned that this legislation would hinder a financial holding company from sharing information among its affiliates, fear not. This legislation does not limit a financial institution's ability to share an individual's Social Security number among affiliates in any way.

I hope my colleagues will join me in protecting the Social Security numbers.

By Mr. FRIST (for himself, Mr. DEWINE, Mr. DURBIN, Mrs. MURRAY, and Mr. THURMOND):

S. 325. A bill to establish a congressional commemorative medal for organ donors and their families; to the Committee on Banking, Housing, and Urban Affairs.

Mr. FRIST. Mr. President, I am pleased today to introduce the Gift of Life Congressional Medal Act of 2001. This legislation, which does not cost taxpayers a penny, will recognize the thousands of individuals each year who share the gift of life through organ donation. Moreover, it will encourage potential donors and enhance public awareness of the importance of organ donation to the over 74,000 Americans waiting for a transplant.

In 1999, there were almost 22,000 transplants—a large increase over the roughly 13,000 transplants performed ten years ago. However, the demand for transplants has skyrocketed, more than tripling in the past ten years.

As a heart and lung transplant surgeon, I saw one in four of my patients die because of the lack of available donors, and more and more patients waiting for an organ transplant die each year before they can receive an organ. More than 6000 patients died in 1999 before they could receive a transplant. Since 1988, more than 38,000 patients have died because of the lack of organ donors. There are simply not enough organ donors; public awareness has not kept up with the rapid advances of transplantation. It is our duty to do all we can to raise awareness about the gift of life.

Last fall, the Department of Health and Human Services announced an increase of nearly 4 percent in organ donation levels. While I was pleased to see this news, this is only a small step towards addressing our nation's organ shortage. Much more remains to be done.

The Gift of Life Congressional Medal Act will make each donor or donor family eligible to receive a commemorative Congressional medal. This creates a tremendous opportunity to honor those sharing life through donation and increase public awareness of this issue.

Recent years have witnessed a tremendous coalescing on both sides of the aisle around the importance of awakening public compassion and awareness of those needing organ transplants. I appreciate the growing support for this issue and look forward to working with my colleagues to encourage people to give life to others.

By Ms. COLLINS (for herself, Mr. BOND, Mr. KERRY, Mr. REED, Mr. JEFFORDS, Mr. ROBERTS, Mr. LEVIN, Mr. HUTCHINSON, Mrs. MURRAY, Mr. ENZI, Ms. MIKULSKI, Mr. SMITH of New Hampshire, Mr. SANTORUM, Mr. CHAFEE, Mr. DEWINE, Mr. HELMS, Mrs. HUTCHISON, Mr. SPECTER, Mr. MURKOWSKI, Ms. SNOWE, Mr. WARNER, Mr. GREGG, Mrs. CARNAHAN, Mr. LUGAR, and Mr. COCHRAN):

S. 326. A bill to amend title XVIII of the Social Security Act to eliminate the 15 percent reduction in payment rates under the prospective payment system for home health services and to permanently increase payments for such services that are furnished in rural areas; to the Committee on Finance.

Ms. COLLINS. Mr. President, I am pleased to join with Senators BOND, REED, JEFFORDS, KERRY, ROBERTS, MURRAY, HUTCHINSON, LEVIN, ENZI, MIKULSKI, SANTORUM, HUTCHISON, CHAFEE, DEWINE, HELMS, SPECTER, MURKOWSKI, WARNER, BOB SMITH, LUGAR, SNOWE, and others in introducing the Home Care Stability Act of 2001 to eliminate the automatic 15 percent reduction in Medicare payments to home health

agencies that is currently scheduled to go into effect on October 1, 2002. The legislation we are introducing this morning will also extend the temporary 10 percent add-on payment for home health patients in rural areas to ensure that these patients continue to have access to care.

Health care has gone full circle. Patients are spending less time in the hospital. More and more procedures are being done on an outpatient basis, and recovery and care for patients with chronic diseases and conditions has increasingly been taking place in the home. Moreover, the number of older Americans who are chronically ill or disabled in some way continues to grow each year.

Concerns about how to care effectively and compassionately for these individuals will only multiply as our population ages and as it is at greater risk for chronic disease and disability.

As a consequence, home health care has become an increasingly important part of our health care system. The kind of highly skilled and often technically complex services that our Nation's home health agencies provide have enabled millions of our most frail and vulnerable senior citizens to avoid hospitals and nursing homes and to receive the care they need just where they want to be: in the security, privacy, and comfort of their own homes.

By the late 1990s, home health care was the fastest growing component of Medicare spending. The program was growing at an average annual rate of 25 percent. For this reason, Congress and the administration, as part of the Balanced Budget Act of 1997, initiated changes that were intended to slow the growth in spending and make the program more cost-effective and efficient.

These measures, however, have unfortunately produced cuts in home health care spending that were far, far beyond what Congress ever intended. According to preliminary estimates by the CBO, home health care spending dropped to $9.2 billion last year, half the amount that was being spent just 3 years earlier, in 1997.

On the horizon is yet an additional 15-percent cut that would put many of our already struggling home health agencies at risk and which would seriously jeopardize access to critical home health services for millions of our Nation's seniors.

It is now crystal clear that the savings goals set for home health in the Balanced Budget Act of 1997 have not only been met, but far exceeded. The most recent CBO projections show that the post-Balanced Budget Act reductions in home health will be about $69 billion between fiscal years 1998 and 2002. That is more than four times the $16 billion the CBO originally estimated for that time period, and it is a clear indication that the Medicare home health cutbacks have been far deeper and far more wide-reaching than Congress ever intended.

As a consequence, we have home health agencies across the country that are experiencing acute financial difficulties and cashflow problems. These financial difficulties are inhibiting their ability to deliver much needed care. Approximately 3,300 home health agencies have either closed or stopped serving Medicare patients nationwide—3,300, Mr. President. That is how deep these cuts were.

Moreover, the Health Care Financing Administration estimates that 900,000 fewer home health patients received services in 1999 than in 1997. This points to the most central and important consequence of these cuts. The fact is that cuts of this magnitude simply cannot be sustained without adversely affecting the quality and availability of patient care.

The effects of these regulations and cuts have been particularly devastating in my home State of Maine. The number of home health patients in Maine dropped from almost 49,000 to 37,545. That is a change of 23 percent. This means there are 11,000 senior citizens or disabled citizens in Maine who are no longer receiving home health services.

What has happened to those 11,000 individuals? I have talked with patients, and I have talked with home health nurses throughout the State of Maine, and I found that many of these patients have ended up going into nursing homes prematurely. Others have been repeatedly hospitalized with problems that could have been avoided had they been continuing to receive their home health benefits. Still others are trying to pay for the care themselves, often on very limited means. And yet others are going without care altogether.

A home health nurse in Saco, ME, told me of a patient who she believes ultimately died because she lost her home health benefits. She lost those nurses coming to check on her condition. The result was that she developed an infection that the home health nurse undoubtedly would have caught. The result was a tragedy in this case.

We have seen a 40-percent drop in the number of visits in the State of Maine and a 31-percent cut in Medicare reimbursements to home health agencies.

Keep in mind that Maine's home health agencies have historically been very prudent in their use of resources. They were low cost to begin with. The problem is, when you have cuts of these magnitudes imposed on agencies that are already low-cost providers, they simply cannot sustain the cuts and continue to deliver the services that our seniors need.

The real losers in this situation are our Nation's seniors, particularly those sicker Medicare patients with complex care needs who are already experiencing difficulty in getting the home care services they deserve.

I am very concerned that additional deep cuts are already on the horizon. As I mentioned, on October 1, 2002, an additional automatic 15-percent cut is scheduled to go into effect. We need to act.

Last year we passed legislation, the Medicare, Medicaid, and S-CHIP Benefits Improvement and Protection Act, which did provide a small measure of relief to our Nation's struggling home health agencies. It did, for example, delay by another year the 15-percent cut I have discussed this morning, but I do not think that goes far enough. The automatic reduction should be eliminated completely. We do not need it to achieve the savings estimated by the Balanced Budget Act. Those have already been far surpassed, and the implications for health care for some of our most frail and ill senior citizens are enormous.

The fact is, an additional 15-percent cut in Medicare home health payments would ring the death knell for those low-cost agencies which are currently struggling to hang on, and it would further reduce our seniors' access to critical home care services.

This is the fourth year we have fought this battle. To simply keep delaying this cut by yet another year is to leave a sword of Damocles hanging over our home health system. It makes it very difficult for our home health agencies to plan how they are going to serve their Medicare patients in the future. It encourages them to turn away patients who are going to be very expensive to care for, and it forces us to spend valuable time, energy, and resources fighting for repeal every single year—time and resources that would far better be spent ensuring the success of the Medicare home health prospective payments system.

The legislation we are introducing today would once and for all eliminate the automatic cut. It would also make permanent the temporary 10-percent add-on for home health services furnished patients in rural areas. That was included in the legislation last year. We would make it permanent.

As the Presiding Officer well knows, it is sometimes very expensive for home health agencies to deliver services to rural patients. They have to travel long distances, and it takes a long time to reach those patients. That all adds to the cost. In fact, surveys show that the delivery of home health services in rural areas can be as much as 12 to 15 percent more costly because of the extra travel time required, higher transportation expenses, and other factors.

This provision will ensure that our seniors living in rural areas continue to have access to critical high-quality home health services.

Mr. President, the Home Health Care Stability Act will provide a needed measure of relief and certainty for cost-efficient home health agencies across the country that are experiencing acute financial problems that are inhibiting their ability to deliver much needed care, particularly to chronically ill Medicare patients with complex care needs. I urge all of my colleagues to join us in cosponsoring this important legislation.

Let's get the job done once and for all this year. Let's repeal that 15-percent cut that otherwise would go into effect. Let's remove that uncertainty that is hanging over our home health agencies, and let's recommit ourselves to providing quality home health care benefits to our seniors and our disabled citizens.

Mr. BOND. Mr. President, I rise today to join with my colleague from Maine, Senator COLLINS, to introduce legislation that addresses the ongoing crisis in home health care. Twenty-two of our colleagues join with us today to offer the Home Health Payment Fairness Act to deal with this crisis and to try to ensure that seniors and disabled Americans have appropriate access to high-quality home health care.

Home health care is an important part of Medicare in which seniors and the disabled can get basic nursing and therapy care in their home, if their health or physical condition makes it almost impossible to leave home. Often home health is an alternative to more expensive services that may be provided in a hospital or a skilled nursing facility—and thus is a cost-effective way to provide needed care.

It is convenient, but much more importantly, patients love it. They love it because home health care is the key to fulfilling what is virtually a universal desire among seniors and those with disabilities—to remain independent and within the comfort of their own homes despite their health problems.

Yet we have a crisis in home health—too many seniors who could and should be receiving home health are not getting it. They may be suffering, in their home, without getting the health care they need. Or, they may be getting care, but only because they have been forced into a nursing home rather than being able to stay in the comfort and the dignity of their home. Either way, they are not getting the most appropriate care—and this is tragic.

As with so many other problems with Medicare in the last few years, the problem comes from two sources—the Balanced Budget Act, and the Health Care Financing Administration.

We all know the basic story by now—in an effort to balance the budget, Congress in the BBA tried to cut the growth in Medicare spending. Yet the real-world results went much further than we intended—partially because of things beyond anyone's control, but largely due to faulty implementation and the excessive regulatory zeal of HCFA. As the cuts and regulation went out-of-control, health care providers struggled to survive, but many were forced to close entirely or to stop serving Medicare. This harmed patients because they lost care options that had been available previously.

This basic storyline applies to patients and providers in all parts of Medicare—hospitals, nursing homes, home health care—everyone. But there are two things that distinguish the home health crisis from all of the other problems that stem from the Balanced Budget Act.

First and most importantly, no other group of Medicare patients and providers have endured as many difficulties. This is a big claim, given the many horror stories we've heard about the Balanced Budget Act. But absolutely nobody has suffered like home health patients and home health agencies. The numbers don't lie.

Two years after the Balanced Budget Act, almost 900,000 fewer seniors and disabled Americans were receiving home health care than previously. That's upwards of a million patients—one of every four who had been receiving home health—who simply disappeared from the world of home care. Unfortunately, the explanation is not a miraculous improvement in the health of our nation's seniors that drastically reduced the need for home health care. No, almost one million fewer people were receiving home care because the help just wasn't available.

This is partly because more than 3,300 of the nation's 10,000 home health agencies have either gone out-of-business, or have stopped serving Medicare patients. That's one-third of the home health providers—gone. Can you imagine the outrage we would have in this country if one-third of the hospitals simply disappeared?

In some areas, this hasn't been a major problem because there were other local home health agencies to pick up the slack. But in many parts of America—particularly in rural America—this has led to a serious problem of getting access to care.

In one sense, what's bad for the patient is good for the budget. Medicare home health spending has actually gone down for three straight years—dropping by 46 percent from 1997 and 2000. In Medicare, these types of cuts in spending are absolutely unprecedented. No other type of health care service in Medicare has ever seen drastic cuts like this. Remember, our goal in the Balanced Budget Act was to slow down the growth of the program, not to slash almost half of the spending out of vital services like home health care. In 1997, we envisioned $16 billion in savings from home health over five years—but the most recent estimates show that we are on target to get $69 billion in savings, more then four times the target figure. This is not how anybody wanted to balance the federal budget.

No State has been spared this crisis, but the seniors and the disabled in my home state of Missouri have been particularly hard-hit. 27,000 fewer patients are receiving home care than before—that's a drop of 30 percent. And while Missouri had 300 home health agencies when the Balanced Budget Act passed, we now have just 161. That's almost 140 health care providers that Missourians need—but that are now gone.

All of this points to the fact that the breadth and the depth of the post-Balanced Budget Act problems are undeniably worse in home health care than any other part of Medicare. That's the first thing that distinguishes home care from other struggling Medicare providers.

The second thing that is unique about home health—the biggest cuts may be yet to come.

While hospitals, nursing homes, hospice programs, and other Medicare providers still face some additional Balanced Budget Act cuts, most of the BBA provisions have already either taken effect or been erased by the two ''Medicare giveback'' bills we have passed into law.

But home health care patients and providers still have the largest BBA cut of all staring them in the fact—the 15-percent across-the-board home health cuts that are now scheduled for October of 2002. That's a 15-percent cut on top of everything else that has happened thus far—on top of the loss of 900,000 patients, on top of the loss of 3,000-plus home health agencies, and on top of the loss of almost half of Medicare home health spending.

I do not believe this should happen, and I actually don't know of anybody who believes the 15-percent home health cuts should go into effect. That's why Congress has already delayed the 15-percent cuts three separate times.

To impose these cuts, given all that home health care has been through, would be adding insult to injury. It would risk putting thousands more home health agencies out-of-business, perhaps risking the care for a million more patients.

Today, Senator COLLINS and I propose to fix this once and for all—no more mere delays, no more half-measures. The key provision in the Home Health Payment Fairness Act would permanently eliminate these 15-percent cuts. This will be expensive—probably more than $10 billion over 10 years. I don't think anybody in Congress wants to drop the guillotine on home health by imposing these cuts—that's what the three delays have shown. We need to just bite the bullet and get rid of them once and for all.

The one additional key provision in our bill would make permanent the 10-percent bonus payments that we are about to start giving rural home health agencies. These new rural payments recognize that, historically, rural patients have been more expensive due to the added transportation and labor costs incurred as home health nurses travel longer distances between visits. The second Medicare ''giveback'' bill that Congress just passed into law in December authorized these bonus payments for the first time—but only for a two-year period. The reasons that rural patients cost more are going to last for more than two years—we believe the added rural payments should as well.

This policy change will provide desperately-needed assistance to help home health care in rural America—which, as I mentioned earlier, has been much harder hit by the home health

crisis. These added payments would be similar to the 10-percent incentive bonus Medicare currently pays to doctors in rural areas, and would serve the same purpose as the various Medicare mechanisms we have to protect rural hospitals. The rural incentives for doctors and hospitals are part of permanent law; the rural incentives for home health should be too.

Home health care has been through enough. Our Nation's dedicated home health providers—and you know they are dedicated if they have struck with it through the difficulties of the last few years—deserve to be left along and given a rest. They deserve to be left alone to recover from the post-Balanced Budget Act chaos. They deserve to be left alone in order to adjust to a brand new home health payment system that Medicare put into place a few months ago—a new payment system specifically designed to reduce overuse of service in a much more intelligent and appropriate way than arbitrary cuts like those that are scheduled. And they deserve to be left alone to focus on providing high-quality care to Medicare patients. The seniors and disabled Americans who rely on home health for their health care, and for their independence, deserve no less.

Mr. ALLARD. I thank the Senator from Missouri for his leadership on home health care. I agree with him. It does save money for the patient, and we want to encourage it as far as health care is concerned.

Mr. REED. Mr. President, I rise today to join the chorus of support for the Home Health Payment Fairness Act. The intent of this important legislation is two-fold—first, eliminate the impending 15 percent reduction in home health payments scheduled to take effect in October 2002, and second, restore a modicum of stability and predictability to the home health funding stream after years of volatility and turmoil. I was pleased to introduce similar language with Senator COLLINS last Congress; I am pleased to do so again.

Over the past several years, Congress has worked to address the unintended consequences of the 1997 Balanced Budget Act, BBA. Specifically, we have sought to alleviate the tremendous financial burdens that have been borne by the home health industry and the patients who rely on these agencies for care. Since the enactment of the BBA, there has been a remarkable 48 percent decline in Medicare home health expenditures. Moreover, across the nation, home health agencies have been forced to cut back on services, and in some cases, close their doors forever. As a result, vulnerable and frail Medicare beneficiaries are being deprived of medically needed health services that enable these populations to receive care while remaining in the comfort of their homes and communities.

While we have been able to correct for a number of the problems, one issue we have yet to resolve affirmatively is the impending 15 percent for home health services. This reduction, which was originally scheduled to take effect in October 2000, has been delayed since 2002. While this delay is certainly significant, we can and must do more to restore predictability to the home health reimbursement system. We must see to it that the 15 percent cut is eliminated—and I hope we can achieve that goal this year.

As we have already seen, reductions of this magnitude are all too often shouldered by small, nonprofit home health agencies and the elderly and disabled beneficiaries they serve. Home health care agencies in my home state of Rhode Island have been especially hard hit by these changes. We have seen a significant decline in the number of beneficiaries served and access to care for more medically complex patients threatened by these cuts. These reductions have clearly had negative impact on patients who heavily rely on home health services.

Nationally, between 1997 and 1998, the number of Medicare beneficiaries receiving home health services has fallen 14 percent, while the total number of home health visits has fallen by 40 percent. We have seen a similar trend in Rhode Island, where over 3,000 fewer beneficiaries are receiving home health care—representing a decline of 16 percent—and the total number of visits has fallen 38 percent. These individuals are either being forced to turn to more expensive alternatives, such as institutional-based nursing homes and skilled nursing facilities for their care, or these individuals are simply going without care, which places an immeasurable burden on the family and friends of vulnerable beneficiaries.

I truly do not believe this is the path we want to remain on when it comes to home health care. In light of the impending ''senior boom'' that will be hitting our entitlement programs in a few short years, we should be doing all we can to preserve and strengthen the Medicare home health benefit. We can begin to do so by eliminating the 15 percent reduction in home health payments. By taking this step, we will alleviate an enormous burden that has been looming over financially strapped home health agencies as well as the frail and vulnerable Medicare beneficiaries who rely on these critical services.

I urge my colleagues to join us in supporting this critical legislation, and I look forward to working with Senator COLLINS and my other colleagues on the home health issue this Congress.

By Mr. REED (for himself, Mr. COCHRAN, Mr. KENNEDY, Mr. DODD, Mr. BINGAMAN, Mr. WELLSTONE, Mrs. MURRAY, Ms. MIKULSKI, Mrs. CLINTON, Mr. CHAFEE, Mr. ROCKEFELLER, Mr. REID, Mr. SARBANES, and Mr. BAUCUS):

S. 327. A bill to amend the Elementary and Secondary Education Act of 1965 to provide up-to-date school library media resources and well-trained, professionally certified school library media specialists for elementary schools and secondary schools, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

Mr. REED. Mr. President, I rise today to introduce bipartisan legislation to support and strengthen America's school libraries.

Research shows that well-equipped and well-staffed school libraries are essential to promoting literacy, learning, and achievement. Indeed, recent studies in Colorado, Pennsylvania, and Alaska reveal that a strong library media program, consisting of a well-stocked school library staffed by a trained, school-library media specialist, helps students learn more and score higher on standardized tests than their peers in library-impoverished schools. These findings echo earlier studies conducted in the 1990s, which found that students in schools with well-equipped libraries and professional library specialists performed better on achievement tests for reading comprehension and basic research skills.

Mr. President, with our ever-changing global economy, access to information and the skills to use it are vital to ensuring that young Americans are competitive and informed citizens of the world. That is why the school library is so important in supplementing what is learned in the classroom; promoting better learning, including reading, research, library use, and electronic database skills; and providing the foundation for independent learning that allows students to achieve throughout their educational careers and their lives.

While the promise of a well-equipped school library to promote literacy, learning, and achievement is boundless, and its importance greater than ever, the condition of libraries today does not live up to that potential. As Linda Wood, a school-library media specialist from South Kingstown High School in Rhode Island, noted during a Health, Education, Labor, and Pensions Committee hearing two years ago, school library collections are outdated and sparse.

Many schools across the nation are dependent on books purchased in the mid-1960s with dedicated funding provided under the original Elementary and Secondary Education Act (ESEA) of 1965. Many of the books still on school library shelves today were purchased with this funding and have not been replaced since 1981, when this dedicated funding was folded into what is now the Title VI block grant. As a result, many books in our school libraries predate the landing of manned spacecraft on the moon, the breakup of the Soviet Union, the end of Apartheid, the Internet, and advances in DNA research.

Mr. President, over the past several months I have received over one hundred books pulled from library shelves

across the country which further illustrate the sad state of school libraries today. I would like to cite just a few examples.

A book entitled Rockets Into Space, copyright 1959, informs students that ''there is a way to get to the moon and even distant planets, [but the trip must] be made in two stages. The first stage would be from earth to a space station. The second stage would be from the space station to the moon. It would cost a lot of money to buy a ticket to the moon.'' This book was checked out of a Los Angeles school library 13 times since 1995.

Further, a book found on a Rhode Island school library shelf, entitled Studying the Middle East in Elementary and Secondary Schools, copyright 1968, contains the following information: ''UNDERSTANDING SOME CHARACTERISTICS OF THE ARABS—It is difficult to generalize about any group of people and yet there are some characteristics which seem predominant and helpful in understanding the Arabs.'' Needless to say, the book then proceeds to describe characteristics of Arab people in derogatory terms.

And finally, a book entitled Colonial Life in America, copyright 1962, found on a shelf in a Philadelphia school library, informs the student that life on ''a large plantation in the South was like a village. Slave families had their own cabins.'' This book describes southern plantation life as idyllic, without reference to the harshness and injustice of life as a slave.

As you can see, in a rapidly changing world, our students are placed at a major disadvantage if the only scientific, geographical, and historical materials they have access to are outdated and inaccurate. The reason for this sad state of affairs is the loss of targeted, national funding for school libraries.

In sum, school library funding is grossly inadequate to the task of improving and supplementing collections. Library spending per student today is a small fraction of the cost of a new book. Indeed, while the average school library book costs $16, the average spending per student for books is approximately $6.75 in elementary schools; $7.30 in middle schools; and $6.25 in high schools. Consequently, many schools cannot remove outdated books from their shelves because there is no money to replace these books.

My home state of Rhode Island is working on an innovative effort to ensure that students gain access to materials not available in their own school libraries. RILINK, the Rhode Island Library Information Network for Kids, gives students and teachers 24-hour Internet access to a statewide catalog of school library holdings, complete with information about the book's status on the shelf. RILINK also allows for on-line request of materials via interlibrary loan, with rapid delivery through a statewide courier system, and provides links from book information records to related Internet research sites, allowing a single book request to serve as a point of departure for a galaxy of information sources.

Unfortunately, such innovations, which could benefit schoolchildren across the nation, cannot be expanded without adequate library funding. Indeed, the only federal funding that is currently available to school libraries is the Title VI block grant, which allows expenditure for school library and instructional materials as one of nine choices for local uses of funds. Since 1981, states have chosen other needs above school library books and technology. Sadly, districts only spend an estimated 17 percent of funds on school library and instructional materials. This amount is wholly insufficient to replace outdated books in both our classrooms and school libraries, and this lack of targeting and diffusion of funding is why block grants are so harmful.

Mr. President, well-trained school library media specialists are also essential to helping students unlock their potential. These individuals are at the heart of guiding students in their work, providing research training, maintaining and developing collections, and ensuring that a library fulfills its potential. In addition, they have the skills to guide students in the use of the broad variety of advanced technological education resources now available.

Unfortunately, only 68 percent of schools have state-certified library media specialists, according to Department of Education figures, and, on average, there is only one specialist for every 591 students. This shortage means that many school libraries are staffed by volunteers and are open only a few days a week.

I am introducing this bipartisan bill today, along with Senators COCHRAN, KENNEDY, DODD, BINGAMAN, WELLSTONE, MURRAY, MIKULSKI, CLINTON, CHAFEE, ROCKEFELLER, REID, SARBANES, and BAUCUS to restore the funding that is critical to improving school libraries. The Improving Literacy Through School Libraries Act authorizes $500 million to help school libraries with the greatest needs update their collections and would ensure that students have access to the informational tools they need to learn and achieve at the highest levels. This bill allows for maximum flexibility, enabling schools to use the funds to update library media resources, such as books and advanced technology, train school-library media specialists, and facilitate resource-sharing among school libraries. The bill also establishes the School Library Access Program to provide students with access to school libraries during non-school hours, including before and after school, weekends, and summers.

Providing access to the most up-to-date school library collections is an essential part of increasing student achievement, improving literacy skills, and helping students become lifelong learners. The bipartisan Improving Literacy Through School Libraries Act is strongly supported by the American Library Association, and will help accomplish these essential goals. I urge my colleagues to cosponsor this important legislation and work for its inclusion in the upcoming reauthorization of the Elementary and Secondary Education Act.

I ask unanimous consent that the text of this bill and a letter of support written by the American Library Association be printed in the RECORD.

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

S. 327

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 ''Improving Literacy Through School Libraries Act of 2001''.

SEC. 2. SCHOOL LIBRARY MEDIA RESOURCES.

Title II of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6801 et seq.) is amended—

(1) by redesignating part E as part F; and

(2) by inserting after part D the following:

''PART E—ASSISTANCE TO SCHOOL LIBRARIES TO IMPROVE LITERACY

''Subpart 1—Library Media Resources

''SEC. 2350. PURPOSE.

''The purposes of this subpart are—

''(1) to improve literacy skills and academic achievement of students by providing students with increased access to up-to-date school library materials, a well-equipped, technologically advanced school library media center, and well-trained, professionally certified school library media specialists;

''(2) to support the acquisition of up-to-date school library media resources for the use of students, school library media specialists, and teachers in elementary schools and secondary schools;

''(3) to provide school library media specialists with the tools and training opportunities necessary for the specialists to facilitate the development and enhancement of the information literacy, information retrieval, and critical thinking skills of students; and

''(4)(A) to ensure the effective coordination of resources for library, technology, and professional development activities for elementary schools and secondary schools; and

''(B) to ensure collaboration between school library media specialists, and elementary school and secondary school teachers and administrators, in developing curriculum-based instructional activities for students so that school library media specialists are partners in the learning process of students.

''SEC. 2351. STATE ALLOTMENTS.

''The Secretary shall allot to each eligible State educational agency for a fiscal year an amount that bears the same relation to the amount appropriated under section 2360 and not reserved under section 2359 for the fiscal year as the amount the State educational agency received under part A of title I for the preceding fiscal year bears to the amount all eligible State educational agencies received under part A of title I for the preceding fiscal year.

''SEC. 2352. STATE APPLICATIONS.

''To be eligible to receive an allotment under section 2351 for a State for a fiscal

year, the State educational agency shall submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary shall require. The application shall contain a description of—

''(1) the manner in which the State educational agency will use the needs assessment described in section 2355(1) and poverty data to allocate funds made available through the allotment to the local educational agencies in the State with the greatest need for school library media improvement;

''(2) the manner in which the State educational agency will effectively coordinate all Federal and State funds available for literacy, library, technology, and professional development activities to assist local educational agencies, elementary schools, and secondary schools in—

''(A) acquiring up-to-date school library media resources in all formats, including books and advanced technology such as Internet connections; and

''(B) providing training for school library media specialists;

''(3) the manner in which the State educational agency will develop standards for the incorporation of new technologies into the curricula of elementary schools and secondary schools through school library media programs to develop and enhance the information literacy, information retrieval, and critical thinking skills of students; and

''(4) the manner in which the State educational agency will evaluate the quality and impact of activities carried out under this subpart by local educational agencies to make determinations regarding the need of the agencies for technical assistance and whether to continue funding the agencies under this subpart.

''SEC. 2353. STATE RESERVATION.

''A State educational agency that receives an allotment under section 2351 may reserve not more than 3 percent of the funds made available through the allotment to provide technical assistance, disseminate information about effective school library media programs, and pay administrative costs, relating to this subpart.

''SEC. 2354. LOCAL ALLOCATIONS.

''(a) IN GENERAL.—A State educational agency that receives an allotment under section 2351 for a fiscal year shall use the funds made available through the allotment and not reserved under section 2353 to make allocations to local educational agencies.

''(b) AGENCIES.—The State educational agency shall allocate the funds to the local educational agencies in the State that have—

''(1) the greatest need for school library media improvement according to the needs assessment described in section 2355(1); and

''(2) the highest percentages of poverty, as measured in accordance with section 1113(a)(5).

''SEC. 2355. LOCAL APPLICATION.

''To be eligible to receive an allocation under section 2354 for a fiscal year, a local educational agency shall submit to the State educational agency an application at such time, in such manner, and containing such information as the State educational agency shall require. The application shall contain—

''(1) a needs assessment relating to need for school library media improvement, based on the age and condition of school library media resources (including book collections), access of school library media centers to advanced technology, including Internet connections, and the availability of well-trained, professionally certified school library media specialists, in schools served by the local educational agency;

''(2) a description of the manner in which the local educational agency will use the needs assessment to assist schools with the greatest need for school library media improvement;

''(3) a description of the manner in which the local educational agency will use the funds provided through the allocation to carry out the activities described in section 2356;

''(4) a description of the manner in which the local educational agency will develop and carry out the activities described in section 2356 with the extensive participation of school library media specialists, elementary school and secondary school teachers and administrators, and parents;

''(5) a description of the manner in which the local educational agency will effectively coordinate—

''(A) funds provided under this subpart with the Federal, State, and local funds received by the agency for literacy, library, technology, and professional development activities; and

''(B) activities carried out under this subpart with the Federal, State, and local library, technology, and professional development activities carried out by the local educational agency; and

''(6) a description of the manner in which the local educational agency will collect and analyze data on the quality and impact of activities carried out under this subpart by schools served by the local educational agency.

''SEC. 2356. LOCAL ACTIVITIES.

''A local educational agency that receives a local allocation under section 2354 may use the funds made available through the allocation—

''(1) to acquire up-to-date school library media resources, including books;

''(2) to acquire and utilize advanced technology, incorporated into the curricula of the schools, to develop and enhance the information literacy, information retrieval, and critical thinking skills of students;

''(3) to acquire and utilize advanced technology, including Internet links, to facilitate resource-sharing among schools and school library media centers, and public and academic libraries, where possible;

''(4) to provide professional development opportunities for school library media specialists; and

''(5) to foster increased collaboration between school library media specialists and elementary school and secondary school teachers and administrators.

''SEC. 2357. ACCOUNTABILITY AND CONTINUATION OF FUNDS.

''Each local educational agency that receives funding under this subpart for a fiscal year shall be eligible to continue to receive the funding—

''(1) for each of the 2 following fiscal years; and

''(2) for each fiscal year subsequent to the 2 following fiscal years, if the local educational agency demonstrates that the agency has increased—

''(A) the availability of, and the access of students, school library media specialists, and elementary school and secondary school teachers to, up-to-date school library media resources, including books and advanced technology, in elementary schools and secondary schools served by the local educational agency;

''(B) the number of well-trained, professionally certified school library media specialists in those schools; and

''(C) collaboration between school library media specialists and elementary school and secondary school teachers and administrators for those schools.

''SEC. 2358. SUPPLEMENT NOT SUPPLANT.

''Funds made available under this subpart shall be used to supplement and not supplant other Federal, State, and local funds expended to carry out activities relating to library, technology, or professional development activities.

''SEC. 2359. NATIONAL ACTIVITIES.

''The Secretary shall reserve not more than 3 percent of the amount appropriated under section 2360 for a fiscal year—

''(1) for an annual, independent, national evaluation of the activities assisted under this subpart, to be conducted not later than 3 years after the date of enactment of this subpart; and

''(2) to broadly disseminate information to help States, local educational agencies, school library media specialists, and elementary school and secondary school teachers and administrators learn about effective school library media programs.

''SEC. 2360. AUTHORIZATION OF APPROPRIATIONS.

''There are authorized to be appropriated to carry out this subpart $475,000,000 for fiscal year 2002 and such sums as may be necessary for each of fiscal years 2003 through 2006.

''Subpart 2—School Library Access Program

''SEC. 2361. PROGRAM.

''(a) IN GENERAL.—The Secretary may make grants to local educational agencies to provide students with access to libraries in elementary schools and secondary schools during non-school hours, including the hours before and after school, weekends, and summer vacation periods.

''(b) APPLICATIONS.—To be eligible to receive a grant under subsection (a), a local educational agency shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

''(c) PRIORITY.—In making grants under subsection (a), the Secretary shall give priority to local educational agencies that demonstrate, in applications submitted under subsection (b), that the agencies—

''(1) seek to provide activities that will increase literacy skills and student achievement;

''(2) have effectively coordinated services and funding with entities involved in other Federal, State, and local efforts, to provide programs and activities for students during the non-school hours described in subsection (a); and

''(3) have a high level of community support.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subpart $25,000,000 for fiscal year 2002 and such sums as may be necessary for each of fiscal years 2003 through 2006.''.

AMERICAN LIBRARY ASSOCIATION,
Washington, DC, February 13, 2001.

Hon. JACK REED,
U.S. Senate,
Washington, DC.

DEAR SENATOR REED: I would like to take this opportunity to thank you and Senator Thad Cochran for your bi-partisan support of school libraries as you introduce the Improving Literacy Through School Libraries Act of 2001. This bill would provide assistance to the nation's school libraries and school library media specialists at a time when they are laboring mightily to cope with the challenges of increasing school enrollment, new technology and the lack of funding for school library resources.

As an academic librarian in New York, I know personally how this legislation will contribute to effective learning by our school children. Many of the nation's school

libraries have collections that are old, inaccurate and out of date. How can we encourage children to read, continue their education in college and become life-long learners if the material we have available for them is inadequate?

Your legislation proposes to upgrade collections, encourage and train school librarians, and effect greater cooperation between school professionals directly involved teaching children—school library media specialists, teachers and administrators. This critical legislation should be included in the reauthorization process now going forward in the Senate. The school children of today deserve the best resources we have to give them.

On behalf of the 61,000 school, public, academic and special librarians, library trustees, friends of libraries and library supporters, I thank you for your effort to improve the resources in school libraries. We offer the support of our members in working towards passage of the legislation.

Sincerely,

NANCY C. KRANICH,
President.

By Mr. AKAKA (for himself, Mr. INOUYE, and Mr. GRAHAM):

S. 329. A bill to require the Secretary of the Interior to conduct a theme study on the peopling of America, and for other purposes; to the Committee on Energy and Natural Resources.

Mr. AKAKA. Mr. President, America is truly unique in that almost all of us are migrants or immigrants to the United States, originating in different regions—whether from Asia, from islands in the Pacific Ocean, Mexico, or valleys and mesas of the Southwest, Europe or other regions of the world. The prehistory and the contemporary history of this nation are inextricably linked to the mosaic or migrations, immigrations and existing cultures in the U.S. that has resulted in the peopling of America. Americans are all travelers from diverse areas, regions, continents and islands.

We need a better understanding of this coherent and unifying theme in America. With this in mind, I am introducing legislation, along with my colleagues Senator INOUYE and Senator GRAHAM, authorizing the National Park Service to conduct a theme study on the peopling of America. An identical bill passed the Senate last Congress, and I am optimistic that the Senate will again pass this bill.

The purpose of the study is to provide a basis for identifying, interpreting and preserving sites related to the migration, immigration and settling of America. The peopling of America is the story of our nation's population and how we came to be the diverse set of people that we are today. The peopling of America will acknowledge the contributions and trials of the first peoples who settled the North American continent, the Pacific Islands, and the lands that later became the United States of America. The peopling of America has continued as Spanish, Portuguese, French, Dutch, and English laid claim to lands and opened the floodgates of European migration and the involuntary migration of Africans to the Americas.

This was just the beginning. America has been growing and changing ever since. It is critical that we document and include the growth and change in the United States as groups of people move across external and internal boundaries that make up our nation. By understanding all our contributions, the strength within all cultures, and the diffusion of cultural ways through the United States, we will be a better nation. The strength of American culture is in our diversity and rests on a comprehensive understanding of the peopling of America.

The theme study I am proposing will authorize the Secretary of the Interior to identify regions, areas, trails, districts and cultures that illustrate and commemorate key events in the migration, immigration and settlement of the population of the United States, and which can provide a basis for the preservation and interpretation of the peopling of America. It includes preservation and education strategies to capture elements of our national culture and history such as immigration, migration, ethnicity, family, gender, health, neighborhood, and community. In addition, the study will make recommendations regarding National Historic Landmark designations and National Register of Historic Places nominations, as appropriate. The study will also facilitate the development of cooperative programs with education institutions, public history organizations, state and local governments, and groups knowledgeable about the peopling of America.

We are entering a new millennium with hope and opportunity. It is incumbent on us to reflect on the extent to which the energy and wealth of the United States depends on our population diversity. Looking back, we understand that our history, and our very national character, is defined by the grand, entangled movements of people to America and across the American landscape—through original residency, European colonization, forced migrations, economic migrations, or politically-motivated immigration—that has given rise to the rich interactions that make the American character and experience unique. I would venture to say that no other nation has the heterogeneous patchwork of migration and movement around the country that is found and that makes us the American Nation.

We embody the cultures and traditions that our forebears brought from other places and shores, as well as the new traditions and cultures that we adopted or created anew upon arrival. Whether we are the original inhabitants of the rich Pacific Northwest, settled in the rangelands and agrarian West, the industrialized Northeast, the small towns of the Midwest, or the genteel cities of the South, our forebears inevitably contributed their background and created new relationships with peoples of other backgrounds and cultures. Our rich heritage as Americans is comprehensible only through the stories of our various constituent cultures, carried with us from other lands and transformed by encounters with other cultures.

All Americans are travelers. All cultures have creation stories and histories that place us here from somewhere. Whether we came to this land as native peoples. English colonists, Africans who were brought in slavery, Filipinos who came to work in Hawaii's cane fields, Mexican ranchers, or Chinese merchants, the process by which our nation was peopled transformed us from strangers from different shores into neighbors unified in our inimitable diversity—Americans all. It is essential for us to understand this process, not only to understand who and where we are, but also to help us understand who we wish to be and where we should be headed as a nation. As the caretaker of some of our most important cultural and historical resources, from Ellis Island to San Juan Island, from Chaco Canyon to Kennesaw Mountain, the National Park Service is in a unique position to conduct a study that can offer guidance on this fundamental subject.

Currently we have only one focal point in the national park system that celebrates the peopling of America with significance. Ellis Island and the Statue of Liberty National Monument. Ellis Island welcomed over 12 million immigrants between 1892 and 1954, an overwhelming majority of whom crossed the Atlantic from Europe. Ellis Island celebrates these immigrant experiences through their museum, historic buildings, and memorial wall. Immensely popular as it is, Ellis Island is focused on Atlantic immigration and thus reflects the experience only of those groups (primarily Eastern and Southern Europeans) who were processed at the island during its active period, 1892–1954.

Not all immigrants and their descendants can identify with Ellis Island. Tens of millions of other immigrants traveled to our great country through other ports of entry and in different periods of our Nation's history and prehistory. Ellis Island tells only part of the American story. There are other chapters, just as compelling, that must be told.

On the West Coast, Angel Island Immigration Station, tucked in San Francisco Bay, was open from 1910 to 1940 and processed hundreds of thousands of Pacific Rim immigrants through its portals. An estimated 175,000 Chinese immigrants and more than 20,000 Japanese made the long Pacific passage to the United States. Their experiences are a West Coast mirror of the Ellis Island experience. But the migration story on the West Coast is much longer and broader than Angel Island. Many earlier migrants to the West Coast contributed to the rich history of California, including the original resident

Native Americans, Spanish explorers, Mexican ranchers, Russian colonists, American migrants from the Eastern states who came overland or around the Horn, German and Irish military recruits, Chinese railroad laborers, Portuguese and Italian farmers, and many other groups. The diversity and experience of these groups reflects the diversity and experience of all immigrants who entered the United States via the Western states, including Alaska, Washington, Oregon, and California.

The study we propose is consistent with the agency's latest official thematic framework which establishes the subject of human population movement and change—or ''peopling places''—as a primary thematic category for study and interpretation. The framework, which serves as a general guideline for interpretation, was revised in 1996 in response to a Congressional mandate—Civil War Sites Study Act of 1990, Public Law 101–628, Sec. 1209—that the full diversity of American history and prehistory be expressed in the National Park Service's identification and interpretation of historic and prehistoric properties.

In conclusion, we believe that this bill will shed light on the unique blend of pluralism and unity that characterizes our national polity. With its responsibility for cultural and historical parks, the Park Service plays a unique role in enhancing our understanding of the peopling of America and thus of a fuller comprehension of our relationships with each other—past, present, and future.

I urge my colleagues to support this initiative. 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. 329

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 ''Peopling of America Theme Study Act''.

SEC. 2. FINDINGS AND PURPOSES.

(a) FINDINGS.—Congress finds that—

(1) an important facet of the history of the United States is the story of how the United States was populated;

(2) the migration, immigration, and settlement of the population of the United States—

(A) is broadly termed the ''peopling of America''; and

(B) is characterized by—

(i) the movement of groups of people across external and internal boundaries of the United States and territories of the United States; and

(ii) the interactions of those groups with each other and with other populations;

(3) each of those groups has made unique, important contributions to American history, culture, art, and life;

(4) the spiritual, intellectual, cultural, political, and economic vitality of the United States is a result of the pluralism and diversity of the American population;

(5) the success of the United States in embracing and accommodating diversity has strengthened the national fabric and unified the United States in its values, institutions, experiences, goals, and accomplishments;

(6)(A) the National Park Service's official thematic framework, revised in 1996, responds to the requirement of section 1209 of the Civil War Sites Study Act of 1990 (16 U.S.C. 1a–5 note; title XII of Public Law 101–628), that ''the Secretary shall ensure that the full diversity of American history and prehistory are represented'' in the identification and interpretation of historic properties by the National Park Service; and

(B) the thematic framework recognizes that ''people are the primary agents of change'' and establishes the theme of human population movement and change—or ''peopling places''—as a primary thematic category for interpretation and preservation; and

(7) although there are approximately 70,000 listings on the National Register of Historic Places, sites associated with the exploration and settlement of the United States by a broad range of cultures are not well represented.

(b) PURPOSES.—The purposes of this Act are—

(1) to foster a much-needed understanding of the diversity and contribution of the breadth of groups who have peopled the United States; and

(2) to strengthen the ability of the National Park Service to include groups and events otherwise not recognized in the peopling of the United States.

SEC. 3. DEFINITIONS.

In this Act:

(1) SECRETARY.—The term ''Secretary'' means the Secretary of the Interior.

(2) THEME STUDY.—The term ''theme study'' means the national historic landmark theme study required under section 4.

(3) PEOPLING OF AMERICA.—The term ''peopling of America'' means the migration, immigration, and settlement of the population of the United States.

SEC. 4. NATIONAL HISTORIC LANDMARK THEME STUDY ON THE PEOPLING OF AMERICA.

(a) THEME STUDY REQUIRED.—The Secretary shall prepare and submit to Congress a national historic landmark theme study on the peopling of America.

(b) PURPOSE.—The purpose of the theme study shall be to identify regions, areas, trails, districts, communities, sites, buildings, structures, objects, organizations, societies, and cultures that—

(1) best illustrate and commemorate key events or decisions affecting the peopling of America; and

(2) can provide a basis for the preservation and interpretation of the peopling of America that has shaped the culture and society of the United States.

(c) IDENTIFICATION AND DESIGNATION OF POTENTIAL NEW NATIONAL HISTORIC LANDMARKS.—

(1) IN GENERAL.—The theme study shall identify and recommend for designation new national historic landmarks.

(2) LIST OF APPROPRIATE SITES.—The theme study shall—

(A) include a list, in order of importance or merit, of the most appropriate sites for national historic landmark designation; and

(B) encourage the nomination of other properties to the National Register of Historic Places.

(3) DESIGNATION.—On the basis of the theme study, the Secretary shall designate new national historic landmarks.

(d) NATIONAL PARK SYSTEM.—

(1) IDENTIFICATION OF SITES WITHIN CURRENT UNITS.—The theme study shall identify appropriate sites within units of the National Park System at which the peopling of America may be interpreted.

(2) IDENTIFICATION OF NEW SITES.—On the basis of the theme study, the Secretary shall recommend to Congress sites for which studies for potential inclusion in the National Park System should be authorized.

(e) CONTINUING AUTHORITY.—After the date of submission to Congress of the theme study, the Secretary shall, on a continuing basis, as appropriate to interpret the peopling of America—

(1) evaluate, identify, and designate new national historic landmarks; and

(2) evaluate, identify, and recommend to Congress sites for which studies for potential inclusion in the National Park System should be authorized.

(f) PUBLIC EDUCATION AND RESEARCH.—

(1) LINKAGES.—

(A) ESTABLISHMENT.—On the basis of the theme study, the Secretary may identify appropriate means for establishing linkages—

(i) between—

(I) regions, areas, trails, districts, communities, sites, buildings, structures, objects, organizations, societies, and cultures identified under subsections (b) and (d); and

(II) groups of people; and

(ii) between—

(I) regions, areas, trails, districts, communities, sites, buildings, structures, objects, organizations, societies, and cultures identified under subsection (b); and

(II) units of the National Park System identified under subsection (d).

(B) PURPOSE.—The purpose of the linkages shall be to maximize opportunities for public education and scholarly research on the peopling of America.

(2) COOPERATIVE ARRANGEMENTS.—On the basis of the theme study, the Secretary shall, subject to the availability of funds, enter into cooperative arrangements with State and local governments, educational institutions, local historical organizations, communities, and other appropriate entities to preserve and interpret key sites in the peopling of America.

(3) EDUCATIONAL INITIATIVES.—

(A) IN GENERAL.—The documentation in the theme study shall be used for broad educational initiatives such as—

(i) popular publications;

(ii) curriculum material such as the Teaching with Historic Places program;

(iii) heritage tourism products such as the National Register of Historic Places Travel Itineraries program; and

(iv) oral history and ethnographic programs.

(B) COOPERATIVE PROGRAMS.—On the basis of the theme study, the Secretary shall implement cooperative programs to encourage the preservation and interpretation of the peopling of America.

SEC. 5. COOPERATIVE AGREEMENTS.

The Secretary may enter into cooperative agreements with educational institutions, professional associations, or other entities knowledgeable about the peopling of America—

(1) to prepare the theme study;

(2) to ensure that the theme study is prepared in accordance with generally accepted scholarly standards; and

(3) to promote cooperative arrangements and programs relating to the peopling of America.

SEC. 6. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated such sums as are necessary to carry out this Act.

By Mr. TORRICELLI:

S. 330. A bill to expand the powers of the Secretary of the Treasury to regulate the manufacture, distribution, and

sale of firearms and ammunition, and to expand the jurisdiction of the Secretary to include firearm products and non-powder firearms; to the Committee on the Judiciary.

Mr. TORRICELLI. Mr. President, I rise today to introduce the Firearms Safety and Consumer Protection Act of 2001. I am sure that this bill will face opposition, but I am equally sure that the need for this bill is so clear, and the logic so unquestionable, that we will eventually see gun consumers fighting for the passage of the legislation.

Mr. President, I have long fought against the gun injuries that have plagued America for years. We succeeded in enacting the Brady bill and the ban on devastating assault weapons. And in the 104th Congress, even in the midst of what many consider a hostile Congress, we told domestic violence offenders that they could no longer own a gun. These were each measures aimed at the criminal misuse of firearms.

But there is another subject that the NRA just hates to talk about—the countless injuries that occur to innocent gun owners, recreational hunters, and to law enforcement. Every year in this country, countless people die and many more are injured by defective or poorly manufactured firearms. Yet the Consumer Products Safety Commission, which has the power to regulate every other product sold to the American consumer, lacks the ability to regulate the manufacture of firearms.

Amazingly, in a nation that regulates everything from the air we breathe, to the cars we drive, to the cribs that hold our children, the most dangerous consumer product sold, firearms, are unregulated. Studies show that inexpensive safety technology and the elimination of flawed guns could prevent a third of accidental firearms deaths. Despite this fact, the Federal government is powerless to stop gun companies from distributing defective guns or failing to warn consumers of dangerous products.

This gaping loophole in our consumer protection laws can often be disastrous for gun users. To take just one recent example, even when a gun manufacturer discovered that it had sold countless defective guns with a tendency to misfire, no recall was mandated and no action could be taken by the federal government. The guns remained on the street, and consumers were defenseless. Time after time, consumers, hunters, and gun owners are each left out in the cold, without the knowledge of danger or the assistance necessary to protect themselves from it.

For too long now, the gun industry has successfully kept guns exempt from consumer protection laws, and we must finally bring guns into line with every other consumer product. Logic, common sense, and the many innocent victims of defective firearms all cry out for us to act—and act we must.

To that end, I am introducing the Firearms Safety and Consumer Protection Act, legislation giving the Secretary of the Treasury the power to regulate the manufacture, distribution, and sale of firearms and ammunition. The time has come to stop dangerous and defective guns from killing American consumers. I urge my colleagues to support this bill. I ask 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. 330

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 ''Firearms Safety and Consumer Protection Act of 2001''.

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

SEC. 2. PURPOSES.

The purposes of this Act are—

(1) to protect the public against unreasonable risk of injury and death associated with firearms and related products;

(2) to develop safety standards for firearms and related products;

(3) to assist consumers in evaluating the comparative safety of firearms and related products;

(4) to promote research and investigation into the causes and prevention of firearm-related deaths and injuries; and

(5) to restrict the availability of weapons that pose an unreasonable risk of death or injury.

SEC. 3. DEFINITIONS.

(a) SPECIFIC TERMS.—In this Act:

(1) FIREARMS DEALER.—The term ''firearms dealer'' means—

(A) any person engaged in the business (as defined in section 921(a)(21)(C) of title 18, United States Code) of dealing in firearms at wholesale or retail;

(B) any person engaged in the business (as defined in section 921(a)(21)(D) of title 18, United States Code) of repairing firearms or of making or fitting special barrels, stocks, or trigger mechanisms to firearms; and

(C) any person who is a pawnbroker.

(2) FIREARM PART.—The term ''firearm part'' means—

(A) any part or component of a firearm as originally manufactured;

(B) any good manufactured or sold—

(i) for replacement or improvement of a firearm; or

(ii) as any accessory or addition to the firearm; and

(C) any good that is not a part or component of a firearm and is manufactured, sold, delivered, offered, or intended for use exclusively to safeguard individuals from injury by a firearm.

(3) FIREARM PRODUCT.—The term ''firearm product'' means a firearm, firearm part, nonpowder firearm, and ammunition.

(4) FIREARM SAFETY REGULATION.—The term ''firearm safety regulation'' means a regulation prescribed under this Act.

(5) FIREARM SAFETY STANDARD.—The term ''firearm safety standard'' means a standard promulgated under this Act.

(6) NONPOWDER FIREARM.—The term ''nonpowder firearm'' means a device specifically designed to discharge BBs, pellets, darts, or similar projectiles by the release of stored energy.

(7) SECRETARY.—The term ''Secretary'' means the Secretary of the Treasury or the designee of the Secretary.

(b) OTHER TERMS.—Each term used in this Act that is not defined in subsection (a) shall have the meaning (if any) given that term in section 921(a) of title 18, United States Code.

TITLE I—REGULATION OF FIREARM PRODUCTS

SEC. 101. REGULATORY AUTHORITY.

(a) IN GENERAL.—The Secretary shall prescribe such regulations governing the design, manufacture, and performance of, and commerce in, firearm products, consistent with this Act, as are reasonably necessary to reduce or prevent unreasonable risk of injury resulting from the use of those products.

(b) MAXIMUM INTERVAL BETWEEN ISSUANCE OF PROPOSED AND FINAL REGULATION.—Not later than 120 days after the date on which the Secretary issues a proposed regulation under subsection (a) with respect to a matter, the Secretary shall issue a regulation in final form with respect to the matter.

(c) PETITIONS.—

(1) IN GENERAL.—Any person may petition the Secretary to—

(A) issue, amend, or repeal a regulation prescribed under subsection (a) of this section; or

(B) require the recall, repair, or replacement of a firearm product, or the issuance of refunds with respect to a firearm product.

(2) DEADLINE FOR ACTION ON PETITION.—Not later than 120 days after the date on which the Secretary receives a petition referred to in paragraph (1), the Secretary shall—

(A) grant, in whole or in part, or deny the petition; and

(B) provide the petitioner with the reasons for granting or denying the petition.

SEC. 102. ORDERS; INSPECTIONS.

(a) AUTHORITY TO PROHIBIT MANUFACTURE, SALE, OR TRANSFER OF FIREARM PRODUCTS MADE, IMPORTED, TRANSFERRED, OR DISTRIBUTED IN VIOLATION OF REGULATION.—The Secretary may issue an order prohibiting the manufacture, sale, or transfer of a firearm product which the Secretary finds has been manufactured, or has been or is intended to be imported, transferred, or distributed in violation of a regulation prescribed under this Act.

(b) AUTHORITY TO REQUIRE THE RECALL, REPAIR, OR REPLACEMENT OF, OR THE PROVISION OF REFUNDS WITH RESPECT TO FIREARM PRODUCTS.—The Secretary may issue an order requiring the manufacturer of, and any dealer

in, a firearm product which the Secretary determines poses an unreasonable risk of injury to the public, is not in compliance with a regulation prescribed under this Act, or is defective, to—

(1) provide notice of the risks associated with the product, and of how to avoid or reduce the risks, to—

(A) the public;

(B) in the case of the manufacturer of the product, each dealer in the product; and

(C) in the case of a dealer in the product, the manufacturer of the product and the other persons known to the dealer as dealers in the product;

(2) bring the product into conformity with the regulations prescribed under this Act;

(3) repair the product;

(4) replace the product with a like or equivalent product which is in compliance with those regulations;

(5) refund the purchase price of the product, or, if the product is more than 1 year old, a lesser amount based on the value of the product after reasonable use;

(6) recall the product from the stream of commerce; or

(7) submit to the Secretary a satisfactory plan for implementation of any action required under this subsection.

(c) AUTHORITY TO PROHIBIT MANUFACTURE, IMPORTATION, TRANSFER, DISTRIBUTION, OR EXPORT OF UNREASONABLY RISKY FIREARM PRODUCTS.—The Secretary may issue an order prohibiting the manufacture, importation, transfer, distribution, or export of a firearm product if the Secretary determines that the exercise of other authority under this Act would not be sufficient to prevent the product from posing an unreasonable risk of injury to the public.

(d) INSPECTIONS.—When the Secretary has reason to believe that a violation of this Act or of a regulation or order issued under this Act is being or has been committed, the Secretary may, at reasonable times—

(1) enter any place in which firearm products are manufactured, stored, or held, for distribution in commerce, and inspect those areas where the products are manufactured, stored, or held; and

(2) enter and inspect any conveyance being used to transport a firearm product.

TITLE II—PROHIBITIONS

SEC. 201. PROHIBITIONS.

(a) FAILURE OF MANUFACTURER TO TEST AND CERTIFY FIREARM PRODUCTS.—It shall be unlawful for the manufacturer of a firearm product to transfer, distribute, or export a firearm product unless—

(1) the manufacturer has tested the product in order to ascertain whether the product is in conformity with the regulations prescribed under section 101;

(2) the product is in conformity with those regulations; and

(3) the manufacturer has included in the packaging of the product, and furnished to each person to whom the product is distributed, a certificate stating that the product is in conformity with those regulations.

(b) FAILURE OF MANUFACTURER TO PROVIDE NOTICE OF NEW TYPES OF FIREARM PRODUCTS.—It shall be unlawful for the manufacturer of a new type of firearm product to manufacture the product, unless the manufacturer has provided the Secretary with—

(1) notice of the intent of the manufacturer to manufacture the product; and

(2) a description of the product.

(c) FAILURE OF MANUFACTURER OR DEALER TO LABEL FIREARM PRODUCTS.—It shall be unlawful for a manufacturer of or dealer in firearms to transfer, distribute, or export a firearm product unless the product is accompanied by a label that—

(1) contains—

(A) the name and address of the manufacturer of the product;

(B) the name and address of any importer of the product;

(C) the model number of the product and the date the product was manufactured;

(D) a specification of the regulations prescribed under this Act that apply to the product; and

(E) the certificate required by subsection (a)(3) with respect to the product; and

(2) is located prominently in conspicuous and legible type in contrast by typography, layout, or color with other printed matter on the label.

(d) FAILURE TO MAINTAIN OR PERMIT INSPECTION OF RECORDS.—It shall be unlawful for an importer of, manufacturer of, or dealer in a firearm product to fail to—

(1) maintain such records, and supply such information, as the Secretary may require in order to ascertain compliance with this Act and the regulations and orders issued under this Act; and

(2) permit the Secretary to inspect and copy those records at reasonable times.

(e) IMPORTATION AND EXPORTATION OF UNCERTIFIED FIREARM PRODUCTS.—It shall be unlawful for any person to import into the United States or export a firearm product that is not accompanied by the certificate required by subsection (a)(3).

(f) COMMERCE IN FIREARM PRODUCTS IN VIOLATION OF ORDER ISSUED OR REGULATION PRESCRIBED UNDER THIS ACT.—It shall be unlawful for any person to manufacture, offer for sale, distribute in commerce, import into the United States, or export a firearm product—

(1) that is not in conformity with the regulations prescribed under this Act; or

(2) in violation of an order issued under this Act.

(g) STOCKPILING.—It shall be unlawful for any person to manufacture, purchase, or import a firearm product, after the date a regulation is prescribed under this Act with respect to the product and before the date the regulation takes effect, at a rate that is significantly greater than the rate at which the person manufactured, purchased, or imported the product during a base period (prescribed by the Secretary in regulations) ending before the date the regulation is so prescribed.

SEC. 202. INAPPLICABILITY TO GOVERNMENTAL AUTHORITIES.

Section 201 does not apply to any department or agency of the United States, of a State, or of a political subdivision of a State, or to any official conduct of any officer or employee of such a department or agency.

TITLE III—ENFORCEMENT

Subtitle A—Civil Enforcement

SEC. 301. CIVIL PENALTIES.

(a) AUTHORITY TO IMPOSE FINES.—

(1) IN GENERAL.—The Secretary shall impose upon any person who violates section 201 a civil fine in an amount that does not exceed the applicable amount described in subsection (b).

(2) SCOPE OF OFFENSE.—Each violation of section 201 (other than of subsection (a)(3) or (d) of that section) shall constitute a separate offense with respect to each firearm product involved.

(b) APPLICABLE AMOUNT.—

(1) FIRST 5-YEAR PERIOD.—The applicable amount for the 5-year period immediately following the date of enactment of this Act is $5,000, or $10,000 if the violation is willful.

(2) THEREAFTER.—The applicable amount during any time after the 5-year period described in paragraph (1) is $10,000, or $20,000 if the violation is willful.

SEC. 302. INJUNCTIVE ENFORCEMENT AND SEIZURE.

(a) INJUNCTIVE ENFORCEMENT.—Upon request of the Secretary, the Attorney General of the United States may bring an action to restrain any violation of section 201 in the United States district court for any district in which the violation has occurred, or in which the defendant is found or transacts business.

(b) CONDEMNATION.—

(1) IN GENERAL.—Upon request of the Secretary, the Attorney General of the United States may bring an action in rem for condemnation of a qualified firearm product in the United States district court for any district in which the Secretary has found and seized for confiscation the product.

(2) QUALIFIED FIREARM PRODUCT DEFINED.—In paragraph (1), the term ''qualified firearm product'' means a firearm product—

(A) that is being transported or having been transported remains unsold, is sold or offered for sale, is imported, or is to be exported; and

(B)(i) that is not in compliance with a regulation prescribed or an order issued under this Act; or

(ii) with respect to which relief has been granted under section 303.

SEC. 303. IMMINENTLY HAZARDOUS FIREARMS.

(a) IN GENERAL.—Notwithstanding the pendency of any other proceeding in a court of the United States, the Secretary may bring an action in a United States district court to restrain any person who is a manufacturer of, or dealer in, an imminently hazardous firearm product from manufacturing, distributing, transferring, importing, or exporting the product.

(b) IMMINENTLY HAZARDOUS FIREARM PRODUCT.—In subsection (a), the term ''imminently hazardous firearm product'' means any firearm product with respect to which the Secretary determines that—

(1) the product poses an unreasonable risk of injury to the public; and

(2) time is of the essence in protecting the public from the risks posed by the product.

(c) RELIEF.—In an action brought under subsection (a), the court may grant such temporary or permanent relief as may be necessary to protect the public from the risks posed by the firearm product, including—

(1) seizure of the product; and

(2) an order requiring—

(A) the purchasers of the product to be notified of the risks posed by the product;

(B) the public to be notified of the risks posed by the product; or

(C) the defendant to recall, repair, or replace the product, or refund the purchase price of the product (or, if the product is more than 1 year old, a lesser amount based on the value of the product after reasonable use).

(d) VENUE.—An action under subsection (a)(2) may be brought in the United States district court for the District of Columbia or for any district in which any defendant is found or transacts business.

SEC. 304. PRIVATE CAUSE OF ACTION.

(a) IN GENERAL.—Any person aggrieved by any violation of this Act or of any regulation prescribed or order issued under this Act by another person may bring an action against such other person in any United States district court for damages, including consequential damages. In any action under this section, the court, in its discretion, may award to a prevailing plaintiff a reasonable attorney's fee as part of the costs.

(b) RULE OF INTERPRETATION.—The remedy provided for in subsection (a) shall be in addition to any other remedy provided by common law or under Federal or State law.

SEC. 305. PRIVATE ENFORCEMENT OF THIS ACT.

Any interested person may bring an action in any United States district court to enforce this Act, or restrain any violation of

this Act or of any regulation prescribed or order issued under this Act. In any action under this section, the court, in its discretion, may award to a prevailing plaintiff a reasonable attorney's fee as part of the costs.

SEC. 306. EFFECT ON PRIVATE REMEDIES.

(a) IRRELEVANCY OF COMPLIANCE WITH THIS ACT.—Compliance with this Act or any order issued or regulation prescribed under this Act shall not relieve any person from liability to any person under common law or State statutory law.

(b) IRRELEVANCY OF FAILURE TO TAKE ACTION UNDER THIS ACT.—The failure of the Secretary to take any action authorized under this Act shall not be admissible in litigation relating to the product under common law or State statutory law.

Subtitle B—Criminal Enforcement

SEC. 351. CRIMINAL PENALTIES.

Any person who has received from the Secretary a notice that the person has violated a provision of this Act or of a regulation prescribed under this Act with respect to a firearm product and knowingly violates that provision with respect to the product shall be fined under title 18, United States Code, imprisoned not more than 2 years, or both.

TITLE IV—ADMINISTRATIVE PROVISIONS

SEC. 401. FIREARM INJURY INFORMATION AND RESEARCH.

(a) IN GENERAL.—The Secretary shall—

(1) collect, investigate, analyze, and share with other appropriate government agencies circumstances of death and injury associated with firearms; and

(2) conduct continuing studies and investigations of economic costs and losses resulting from firearm-related deaths and injuries.

(b) OTHER DATA.—The Secretary shall—

(1) collect and maintain current production and sales figures for each licensed manufacturer, broken down by the model, caliber, and type of firearms produced and sold by the licensee, including a list of the serial numbers of such firearms;

(2) conduct research on, studies of, and investigation into the safety of firearm products and improving the safety of firearm products; and

(3) develop firearm safety testing methods and testing devices.

(c) AVAILABILITY OF INFORMATION.—On a regular basis, but not less frequently than annually, the Secretary shall make available to the public the results of the activities of the Secretary under subsections (a) and (b).

SEC. 402. ANNUAL REPORT TO CONGRESS.

(a) IN GENERAL.—The Secretary shall prepare and submit to the President and Congress at the beginning of each regular session of Congress, a comprehensive report on the administration of this Act for the most recently completed fiscal year.

(b) CONTENTS.—Each report submitted under subsection (a) shall include—

(1) a thorough description, developed in coordination with the Secretary of Health and Human Services, of the incidence of injury and death and effects on the population resulting from firearm products, including statistical analyses and projections, and a breakdown, as practicable, among the various types of such products associated with the injuries and deaths;

(2) a list of firearm safety regulations prescribed that year;

(3) an evaluation of the degree of compliance with firearm safety regulations, including a list of enforcement actions, court decisions, and settlements of alleged violations, by name and location of the violator or alleged violator, as the case may be;

(4) a summary of the outstanding problems hindering enforcement of this Act, in the order of priority; and

(5) a log and summary of meetings between the Secretary or employees of the Secretary and representatives of industry, interested groups, or other interested parties.

TITLE V—RELATIONSHIP TO OTHER LAW

SEC. 501. SUBORDINATION TO ARMS EXPORT CONTROL ACT.

In the event of any conflict between any provision of this Act and any provision of the Arms Export Control Act, the provision of the Arms Export Control Act shall control.

SEC. 502. EFFECT ON STATE LAW.

(a) IN GENERAL.—This Act shall not be construed to preempt any provision of the law of any State or political subdivision thereof, or prevent a State or political subdivision thereof from enacting any provision of law regulating or prohibiting conduct with respect to a firearm product, except to the extent that such provision of law is inconsistent with any provision of this Act, and then only to the extent of the inconsistency.

(b) RULE OF CONSTRUCTION.—A provision of State law is not inconsistent with this Act if the provision imposes a regulation or prohibition of greater scope or a penalty of greater severity than any prohibition or penalty imposed by this Act.

By Mr. LUGAR (for himself, Mr. ROBERTS, Mr. MCCONNELL, and Mr. BURNS):

S. 333. A bill to provide tax and regulatory relief for farmers and to improve the competitiveness of American agricultural commodities and products in global markets; to the Committee on Finance.

Mr. LUGAR. Mr. President, I rise today to introduce the Rural America Prosperity Act of 2001. I am pleased that Senator ROBERTS, Senator MCCONNELL, and Senator BURNS joined as cosponsors of this bill.

A Republican controlled Congress in 1996 produced a sweeping reform of farm programs. Farmers were no longer told by the government what crops they had to plant. Farmers were no longer forced by the government to idle part of their land in exchange for program payments. That farm bill disentangled farmers from government controls and enabled them to make production decisions based on market signals.

Freeing farmers from excessive, and often counterproductive, government controls is an important step, but we still need to do more to give farmers the tools they need to succeed. Specifically, we need to work to open foreign markets for our agricultural commodities and products, ease the tax and regulatory burden, and provide new risk management tools for farmers. The Rural America Prosperity Act of 2001, which we are introducing today, will help us meet these unfulfilled promises to rural America.

There are three tax provisions in this legislation that I have long advocated as crucial to the financial health of farmers. First is the repeal of the estate tax. A repeal of this tax, which has prevented some farms from being passed from one generation to the next, is essential. We are proposing the same 10-year phase-out of the estate tax which Congress passed last year but President Clinton vetoed. Excluding capital gains from the sale of farmland would put production agriculture on the same footing as homeowners who benefit from a capital gains exclusion for their home. The deduction of health care insurance premiums is needed for farmers and others who are self-employed.

Last year Congress provided over $8 billion to improve the federal crop insurance program. While crop insurance is an important risk management tool, today we offer two other risk management tools for farmers—income averaging and FARRM accounts. Three years ago Congress made income averaging a permanent risk management tool for farmers when calculating taxes. Unfortunately, the interaction between income averaging and the alternative minimum tax has prevented many farmers from receiving the benefit of income averaging. This bill fixes that problem. Under this bill, farmers will be able to contribute up to 20 percent of annual farm income into a FARRM account and deduct this amount from their taxes. This is an important tool for managing financial volatility associated with farming.

We also address regulatory reform in our bill. We are seeking a review of existing and proposed regulations to determine the cost of compliance for farmers, ranchers and foresters. We want to determine if there are more cost-effective ways for farmers, ranchers and foresters to achieve the objectives of these regulations.

Finally, we must do more to help develop new markets abroad for our farm commodities and agricultural products. Opportunity lies in developing countries where growing wealth allows for increased demand for meat and processed commodities. Authorizing fast-track authority for the President to negotiate international trade agreements may be the single most important thing we can do to facilitate exports.

We also need to address sanctions. Sanctions that prohibit the export of U.S. agricultural products into the sanctioned country are often morally indefensible because they deny necessities to people, not the offending government. Such sanctions also deny markets for U.S. agricultural products which are then captured by our competitors. This legislation only affects commercial sales (excluding all Government subsidized trade programs) involving United States agricultural commodities, livestock, and value-added products.

This legislation represents what I believe is necessary to further the historic reforms initiated in the farm bill almost five years ago. I urge my colleagues to cosponsor this bill. I will encourage my colleagues and the new Bush administration to work to enact these proposals.

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. 333

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 ''Rural America Prosperity Act of 2001''.

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

TITLE I—TAX RELIEF FOR FARMERS

Subtitle A—General Tax Provisions

SEC. 101. DEDUCTION FOR 100 PERCENT OF HEALTH INSURANCE COSTS OF SELF-EMPLOYED INDIVIDUALS.

(a) IN GENERAL.—Paragraph (1) of section 162(l) 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 100 percent of the amount paid during the taxable year for insurance which constitutes medical care for the taxpayer, his spouse, and dependents.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 102. EXCLUSION OF GAIN FROM SALE OF FARMLAND.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 (relating to items specifically excluded from gross income) is amended by inserting after section 121 the following:

''SEC. 121A. EXCLUSION OF GAIN FROM SALE OF QUALIFIED FARM PROPERTY.

''(a) EXCLUSION.—In the case of a natural person, gross income shall not include gain from the sale or exchange of qualified farm property.

''(b) LIMITATION.—

''(1) IN GENERAL.—The amount of gain excluded from gross income under subsection (a) with respect to any taxable year shall not exceed $500,000 ($250,000 in the case of a married individual filing a separate return), reduced by the aggregate amount of gain excluded under subsection (a) for all preceding taxable years.

''(2) SPECIAL RULE FOR JOINT RETURNS.—The amount of the exclusion under subsection (a) on a joint return for any taxable year shall be allocated equally between the spouses for purposes of applying the limitation under paragraph (1) for any succeeding taxable year.

''(c) QUALIFIED FARM PROPERTY.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified farm property' means real property located in the United States if, during periods aggregating 3 years or more of the 5-year period ending on the date of the sale or exchange of such real property—

''(A) such real property was used by the taxpayer or a member of the family of the taxpayer as a farm for farming purposes, and

''(B) there was material participation by the taxpayer (or such a member) in the operation of the farm.

''(2) OTHER DEFINITIONS.—The terms 'member of the family', 'farm', and 'farming purposes' have the respective meanings given such terms by paragraphs (2), (4), and (5) of section 2032A(e).

''(3) SPECIAL RULES.—Rules similar to the rules of paragraphs (4) and (5) of section 2032A(b) and paragraphs (3) and (6) of section 2032A(e) shall apply.

''(d) OTHER RULES.—For purposes of this section, rules similar to the rules of subsection (e) and subsection (f) of section 121 shall apply.''.

(b) CONFORMING AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 121 the following:

''Sec. 121A. Exclusion of gain from sale of qualified farm property.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any sale or exchange after the date of enactment of this Act in taxable years ending after such date.

SEC. 103. INCOME AVERAGING FOR FARMERS NOT TO INCREASE ALTERNATIVE MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Section 55(c) of the Internal Revenue Code of 1986 (defining regular tax) is amended by redesignating paragraph (2) as paragraph (3) and by inserting after paragraph (1) the following:

''(2) COORDINATION WITH INCOME AVERAGING FOR FARMERS.—Solely for purposes of this section, section 1301 (relating to averaging of farm income) shall not apply in computing the regular tax.''.

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

SEC. 104. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

(a) IN GENERAL.—Subpart C of part II of subchapter E of chapter 1 of the Internal Revenue Code of 1986 (relating to taxable year for which deductions taken) is amended by inserting after section 468B the following:

''SEC. 468C. FARM AND RANCH RISK MANAGEMENT ACCOUNTS.

''(a) DEDUCTION ALLOWED.—In the case of an individual engaged in an eligible farming business, there shall be allowed as a deduction for any taxable year the amount paid in cash by the taxpayer during the taxable year to a Farm and Ranch Risk Management Account (hereinafter referred to as the 'FARRM Account').

''(b) LIMITATION.—The amount which a taxpayer may pay into the FARRM Account for any taxable year shall not exceed 20 percent of so much of the taxable income of the taxpayer (determined without regard to this section) which is attributable (determined in the manner applicable under section 1301) to any eligible farming business.

''(c) ELIGIBLE FARMING BUSINESS.—For purposes of this section, the term 'eligible farming business' means any farming business (as defined in section 263A(e)(4)) which is not a passive activity (within the meaning of section 469(c)) of the taxpayer.

''(d) FARRM ACCOUNT.—For purposes of this section—

''(1) IN GENERAL.—The term 'FARRM Account' means a trust created or organized in the United States for the exclusive benefit of the taxpayer, but only if the written governing instrument creating the trust meets the following requirements:

''(A) No contribution will be accepted for any taxable year in excess of the amount allowed as a deduction under subsection (a) for such year.

''(B) The trustee is a bank (as defined in section 408(n)) or another person who demonstrates to the satisfaction of the Secretary that the manner in which such person will administer the trust will be consistent with the requirements of this section.

''(C) The assets of the trust consist entirely of cash or of obligations which have adequate stated interest (as defined in section 1274(c)(2)) and which pay such interest not less often than annually.

''(D) All income of the trust is distributed currently to the grantor.

''(E) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

''(2) ACCOUNT TAXED AS GRANTOR TRUST.—The grantor of a FARRM Account shall be treated for purposes of this title as the owner of such Account and shall be subject to tax thereon in accordance with subpart E of part I of subchapter J of this chapter (relating to grantors and others treated as substantial owners).

''(e) INCLUSION OF AMOUNTS DISTRIBUTED.—

''(1) IN GENERAL.—Except as provided in paragraph (2), there shall be includible in the gross income of the taxpayer for any taxable year—

''(A) any amount distributed from a FARRM Account of the taxpayer during such taxable year, and

''(B) any deemed distribution under—

''(i) subsection (f)(1) (relating to deposits not distributed within 5 years),

''(ii) subsection (f)(2) (relating to cessation in eligible farming business), and

''(iii) subparagraph (A) or (B) of subsection (f)(3) (relating to prohibited transactions and pledging account as security).

''(2) EXCEPTIONS.—Paragraph (1)(A) shall not apply to—

''(A) any distribution to the extent attributable to income of the Account, and

''(B) the distribution of any contribution paid during a taxable year to a FARRM Account to the extent that such contribution exceeds the limitation applicable under subsection (b) if requirements similar to the requirements of section 408(d)(4) are met.

For purposes of subparagraph (A), distributions shall be treated as first attributable to income and then to other amounts.

''(f) SPECIAL RULES.—

''(1) TAX ON DEPOSITS IN ACCOUNT WHICH ARE NOT DISTRIBUTED WITHIN 5 YEARS.—

''(A) IN GENERAL.—If, at the close of any taxable year, there is a nonqualified balance in any FARRM Account—

''(i) there shall be deemed distributed from such Account during such taxable year an amount equal to such balance, and

''(ii) the taxpayer's tax imposed by this chapter for such taxable year shall be increased by 10 percent of such deemed distribution.

The preceding sentence shall not apply if an amount equal to such nonqualified balance is distributed from such Account to the taxpayer before the due date (including extensions) for filing the return of tax imposed by this chapter for such year (or, if earlier, the date the taxpayer files such return for such year).

''(B) NONQUALIFIED BALANCE.—For purposes of subparagraph (A), the term 'nonqualified balance' means any balance in the Account on the last day of the taxable year which is attributable to amounts deposited in such Account before the 4th preceding taxable year.

''(C) ORDERING RULE.—For purposes of this paragraph, distributions from a FARRM Account (other than distributions of current income) shall be treated as made from deposits in the order in which such deposits were made, beginning with the earliest deposits.

''(2) CESSATION IN ELIGIBLE BUSINESS.—At the close of the first disqualification period after a period for which the taxpayer was engaged in an eligible farming business, there shall be deemed distributed from the FARRM Account of the taxpayer an amount equal to the balance in such Account (if any) at the close of such disqualification period. For purposes of the preceding sentence, the term 'disqualification period' means any period of 2 consecutive taxable years for which the taxpayer is not engaged in an eligible farming business.

''(3) CERTAIN RULES TO APPLY.—Rules similar to the following rules shall apply for purposes of this section:

''(A) Section 220(f)(8) (relating to treatment on death).

''(B) Section 408(e)(2) (relating to loss of exemption of account where individual engages in prohibited transaction).

''(C) Section 408(e)(4) (relating to effect of pledging account as security).

''(D) Section 408(g) (relating to community property laws).

''(E) Section 408(h) (relating to custodial accounts).

''(4) TIME WHEN PAYMENTS DEEMED MADE.—For purposes of this section, a taxpayer shall be deemed to have made a payment to a FARRM Account on the last day of a taxable year if such payment is made on account of such taxable year and is made on or before the due date (without regard to extensions) for filing the return of tax for such taxable year.

''(5) INDIVIDUAL.—For purposes of this section, the term 'individual' shall not include an estate or trust.

''(6) DEDUCTION NOT ALLOWED FOR SELF-EMPLOYMENT TAX.—The deduction allowable by reason of subsection (a) shall not be taken into account in determining an individual's net earnings from self-employment (within the meaning of section 1402(a)) for purposes of chapter 2.

''(g) REPORTS.—The trustee of a FARRM Account shall make such reports regarding such Account to the Secretary and to the person for whose benefit the Account is maintained with respect to contributions, distributions, and such other matters as the Secretary may require under regulations. The reports required by this subsection shall be filed at such time and in such manner and furnished to such persons at such time and in such manner as may be required by such regulations.''.

(b) TAX ON EXCESS CONTRIBUTIONS.—

(1) Subsection (a) of section 4973 of the Internal Revenue Code of 1986 (relating to tax on excess contributions to certain tax-favored accounts and annuities) is amended by striking ''or'' at the end of paragraph (3), by redesignating paragraph (4) as paragraph (5), and by inserting after paragraph (3) the following:

''(4) a FARRM Account (within the meaning of section 468C(d)), or''.

(2) Section 4973 of such Code, is amended by adding at the end the following:

''(g) EXCESS CONTRIBUTIONS TO FARRM ACCOUNTS.—For purposes of this section, in the case of a FARRM Account (within the meaning of section 468C(d)), the term 'excess contributions' means the amount by which the amount contributed for the taxable year to the Account exceeds the amount which may be contributed to the Account under section 468C(b) for such taxable year. For purposes of this subsection, any contribution which is distributed out of the FARRM Account in a distribution to which section 468C(e)(2)(B) applies shall be treated as an amount not contributed.''.

(3) The section heading for section 4973 of such Code is amended to read as follows:

''SEC. 4973. EXCESS CONTRIBUTIONS TO CERTAIN ACCOUNTS, ANNUITIES, ETC.''.

(4) The table of sections for chapter 43 of such Code is amended by striking the item relating to section 4973 and inserting the following:

''Sec. 4973. Excess contributions to certain accounts, annuities, etc.''.

(c) TAX ON PROHIBITED TRANSACTIONS.—

(1) Subsection (c) of section 4975 of the Internal Revenue Code of 1986 (relating to tax on prohibited transactions) is amended by adding at the end the following:

''(6) SPECIAL RULE FOR FARRM ACCOUNTS.—A person for whose benefit a FARRM Account (within the meaning of section 468C(d)) is established shall be exempt from the tax imposed by this section with respect to any transaction concerning such account (which would otherwise be taxable under this section) if, with respect to such transaction, the account ceases to be a FARRM Account by reason of the application of section 468C(f)(3)(A) to such account.''.

(2) Paragraph (1) of section 4975(e) of such Code is amended by redesignating subparagraphs (E) and (F) as subparagraphs (F) and (G), respectively, and by inserting after subparagraph (D) the following:

''(E) a FARRM Account described in section 468C(d),''.

(d) FAILURE TO PROVIDE REPORTS ON FARRM ACCOUNTS.—Paragraph (2) of section 6693(a) of the Internal Revenue Code of 1986 (relating to failure to provide reports on certain tax-favored accounts or annuities) is amended by redesignating subparagraphs (C) and (D) as subparagraphs (D) and (E), respectively, and by inserting after subparagraph (B) the following:

''(C) section 468C(g) (relating to FARRM Accounts),''.

(e) CLERICAL AMENDMENT.—The table of sections for subpart C of part II of subchapter E of chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to section 468B the following:

''Sec. 468C. Farm and Ranch Risk Management Accounts.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Subtitle B—Estate and Gift Tax Relief

SEC. 111. REPEAL OF ESTATE, GIFT, AND GENERATION-SKIPPING TAXES.

(a) IN GENERAL.—Subtitle B of the Internal Revenue Code of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to the estates of decedents dying, and gifts and generation-skipping transfers made, after December 31, 2010.

SEC. 112. TERMINATION OF STEP UP IN BASIS AT DEATH.

(a) TERMINATION OF APPLICATION OF SECTION 1014.—Section 1014 of the Internal Revenue Code of 1986 (relating to basis of property acquired from a decedent) is amended by adding at the end the following:

''(f) TERMINATION.—In the case of a decedent dying after December 31, 2010, this section shall not apply to property for which basis is provided by section 1022.''.

(b) CONFORMING AMENDMENT.—Subsection (a) of section 1016 of the Internal Revenue Code of 1986 (relating to adjustments to basis) is amended by striking ''and'' at the end of paragraph (26), by striking the period at the end of paragraph (27) and inserting '', and'', and by adding at the end the following:

''(28) to the extent provided in section 1022 (relating to basis for certain property acquired from a decedent dying after December 31, 2010).''.

SEC. 113. CARRYOVER BASIS AT DEATH.

(a) GENERAL RULE.—Part II of subchapter O of chapter 1 of the Internal Revenue Code of 1986 (relating to basis rules of general application) is amended by inserting after section 1021 the following new section:

''SEC. 1022. CARRYOVER BASIS FOR CERTAIN PROPERTY ACQUIRED FROM A DECEDENT DYING AFTER DECEMBER 31, 2010.

''(a) CARRYOVER BASIS.—Except as otherwise provided in this section, the basis of carryover basis property in the hands of a person acquiring such property from a decedent shall be determined under section 1015.

''(b) CARRYOVER BASIS PROPERTY DEFINED.—

''(1) IN GENERAL.—For purposes of this section, the term 'carryover basis property' means any property—

''(A) which is acquired from or passed from a decedent who died after December 31, 2010, and

''(B) which is not excluded pursuant to paragraph (2).

The property taken into account under subparagraph (A) shall be determined under section 1014(b) without regard to subparagraph (A) of the last sentence of paragraph (9) thereof.

''(2) CERTAIN PROPERTY NOT CARRYOVER BASIS PROPERTY.—The term 'carryover basis property' does not include—

''(A) any item of gross income in respect of a decedent described in section 691,

''(B) property of the decedent to the extent that the aggregate adjusted fair market value of such property does not exceed $1,300,000, and

''(C) property which was acquired from the decedent by the surviving spouse of the decedent (and which would be carryover basis property without regard to this subparagraph) but only if the value of such property would have been deductible from the value of the taxable estate of the decedent under section 2056, as in effect on the day before the date of enactment of the Rural America Prosperity Act of 2001.

For purposes of this subsection, the term 'adjusted fair market value' means, with respect to any property, fair market value reduced by any indebtedness secured by such property.

''(3) LIMITATION ON EXCEPTION FOR PROPERTY ACQUIRED BY SURVIVING SPOUSE.—The adjusted fair market value of property which is not carryover basis property by reason of paragraph (2)(C) shall not exceed $3,000,000.

''(4) ALLOCATION OF EXCEPTED AMOUNTS.—The executor shall allocate the limitations under paragraphs (2)(B) and (3).

''(5) INFLATION ADJUSTMENT OF EXCEPTED AMOUNTS.—In the case of decedents dying in a calendar year after 2011, the dollar amounts in paragraphs (2)(B) and (3) shall each be increased by an amount equal to the product of—

''(A) such dollar amount, and

''(B) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting '2010' for '1992' in subparagraph (B) thereof.

If any increase determined under the preceding sentence is not a multiple of $10,000, such increase shall be rounded to the nearest multiple of $10,000.

''(c) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this section.''.

(b) MISCELLANEOUS AMENDMENTS RELATED TO CARRYOVER BASIS.—

(1) CAPITAL GAIN TREATMENT FOR INHERITED ART WORK OR SIMILAR PROPERTY.—

(A) IN GENERAL.—Subparagraph (C) of section 1221(a)(3) of the Internal Revenue Code of 1986 (defining capital asset) is amended by inserting ''(other than by reason of section 1022)'' after ''is determined''.

(B) COORDINATION WITH SECTION 170.—Paragraph (1) of section 170(e) of such Code (relating to certain contributions of ordinary income and capital gain property) is amended by adding at the end the following: ''For purposes of this paragraph, the determination of whether property is a capital asset shall be made without regard to the exception contained in section 1221(a)(3)(C) for basis determined under section 1022.''.

(2) DEFINITION OF EXECUTOR.—Section 7701(a) of such Code (relating to definitions) is amended by adding at the end the following:

''(47) EXECUTOR.—The term 'executor' means the executor or administrator of the decedent, or, if there is no executor or administrator appointed, qualified, and acting within the United States, then any person in actual or constructive possession of any property of the decedent.''.

(3) CLERICAL AMENDMENT.—The table of sections for part II of subchapter O of chapter 1 of such Code is amended by adding at the end the following new item:

''Sec. 1022. Carryover basis for certain property acquired from a decedent dying after December 31, 2010.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying after December 31, 2010.

SEC. 114. ADDITIONAL REDUCTIONS OF ESTATE AND GIFT TAX RATES.

(a) MAXIMUM RATE OF TAX REDUCED TO 50 PERCENT.—

(1) IN GENERAL.—The table contained in section 2001(c)(1) of the Internal Revenue Code of 1986 is amended by striking the two highest brackets and inserting the following:

''Over $2,500,000	$1,025,800, plus 50% of the excess over $2,500,000.''.

(2) PHASE-IN OF REDUCED RATE.—Subsection (c) of section 2001 of such Code is amended by adding at the end the following new paragraph:

''(3) PHASE-IN OF REDUCED RATE.—In the case of decedents dying, and gifts made, during 2002, the last item in the table contained in paragraph (1) shall be applied by substituting '53%' for '50%'.''.

(b) REPEAL OF PHASEOUT OF GRADUATED RATES.—Subsection (c) of section 2001 of the Internal Revenue Code of 1986 is amended by striking paragraph (2) and redesignating paragraph (3), as added by subsection (a), as paragraph (2).

(c) ADDITIONAL REDUCTIONS OF RATES OF TAX.—Subsection (c) of section 2001 of the Internal Revenue Code of 1986, as so amended, is amended by adding at the end the following new paragraph:

''(3) PHASEDOWN OF TAX.—In the case of estates of decedents dying, and gifts made, during any calendar year after 2003 and before 2011—

''(A) IN GENERAL.—Except as provided in subparagraph (C), the tentative tax under this subsection shall be determined by using a table prescribed by the Secretary (in lieu of using the table contained in paragraph (1)) which is the same as such table; except that—

''(i) each of the rates of tax shall be reduced by the number of percentage points determined under subparagraph (B), and

''(ii) the amounts setting forth the tax shall be adjusted to the extent necessary to reflect the adjustments under clause (i).

''(B) PERCENTAGE POINTS OF REDUCTION.—

''For calendar year:	The number of percentage points is:
2004	1.0
2005	2.0
2006	3.0
2007	4.0
2008	5.5
2009	7.5
2010	9.5.

''(C) COORDINATION WITH INCOME TAX RATES.—The reductions under subparagraph (A)—

''(i) shall not reduce any rate under paragraph (1) below the lowest rate in section 1(c), and

''(ii) shall not reduce the highest rate under paragraph (1) below the highest rate in section 1(c).

''(D) COORDINATION WITH CREDIT FOR STATE DEATH TAXES.—Rules similar to the rules of subparagraph (A) shall apply to the table contained in section 2011(b) except that the Secretary shall prescribe percentage point reductions which maintain the proportionate relationship (as in effect before any reduction under this paragraph) between the credit under section 2011 and the tax rates under subsection (c).''.

(d) EFFECTIVE DATES.—

(1) SUBSECTIONS (a) AND (b).—The amendments made by subsections (a) and (b) shall apply to estates of decedents dying, and gifts made, after December 31, 2001.

(2) SUBSECTION (c).—The amendment made by subsection (c) shall apply to estates of decedents dying, and gifts made, after December 31, 2003.

SEC. 115. UNIFIED CREDIT AGAINST ESTATE AND GIFT TAXES REPLACED WITH UNIFIED EXEMPTION AMOUNT.

(a) IN GENERAL.—

(1) ESTATE TAX.—Subsection (b) of section 2001 of the Internal Revenue Code of 1986 (relating to computation of tax) is amended to read as follows:

''(b) COMPUTATION OF TAX.—

''(1) IN GENERAL.—The tax imposed by this section shall be the amount equal to the excess (if any) of—

''(A) the tentative tax determined under paragraph (2), over

''(B) the aggregate amount of tax which would have been payable under chapter 12 with respect to gifts made by the decedent after December 31, 1976, if the provisions of subsection (c) (as in effect at the decedent's death) had been applicable at the time of such gifts.

''(2) TENTATIVE TAX.—For purposes of paragraph (1), the tentative tax determined under this paragraph is a tax computed under subsection (c) on the excess of—

''(A) the sum of—

''(i) the amount of the taxable estate, and

''(ii) the amount of the adjusted taxable gifts, over

''(B) the exemption amount for the calendar year in which the decedent died.

''(3) EXEMPTION AMOUNT.—For purposes of paragraph (2), the term 'exemption amount' means the amount determined in accordance with the following table:

''In the case of calendar year:	The exemption amount is:
2001	$675,000
2002 and 2003	$700,000
2003	$850,000
2005	$950,000
2006 or thereafter	$1,000,000.

''(4) ADJUSTED TAXABLE GIFTS.—For purposes of paragraph (2), the term 'adjusted taxable gifts' means the total amount of the taxable gifts (within the meaning of section 2503) made by the decedent after December 31, 1976, other than gifts which are includible in the gross estate of the decedent.''.

(2) GIFT TAX.—Subsection (a) of section 2502 of such Code (relating to computation of tax) is amended to read as follows:

''(a) COMPUTATION OF TAX.—

''(1) IN GENERAL.—The tax imposed by section 2501 for each calendar year shall be the amount equal to the excess (if any) of—

''(A) the tentative tax determined under paragraph (2), over

''(B) the tax paid under this section for all prior calendar periods.

''(2) TENTATIVE TAX.—For purposes of paragraph (1), the tentative tax determined under this paragraph for a calendar year is a tax computed under section 2001(c) on the excess of—

''(A) the aggregate sum of the taxable gifts for such calendar year and for each of the preceding calendar periods, over

''(B) the exemption amount under section 2001(b)(3) for such calendar year.''.

(b) REPEAL OF UNIFIED CREDITS.—

(1) Section 2010 of the Internal Revenue Code of 1986 (relating to unified credit against estate tax) is hereby repealed.

(2) Section 2505 of such Code (relating to unified credit against gift tax) is hereby repealed.

(c) CONFORMING AMENDMENTS.—

(1)(A) Subsection (b) of section 2011 of the Internal Revenue Code of 1986 is amended—

(i) by striking ''adjusted'' in the table; and

(ii) by striking the last sentence.

(B) Subsection (f) of section 2011 of such Code is amended by striking '', reduced by the amount of the unified credit provided by section 2010''.

(2) Subsection (a) of section 2012 of such Code is amended by striking ''and the unified credit provided by section 2010''.

(3) Subparagraph (A) of section 2013(c)(1) of such Code is amended by striking ''2010,''.

(4) Paragraph (2) of section 2014(b) of such Code is amended by striking ''2010, 2011,'' and inserting ''2011''.

(5) Clause (ii) of section 2056A(b)(12)(C) of such Code is amended to read as follows:

''(ii) to treat any reduction in the tax imposed by paragraph (1)(A) by reason of the credit allowable under section 2010 (as in effect on the day before the date of enactment of the Rural America Prosperity Act of 2001) or the exemption amount allowable under section 2001(b) with respect to the decedent as a credit under section 2505 (as so in effect) or exemption under section 2521 (as the case may be) allowable to such surviving spouse for purposes of determining the amount of the exemption allowable under section 2521 with respect to taxable gifts made by the surviving spouse during the year in which the spouse becomes a citizen or any subsequent year,''.

(6) Subsection (a) of section 2057 of such Code is amended by striking paragraphs (2) and (3) and inserting the following new paragraph:

''(2) MAXIMUM DEDUCTION.—The deduction allowed by this section shall not exceed the excess of $1,300,000 over the exemption amount (as defined in section 2001(b)(3)).''.

(7)(A) Subsection (b) of section 2101 of such Code is amended to read as follows:

''(b) COMPUTATION OF TAX.—

''(1) IN GENERAL.—The tax imposed by this section shall be the amount equal to the excess (if any) of—

''(A) the tentative tax determined under paragraph (2), over

''(B) a tentative tax computed under section 2001(c) on the amount of the adjusted taxable gifts.

''(2) TENTATIVE TAX.—For purposes of paragraph (1), the tentative tax determined under this paragraph is a tax computed under section 2001(c) on the excess of—

''(A) the sum of—

''(i) the amount of the taxable estate, and

''(ii) the amount of the adjusted taxable gifts, over

''(B) the exemption amount for the calendar year in which the decedent died.

''(3) EXEMPTION AMOUNT.—

''(A) IN GENERAL.—The term 'exemption amount' means $60,000.

''(B) RESIDENTS OF POSSESSIONS OF THE UNITED STATES.—In the case of a decedent who is considered to be a nonresident not a citizen of the United States under section 2209, the exemption amount under this paragraph shall be the greater of—

''(i) $60,000, or

''(ii) that proportion of $175,000 which the value of that part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated.

''(C) SPECIAL RULES.—

''(i) COORDINATION WITH TREATIES.—To the extent required under any treaty obligation of the United States, the exemption amount allowed under this paragraph shall be equal to the amount which bears the same ratio to the exemption amount under section 2001(b)(3) (for the calendar year in which the decedent died) as the value of the part of the decedent's gross estate which at the time of his death is situated in the United States bears to the value of his entire gross estate wherever situated. For purposes of the preceding sentence, property shall not be treated as situated in the United States if such property is exempt from the tax imposed by this subchapter under any treaty obligation of the United States.

''(ii) COORDINATION WITH GIFT TAX EXEMPTION AND UNIFIED CREDIT.—If an exemption has been allowed under section 2521 (or a credit has been allowed under section 2505 as in effect on the day before the date of enactment of the Rural America Prosperity Act of 2001) with respect to any gift made by the decedent, each dollar amount contained in subparagraph (A) or (B) or the exemption amount applicable under clause (i) of this subparagraph (whichever applies) shall be reduced by the exemption so allowed under section 2521 (or, in the case of such a credit, by the amount of the gift for which the credit was so allowed).''.

(8) Section 2102 of such Code is amended by striking subsection (c).

(9)(A) Subsection (a) of section 2107 of such Code is amended by adding at the end the following new paragraph:

''(3) LIMITATION ON EXEMPTION AMOUNT.—Subparagraphs (B) and (C) of section 2101(b)(3) shall not apply in applying section 2101 for purposes of this section.''.

(B) Subsection (c) of section 2107 of such Code is amended—

(i) by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively, and

(ii) by striking the second sentence of paragraph (2) (as so redesignated).

(10) Paragraph (1) of section 6018(a) of such Code is amended by striking ''the applicable exclusion amount in effect under section 2010(c)'' and inserting ''the exemption amount under section 2001(b)(3)''.

(11) Subparagraph (A) of section 6601(j)(2) of such Code is amended to read as follows:

''(A) the amount of the tentative tax which would be determined under the rate schedule set forth in section 2001(c) if the amount with respect to which such tentative tax is to be computed were $1,000,000, or''.

(12) The table of sections for part II of subchapter A of chapter 11 of such Code is amended by striking the item relating to section 2010.

(13) The table of sections for subchapter A of chapter 12 of such Code is amended by striking the item relating to section 2505.

(d) EFFECTIVE DATE.—The amendments made by this section—

(1) insofar as they relate to the tax imposed by chapter 11 of the Internal Revenue Code of 1986, shall apply to estates of decedents dying after December 31, 2001, and

(2) insofar as they relate to the tax imposed by chapter 12 of such Code, shall apply to gifts made after December 31, 2001.

SEC. 116. DEEMED ALLOCATION OF GST EXEMPTION TO LIFETIME TRANSFERS TO TRUSTS; RETROACTIVE ALLOCATIONS.

(a) IN GENERAL.—Section 2632 of the Internal Revenue Code of 1986 (relating to special rules for allocation of GST exemption) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) DEEMED ALLOCATION TO CERTAIN LIFETIME TRANSFERS TO GST TRUSTS.—

''(1) IN GENERAL.—If any individual makes an indirect skip during such individual's lifetime, any unused portion of such individual's GST exemption shall be allocated to the property transferred to the extent necessary to make the inclusion ratio for such property zero. If the amount of the indirect skip exceeds such unused portion, the entire unused portion shall be allocated to the property transferred.

''(2) UNUSED PORTION.—For purposes of paragraph (1), the unused portion of an individual's GST exemption is that portion of such exemption which has not previously been—

''(A) allocated by such individual,

''(B) treated as allocated under subsection (b) with respect to a direct skip occurring during or before the calendar year in which the indirect skip is made, or

''(C) treated as allocated under paragraph (1) with respect to a prior indirect skip.

''(3) DEFINITIONS.—

''(A) INDIRECT SKIP.—For purposes of this subsection, the term 'indirect skip' means any transfer of property (other than a direct skip) subject to the tax imposed by chapter 12 made to a GST trust.

''(B) GST TRUST.—The term 'GST trust' means a trust that could have a generation-skipping transfer with respect to the transferor unless—

''(i) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons—

''(I) before the date that the individual attains age 46,

''(II) on or before one or more dates specified in the trust instrument that will occur before the date that such individual attains age 46, or

''(III) upon the occurrence of an event that, in accordance with regulations prescribed by the Secretary, may reasonably be expected to occur before the date that such individual attains age 46;

''(ii) the trust instrument provides that more than 25 percent of the trust corpus must be distributed to or may be withdrawn by one or more individuals who are non-skip persons and who are living on the date of death of another person identified in the instrument (by name or by class) who is more than 10 years older than such individuals;

''(iii) the trust instrument provides that, if one or more individuals who are non-skip persons die on or before a date or event described in clause (i) or (ii), more than 25 percent of the trust corpus either must be distributed to the estate or estates of one or more of such individuals or is subject to a general power of appointment exercisable by one or more of such individuals;

''(iv) the trust is a trust any portion of which would be included in the gross estate of a non-skip person (other than the transferor) if such person died immediately after the transfer;

''(v) the trust is a charitable lead annuity trust (within the meaning of section 2642(e)(3)(A)) or a charitable remainder annuity trust or a charitable remainder unitrust (within the meaning of section 664(d)); or

''(vi) the trust is a trust with respect to which a deduction was allowed under section 2522 for the amount of an interest in the form of the right to receive annual payments of a fixed percentage of the net fair market value of the trust property (determined yearly) and which is required to pay principal to a non-skip person if such person is alive when the yearly payments for which the deduction was allowed terminate.

For purposes of this subparagraph, the value of transferred property shall not be considered to be includible in the gross estate of a non-skip person or subject to a right of withdrawal by reason of such person holding a right to withdraw so much of such property as does not exceed the amount referred to in section 2503(b) with respect to any transferor, and it shall be assumed that powers of appointment held by non-skip persons will not be exercised.

''(4) AUTOMATIC ALLOCATIONS TO CERTAIN GST TRUSTS.—For purposes of this subsection, an indirect skip to which section 2642(f) applies shall be deemed to have been made only at the close of the estate tax inclusion period. The fair market value of such transfer shall be the fair market value of the trust property at the close of the estate tax inclusion period.

''(5) APPLICABILITY AND EFFECT.—

''(A) IN GENERAL.—An individual—

''(i) may elect to have this subsection not apply to—

''(I) an indirect skip, or

''(II) any or all transfers made by such individual to a particular trust, and

''(ii) may elect to treat any trust as a GST trust for purposes of this subsection with respect to any or all transfers made by such individual to such trust.

''(B) ELECTIONS.—

''(i) ELECTIONS WITH RESPECT TO INDIRECT SKIPS.—An election under subparagraph (A)(i)(I) shall be deemed to be timely if filed on a timely filed gift tax return for the calendar year in which the transfer was made or deemed to have been made pursuant to paragraph (4) or on such later date or dates as may be prescribed by the Secretary.

''(ii) OTHER ELECTIONS.—An election under clause (i)(II) or (ii) of subparagraph (A) may be made on a timely filed gift tax return for the calendar year for which the election is to become effective.

''(d) RETROACTIVE ALLOCATIONS.—

''(1) IN GENERAL.—If—

''(A) a non-skip person has an interest or a future interest in a trust to which any transfer has been made,

''(B) such person—

''(i) is a lineal descendant of a grandparent of the transferor or of a grandparent of the transferor's spouse or former spouse, and

''(ii) is assigned to a generation below the generation assignment of the transferor, and

''(C) such person predeceases the transferor,

then the transferor may make an allocation of any of such transferor's unused GST exemption to any previous transfer or transfers to the trust on a chronological basis.

''(2) SPECIAL RULES.—If the allocation under paragraph (1) by the transferor is made on a gift tax return filed on or before the date prescribed by section 6075(b) for gifts made within the calendar year within which the non-skip person's death occurred—

''(A) the value of such transfer or transfers for purposes of section 2642(a) shall be determined as if such allocation had been made on a timely filed gift tax return for each calendar year within which each transfer was made,

''(B) such allocation shall be effective immediately before such death, and

''(C) the amount of the transferor's unused GST exemption available to be allocated shall be determined immediately before such death.

''(3) FUTURE INTEREST.—For purposes of this subsection, a person has a future interest in a trust if the trust may permit income or corpus to be paid to such person on a date or dates in the future.''.

(b) CONFORMING AMENDMENT.—Paragraph (2) of section 2632(b) of the Internal Revenue Code of 1986 is amended by striking ''with respect to a direct skip'' and inserting ''or subsection (c)(1)''.

(c) EFFECTIVE DATES.—

(1) DEEMED ALLOCATION.—Section 2632(c) of the Internal Revenue Code of 1986 (as added by subsection (a)), and the amendment made by subsection (b), shall apply to transfers subject to chapter 11 or 12 made after December 31, 2000, and to estate tax inclusion periods ending after December 31, 2000.

(2) RETROACTIVE ALLOCATIONS.—Section 2632(d) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to deaths of non-skip persons occurring after December 31, 2000.

SEC. 117. SEVERING OF TRUSTS.

(a) IN GENERAL.—Subsection (a) of section 2642 of the Internal Revenue Code of 1986 (relating to inclusion ratio) is amended by adding at the end the following new paragraph:

''(3) SEVERING OF TRUSTS.—

''(A) IN GENERAL.—If a trust is severed in a qualified severance, the trusts resulting from such severance shall be treated as separate trusts thereafter for purposes of this chapter.

''(B) QUALIFIED SEVERANCE.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The term 'qualified severance' means the division of a single trust and the creation (by any means available under the governing instrument or under local law) of two or more trusts if—

''(I) the single trust was divided on a fractional basis, and

''(II) the terms of the new trusts, in the aggregate, provide for the same succession of interests of beneficiaries as are provided in the original trust.

''(ii) TRUSTS WITH INCLUSION RATIO GREATER THAN ZERO.—If a trust has an inclusion ratio of greater than zero and less than 1, a severance is a qualified severance only if the single trust is divided into two trusts, one of which receives a fractional share of the total value of all trust assets equal to the applicable fraction of the single trust immediately before the severance. In such case, the trust receiving such fractional share shall have an inclusion ratio of zero and the other trust shall have an inclusion ratio of 1.

''(iii) REGULATIONS.—The term 'qualified severance' includes any other severance permitted under regulations prescribed by the Secretary.

''(C) TIMING AND MANNER OF SEVERANCES.—A severance pursuant to this paragraph may be made at any time. The Secretary shall prescribe by forms or regulations the manner in which the qualified severance shall be reported to the Secretary.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to severances after December 31, 2000.

SEC. 118. MODIFICATION OF CERTAIN VALUATION RULES.

(a) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—Paragraph (1) of section 2642(b) of the Internal Revenue Code of 1986 (relating to valuation rules, etc.) is amended to read as follows:

''(1) GIFTS FOR WHICH GIFT TAX RETURN FILED OR DEEMED ALLOCATION MADE.—If the allocation of the GST exemption to any transfers of property is made on a gift tax return filed on or before the date prescribed by section 6075(b) for such transfer or is deemed to be made under section 2632 (b)(1) or (c)(1)—

''(A) the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 12 (within the meaning of section 2001(f)(2)), or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, its value at the time of the close of the estate tax inclusion period, and

''(B) such allocation shall be effective on and after the date of such transfer, or, in the case of an allocation deemed to have been made at the close of an estate tax inclusion period, on and after the close of such estate tax inclusion period.''.

(b) TRANSFERS AT DEATH.—Subparagraph (A) of section 2642(b)(2) of the Internal Revenue Code of 1986 is amended to read as follows:

''(A) TRANSFERS AT DEATH.—If property is transferred as a result of the death of the transferor, the value of such property for purposes of subsection (a) shall be its value as finally determined for purposes of chapter 11; except that, if the requirements prescribed by the Secretary respecting allocation of post-death changes in value are not met, the value of such property shall be determined as of the time of the distribution concerned.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 2000.

SEC. 119. RELIEF PROVISIONS.

(a) IN GENERAL.—Section 2642 of the Internal Revenue Code of 1986 is amended by adding at the end the following new subsection:

''(g) RELIEF PROVISIONS.—

''(1) RELIEF FROM LATE ELECTIONS.—

''(A) IN GENERAL.—The Secretary shall by regulation prescribe such circumstances and procedures under which extensions of time will be granted to make—

''(i) an allocation of GST exemption described in paragraph (1) or (2) of subsection (b), and

''(ii) an election under subsection (b)(3) or (c)(5) of section 2632.

Such regulations shall include procedures for requesting comparable relief with respect to transfers made before the date of enactment of this paragraph.

''(B) BASIS FOR DETERMINATIONS.—In determining whether to grant relief under this paragraph, the Secretary shall take into account all relevant circumstances, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant. For purposes of determining whether to grant relief under this paragraph, the time for making the allocation (or election) shall be treated as if not expressly prescribed by statute.

''(2) SUBSTANTIAL COMPLIANCE.—An allocation of GST exemption under section 2632 that demonstrates an intent to have the lowest possible inclusion ratio with respect to a transfer or a trust shall be deemed to be an allocation of so much of the transferor's unused GST exemption as produces the lowest possible inclusion ratio. In determining whether there has been substantial compliance, all relevant circumstances shall be taken into account, including evidence of intent contained in the trust instrument or instrument of transfer and such other factors as the Secretary deems relevant.''.

(b) EFFECTIVE DATES.—

(1) RELIEF FROM LATE ELECTIONS.—Section 2642(g)(1) of the Internal Revenue Code of 1986 (as added by subsection (a)) shall apply to requests pending on, or filed after, December 31, 2000.

(2) SUBSTANTIAL COMPLIANCE.—Section 2642(g)(2) of such Code (as so added) shall apply to transfers subject to chapter 11 or 12 of the Internal Revenue Code of 1986 made after December 31, 2000. No implication is intended with respect to the availability of relief from late elections or the application of a rule of substantial compliance on or before such date.

SEC. 120. EXPANSION OF ESTATE TAX RULE FOR CONSERVATION EASEMENTS.

(a) WHERE LAND IS LOCATED.—

(1) IN GENERAL.—Clause (i) of section 2031(c)(8)(A) of the Internal Revenue Code of 1986 (defining land subject to a conservation easement) is amended—

(A) by striking ''25 miles'' both places it appears and inserting ''50 miles''; and

(B) striking ''10 miles'' and inserting ''25 miles''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to estates of decedents dying after December 31, 2000.

(b) CLARIFICATION OF DATE FOR DETERMINING VALUE OF LAND AND EASEMENT.—

(1) IN GENERAL.—Section 2031(c)(2) of the Internal Revenue Code of 1986 (defining applicable percentage) is amended by adding at the end the following new sentence: ''The values taken into account under the preceding sentence shall be such values as of the date of the contribution referred to in paragraph (8)(B).''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to estates of decedents dying after December 31, 1997.

TITLE II—STUDY OF COSTS OF REGULATIONS ON FARMERS, RANCHERS, AND FORESTERS

SEC. 201. COMPTROLLER GENERAL STUDY OF REGULATIONS.

(a) DATA REVIEW AND COLLECTION.—The Comptroller General of the United States shall—

(1) conduct a review of existing Federal and non-Federal studies and data regarding the cost to farmers, ranchers, and foresters of complying with existing or proposed Federal regulations directly affecting farmers, ranchers, and foresters; and

(2) as necessary, obtain and analyze new data concerning the costs to farmers, ranchers, and foresters of complying with Federal regulations proposed as of February 1, 2001, directly affecting farmers, ranchers, and foresters.

(b) USE OF DATA.—Using the studies and data reviewed and collected under subsection (a), the Comptroller General shall—

(1) assess the overall costs to farmers, ranchers, and foresters of complying with existing and proposed Federal regulations directly affecting farmers, ranchers, and foresters; and

(2) identify and recommend reasonable alternatives to those regulations that will achieve the objectives of the regulations at less cost to farmers, ranchers, and foresters.

(c) SUBMISSION OF RESULTS.—Not later than February 1, 2002, the Comptroller General shall submit to the Secretary of Agriculture, the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the Committee on Agriculture of the House of Representatives the results of the assessment conducted under subsection (b)(1) and the recommendations prepared under subsection (b)(2).

SEC. 202. RESPONSE OF SECRETARY OF AGRICULTURE.

Not later than April 1, 2002, the Secretary of Agriculture shall submit to the Committee on Agriculture, Nutrition, and Forestry of the Senate, and the Committee on Agriculture of the House of Representatives a report responding to the recommendations of the Comptroller General under section 202 regarding reasonable alternatives that could achieve the objectives of Federal regulations at less cost to farmers, ranchers, and foresters.

TITLE III—EXTENSION OF TRADE AUTHORITIES PROCEDURES FOR RECIPROCAL TRADE AGREEMENTS

SEC. 301. SHORT TITLE.

This title may be cited as the ''Reciprocal Trade Agreement Authorities Act of 2001''.

SEC. 302. TRADE NEGOTIATING OBJECTIVES.

(a) OVERALL TRADE NEGOTIATING OBJECTIVES.—The overall trade negotiating objectives of the United States for agreements subject to the provisions of section 303 are—

(1) to obtain more open, equitable, and reciprocal market access;

(2) to obtain the reduction or elimination of barriers and distortions that are directly related to trade and that decrease market opportunities for United States exports or otherwise distort United States trade;

(3) to further strengthen the system of international trading disciplines and procedures, including dispute settlement; and

(4) to foster economic growth, raise living standards, and promote full employment in the United States and to enhance the global economy.

(b) PRINCIPAL TRADE NEGOTIATING OBJECTIVES.—

(1) TRADE BARRIERS AND DISTORTIONS.—The principal negotiating objectives of the United States regarding trade barriers and other trade distortions are—

(A) to expand competitive market opportunities for United States exports and to obtain fairer and more open conditions of trade by reducing or eliminating tariff and nontariff barriers and policies and practices of foreign governments directly related to trade that decrease market opportunities for United States exports or otherwise distort United States trade; and

(B) to obtain reciprocal tariff and nontariff barrier elimination agreements, with particular attention to those tariff categories covered in section 111(b) of the Uruguay Round Agreements Act (19 U.S.C. 3521(b)).

(2) TRADE IN SERVICES.—The principal negotiating objective of the United States regarding trade in services is to reduce or eliminate barriers to international trade in services, including regulatory and other barriers that deny national treatment or unreasonably restrict the establishment or operations of service suppliers.

(3) FOREIGN INVESTMENT.—The principal negotiating objective of the United States regarding foreign investment is to reduce or eliminate artificial or trade-distorting barriers to trade related foreign investment by—

(A) reducing or eliminating exceptions to the principle of national treatment;

(B) freeing the transfer of funds relating to investments;

(C) reducing or eliminating performance requirements and other unreasonable barriers to the establishment and operation of investments;

(D) seeking to establish standards for expropriation and compensation for expropriation, consistent with United States legal principles and practice; and

(E) providing meaningful procedures for resolving investment disputes.

(4) INTELLECTUAL PROPERTY.—The principal negotiating objectives of the United States regarding trade-related intellectual property are—

(A) to further promote adequate and effective protection of intellectual property rights, including through—

(i)(I) ensuring accelerated and full implementation of the Agreement on Trade-Related Aspects of Intellectual Property Rights referred to in section 101(d)(15) of the Uruguay Round Agreements Act (19 U.S.C. 3511(d)(15)), particularly with respect to United States industries whose products are subject to the lengthiest transition periods for full compliance by developing countries with that Agreement, and

(II) ensuring that the provisions of any multilateral or bilateral trade agreement entered into by the United States provide protection at least as strong as the protection afforded by chapter 17 of the North American Free Trade Agreement and the annexes thereto;

(ii) providing strong protection for new and emerging technologies and new methods of transmitting and distributing products embodying intellectual property;

(iii) preventing or eliminating discrimination with respect to matters affecting the availability, acquisition, scope, maintenance, use, and enforcement of intellectual property rights; and

(iv) providing strong enforcement of intellectual property rights, including through accessible, expeditious, and effective civil, administrative, and criminal enforcement mechanisms; and

(B) to secure fair, equitable, and nondiscriminatory market access opportunities for United States persons that rely upon intellectual property protection.

(5) TRANSPARENCY.—The principal negotiating objective of the United States with respect to transparency is to obtain broader application of the principle of transparency through—

(A) increased and more timely public access to information regarding trade issues and the activities of international trade institutions; and

(B) increased openness of dispute settlement proceedings, including under the World Trade Organization.

(6) RECIPROCAL TRADE IN AGRICULTURE.—The principal negotiating objective of the United States with respect to agriculture is to obtain competitive opportunities for United States exports in foreign markets substantially equivalent to the competitive opportunities afforded foreign exports in United States markets and to achieve fairer and more open conditions of trade in bulk and value-added commodities by—

(A) reducing or eliminating, by a date certain, tariffs or other charges that decrease market opportunities for United States exports—

(i) giving priority to those products that are subject to significantly higher tariffs or subsidy regimes of major producing countries; and

(ii) providing reasonable adjustment periods for United States import-sensitive products, in close consultation with the Congress on such products before initiating tariff reduction negotiations;

(B) reducing or eliminating subsidies that decrease market opportunities for United States exports or unfairly distort agriculture markets to the detriment of the United States;

(C) developing, strengthening, and clarifying rules and effective dispute settlement mechanisms to eliminate practices that unfairly decrease United States market access opportunities or distort agricultural markets to the detriment of the United States, including—

(i) unfair or trade-distorting activities of export state trading enterprises and other administrative mechanisms, with emphasis on requiring price transparency in the operation of export state trading enterprises and such other mechanisms;

(ii) unjustified trade restrictions or commercial requirements affecting new technologies, including biotechnology;

(iii) unjustified sanitary or phytosanitary restrictions, including those not based on scientific principles in contravention of the Uruguay Round Agreements;

(iv) other unjustified technical barriers to trade; and

(v) restrictive rules in the administration of tariff-rate quotas;

(D) improving import relief mechanisms to recognize the unique characteristics of perishable agriculture;

(E) taking into account whether a party to the negotiations has failed to adhere to the provisions of already existing trade agreements with the United States or has circumvented obligations under those agreements;

(F) taking into account whether a product is subject to market distortions by reason of a failure of a major producing country to adhere to the provisions of already existing trade agreements with the United States or by the circumvention by that country of its obligations under those agreements; and

(G) otherwise ensuring that countries that accede to the World Trade Organization have made meaningful market liberalization commitments in agriculture.

(7) LABOR, ENVIRONMENT, AND OTHER MATTERS.—The principal negotiating objective of the United States regarding labor, environment, and other matters is to address the

following aspects of foreign government policies and practices regarding labor, environment, and other matters that are directly related to trade:

(A) To ensure that foreign labor, environmental, health, or safety policies and practices do not arbitrarily or unjustifiably discriminate or serve as disguised barriers to trade.

(B) To ensure that foreign governments do not derogate from or waive existing domestic environmental, health, safety, or labor measures, including measures that deter exploitative child labor, as an encouragement to gain competitive advantage in international trade or investment. Nothing in this subparagraph is intended to address changes to a country's laws that are consistent with sound macroeconomic development.

(8) WTO EXTENDED NEGOTIATIONS.—The principal negotiating objectives of the United States regarding trade in financial services are those set forth in section 135(a) of the Uruguay Round Agreements Act (19 U.S.C. 3555(a)), regarding trade in civil aircraft are those set forth in section 135(c) of that Act, and regarding rules of origin are the conclusion of an agreement described in section 132 of that Act (19 U.S.C. 3552).

(c) INTERNATIONAL ECONOMIC POLICY OBJECTIVES.—

(1) IN GENERAL.—The President should take into account the relationship between trade agreements and other important priorities of the United States and seek to ensure that the trade agreements entered into by the United States complement and reinforce other policy goals. The United States priorities in this area include—

(A) seeking to ensure that trade and environmental policies are mutually supportive;

(B) seeking to protect and preserve the environment and enhance the international means for doing so, while optimizing the use of the world's resources;

(C) promoting respect for worker rights and the rights of children and an understanding of the relationship between trade and worker rights, particularly by working with the International Labor Organization to encourage the observance and enforcement of core labor standards, including the prohibition on exploitative child labor; and

(D) supplementing and strengthening standards for protection of intellectual property under conventions administered by international organizations other than the World Trade Organization, expanding these conventions to cover new and emerging technologies, and eliminating discrimination and unreasonable exceptions or preconditions to such protection.

(2) APPLICABILITY OF TRADE AUTHORITIES PROCEDURES.—Nothing in this subsection shall be construed to authorize the use of the trade authorities procedures described in section 303 to modify United States law.

(d) GUIDANCE FOR NEGOTIATORS.—

(1) DOMESTIC OBJECTIVES.—In pursuing the negotiating objectives described in subsection (b), the negotiators on behalf of the United States shall take into account United States domestic objectives, including the protection of health and safety, essential security, environmental, consumer, and employment opportunity interests, and the law and regulations related thereto.

(2) CONSULTATIONS WITH CONGRESSIONAL ADVISERS AND ENFORCEMENT OF THE TRADE LAWS.—In the course of negotiations conducted under this title, the United States Trade Representative shall—

(A) consult closely and on a timely basis with, and keep fully apprised of the negotiations, the congressional advisers on trade policy and negotiations appointed under section 161 of the Trade Act of 1974; and

(B) preserve the ability of the United States to enforce rigorously its trade laws, including the antidumping and countervailing duty laws, and avoid agreements which lessen the effectiveness of domestic and international disciplines on unfair trade, especially dumping and subsidies, in order to ensure that United States workers, agricultural producers, and firms can compete fully on fair terms and enjoy the benefits of reciprocal trade concessions.

(e) ADHERENCE TO OBLIGATIONS UNDER URUGUAY ROUND AGREEMENTS.—In determining whether to enter into negotiations with a particular country, the President shall take into account the extent to which that country has implemented, or has accelerated the implementation of, its obligations under the Uruguay Round Agreements.

SEC. 303. TRADE AGREEMENTS AUTHORITY.

(a) AGREEMENTS REGARDING TARIFF BARRIERS.—

(1) IN GENERAL.—Whenever the President determines that one or more existing duties or other import restrictions of any foreign country or the United States are unduly burdening and restricting the foreign trade of the United States and that the purposes, policies, and objectives of this title will be promoted thereby, the President—

(A) may enter into trade agreements with foreign countries before—

(i) October 1, 2003, or

(ii) October 1, 2007, if trade authorities procedures are extended under subsection (c), and

(B) may, subject to paragraphs (2) and (3), proclaim—

(i) such modification or continuance of any existing duty,

(ii) such continuance of existing duty-free or excise treatment, or

(iii) such additional duties,

as the President determines to be required or appropriate to carry out any such trade agreement. The President shall notify the Congress of the President's intention to enter into an agreement under this subsection.

(2) LIMITATIONS.—No proclamation may be made under paragraph (1) that—

(A) reduces any rate of duty (other than a rate of duty that does not exceed 5 percent ad valorem on the date of enactment of this Act) to a rate of duty that is less than 50 percent of the rate of the duty that applies on such date of enactment;

(B) reduces the rate of duty on an article to take effect on a date that is more than 10 years after the first reduction that is proclaimed to carry out a trade agreement with respect to such article; or

(C) increases any rate of duty above the rate that applied on January 1, 2001.

(3) AGGREGATE REDUCTION; EXEMPTION FROM STAGING.—

(A) AGGREGATE REDUCTION.—Except as provided in subparagraph (B), the aggregate reduction in the rate of duty on any article which is in effect on any day pursuant to a trade agreement entered into under paragraph (1) shall not exceed the aggregate reduction which would have been in effect on such day if—

(i) a reduction of 3 percent ad valorem or a reduction of one-tenth of the total reduction, whichever is greater, had taken effect on the effective date of the first reduction proclaimed under paragraph (1) to carry out such agreement with respect to such article; and

(ii) a reduction equal to the amount applicable under clause (i) had taken effect at 1-year intervals after the effective date of such first reduction.

(B) EXEMPTION FROM STAGING.—No staging is required under subparagraph (A) with respect to a duty reduction that is proclaimed under paragraph (1) for an article of a kind that is not produced in the United States. The United States International Trade Commission shall advise the President of the identity of articles that may be exempted from staging under this subparagraph.

(4) ROUNDING.—If the President determines that such action will simplify the computation of reductions under paragraph (3), the President may round an annual reduction by an amount equal to the lesser of—

(A) the difference between the reduction without regard to this paragraph and the next lower whole number; or

(B) one-half of 1 percent ad valorem.

(5) OTHER LIMITATIONS.—A rate of duty reduction that may not be proclaimed by reason of paragraph (2) may take effect only if a provision authorizing such reduction is included within an implementing bill provided for under section 305 and that bill is enacted into law.

(6) OTHER TARIFF MODIFICATIONS.—Notwithstanding paragraphs (1)(B) and (2) through (5), and subject to the consultation and layover requirements of section 115 of the Uruguay Round Agreements Act, the President may proclaim the modification of any duty or staged rate reduction of any duty set forth in Schedule XX, as defined in section 2(5) of that Act, if the United States agrees to such modification or staged rate reduction in a negotiation for the reciprocal elimination or harmonization of duties under the auspices of the World Trade Organization or as part of an interim agreement leading to the formation of a regional free-trade area.

(7) AUTHORITY UNDER URUGUAY ROUND AGREEMENTS ACT NOT AFFECTED.—Nothing in this subsection shall limit the authority provided to the President under section 111(b) of the Uruguay Round Agreements Act (19 U.S.C. 3521(b)).

(b) AGREEMENTS REGARDING TARIFF AND NONTARIFF BARRIERS.—

(1) IN GENERAL.—(A) Whenever the President determines that—

(i) one or more existing duties or any other import restriction of any foreign country or the United States or any other barrier to, or other distortion of, international trade unduly burdens or restricts the foreign trade of the United States or adversely affects the United States economy, or

(ii) the imposition of any such barrier or distortion is likely to result in such a burden, restriction, or effect,

and that the purposes, policies, and objectives of this title will be promoted thereby, the President may enter into a trade agreement described in subparagraph (B) during the period described in subparagraph (C).

(B) The President may enter into a trade agreement under subparagraph (A) with foreign countries providing for—

(i) the reduction or elimination of a duty, restriction, barrier, or other distortion described in subparagraph (A), or

(ii) the prohibition of, or limitation on the imposition of, such barrier or other distortion.

(C) The President may enter into a trade agreement under this paragraph before—

(i) October 1, 2003, or

(ii) October 1, 2007, if trade authorities procedures are extended under subsection (c).

(2) CONDITIONS.—A trade agreement may be entered into under this subsection only if such agreement makes progress in meeting the applicable objectives described in section 302 and the President satisfies the conditions set forth in section 304.

(3) BILLS QUALIFYING FOR TRADE AUTHORITIES PROCEDURES.—The provisions of section 151 of the Trade Act of 1974 (in this title referred to as ''trade authorities procedures'')

apply to a bill of either House of Congress consisting only of—

(A) a provision approving a trade agreement entered into under this subsection and approving the statement of administrative action, if any, proposed to implement such trade agreement,

(B) provisions directly related to the principal trade negotiating objectives set forth in section 302(b) achieved in such trade agreement, if those provisions are necessary for the operation or implementation of United States rights or obligations under such trade agreement,

(C) provisions that define and clarify, or provisions that are related to, the operation or effect of the provisions of the trade agreement,

(D) provisions to provide adjustment assistance to workers and firms adversely affected by trade, and

(E) provisions necessary for purposes of complying with section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 in implementing the trade agreement,

to the same extent as such section 151 applies to implementing bills under that section. A bill to which this subparagraph applies shall hereafter in this title be referred to as an ''implementing bill''.

(c) EXTENSION DISAPPROVAL PROCESS FOR CONGRESSIONAL TRADE AUTHORITIES PROCEDURES.—

(1) IN GENERAL.—Except as provided in section 305(b)—

(A) the trade authorities procedures apply to implementing bills submitted with respect to trade agreements entered into under subsection (b) before October 1, 2003; and

(B) the trade authorities procedures shall be extended to implementing bills submitted with respect to trade agreements entered into under subsection (b) after September 30, 2003, and before October 1, 2007, if (and only if)—

(i) the President requests such extension under paragraph (2); and

(ii) neither House of the Congress adopts an extension disapproval resolution under paragraph (5) before October 1, 2003.

(2) REPORT TO CONGRESS BY THE PRESIDENT.—If the President is of the opinion that the trade authorities procedures should be extended to implementing bills described in paragraph (1)(B), the President shall submit to the Congress, not later than July 1, 2003, a written report that contains a request for such extension, together with—

(A) a description of all trade agreements that have been negotiated under subsection (b) and the anticipated schedule for submitting such agreements to the Congress for approval;

(B) a description of the progress that has been made in negotiations to achieve the purposes, policies, and objectives of this title, and a statement that such progress justifies the continuation of negotiations; and

(C) a statement of the reasons why the extension is needed to complete the negotiations.

(3) REPORT TO CONGRESS BY THE ADVISORY COMMITTEE.—The President shall promptly inform the Advisory Committee for Trade Policy and Negotiations established under section 135 of the Trade Act of 1974 (19 U.S.C. 2155) of the President's decision to submit a report to the Congress under paragraph (2). The Advisory Committee shall submit to the Congress as soon as practicable, but not later than August 1, 2003, a written report that contains—

(A) its views regarding the progress that has been made in negotiations to achieve the purposes, policies, and objectives of this title; and

(B) a statement of its views, and the reasons therefor, regarding whether the extension requested under paragraph (2) should be approved or disapproved.

(4) REPORTS MAY BE CLASSIFIED.—The reports submitted to the Congress under paragraphs (2) and (3), or any portion of such reports, may be classified to the extent the President determines appropriate.

(5) EXTENSION DISAPPROVAL RESOLUTION.—(A) For purposes of paragraph (1), the term ''extension disapproval resolution'' means a resolution of either House of the Congress, the sole matter after the resolving clause of which is as follows: ''That the ____ disapproves the request of the President for the extension, under section 303(c)(1)(B)(i) of the Reciprocal Trade Agreement Authorities Act of 2001, of the provisions of section 151 of the Trade Act of 1974 to any implementing bill submitted with respect to any trade agreement entered into under section 303(b) of the Reciprocal Trade Agreement Authorities Act of 2001 after September 30, 2003.'', with the blank space being filled with the name of the resolving House of the Congress.

(B) An extension disapproval resolution—

(i) may be introduced in either House of the Congress by any member of such House; and

(ii) shall be referred, in the House of Representatives, to the Committee on Ways and Means and to the Committee on Rules.

(C) The provisions of sections 152(d) and (e) of the Trade Act of 1974 (19 U.S.C. 2192(d) and (e)) (relating to the floor consideration of certain resolutions in the House and Senate) apply to an extension disapproval resolution.

(D) It is not in order for—

(i) the Senate to consider any extension disapproval resolution not reported by the Committee on Finance;

(ii) the House of Representatives to consider any extension disapproval resolution not reported by the Committee on Ways and Means and by the Committee on Rules; or

(iii) either House of the Congress to consider an extension disapproval resolution after September 30, 2003.

SEC. 304. CONSULTATIONS.

(a) NOTICE AND CONSULTATION BEFORE NEGOTIATION.—

(1) IN GENERAL.—The President, with respect to any agreement that is subject to the provisions of section 303(b), shall—

(A) provide, at least 90 calendar days before initiating negotiations, written notice to the Congress of the President's intention to enter into the negotiations and set forth therein the date the President intends to initiate such negotiations, the specific United States objectives for the negotiations, and whether the President intends to seek an agreement, or changes to an existing agreement; and

(B) before and after submission of the notice, consult regarding the negotiations with the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives and such other committees of the House and Senate as the President deems appropriate.

(2) CONSULTATIONS REGARDING NEGOTIATIONS ON CERTAIN OBJECTIVES.—

(A) CONSULTATION.—In addition to the requirements set forth in paragraph (1), before initiating negotiations with respect to a trade agreement subject to section 303(b) where the subject matter of such negotiations is directly related to the principal trade negotiating objectives set forth in section 302(b)(1) or section 302(b)(7), the President shall consult with the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate and with the appropriate advisory groups established under section 135 of the Trade Act of 1974 with respect to such negotiations.

(B) SCOPE.—The consultations described in subparagraph (A) shall concern the manner in which the negotiation will address the objective of reducing or eliminating a specific tariff or nontariff barrier or foreign government policy or practice directly related to trade that decreases market opportunities for United States exports or otherwise distorts United States trade.

(3) NEGOTIATIONS REGARDING AGRICULTURE.—Before initiating negotiations the subject matter of which is directly related to the subject matter under section 302(b)(6)(A) with any country, the President shall assess whether United States tariffs on agriculture products that were bound under the Uruguay Round Agreements are lower than the tariffs bound by that country. In addition, the President shall consider whether the tariff levels bound and applied throughout the world with respect to imports from the United States are higher than United States tariffs and whether the negotiation provides an opportunity to address any such disparity. The President shall consult with the Committee on Ways and Means and the Committee on Agriculture of the House of Representatives and the Committee on Finance and the Committee on Agriculture, Nutrition, and Forestry of the Senate concerning the results of the assessment, whether it is appropriate for the United States to agree to further tariff reductions based on the conclusions reached in the assessment, and how all applicable negotiating objectives will be met.

(b) CONSULTATION WITH CONGRESS BEFORE AGREEMENTS ENTERED INTO.—

(1) CONSULTATION.—Before entering into any trade agreement under section 303(b), the President shall consult with—

(A) the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate; and

(B) each other committee of the House and the Senate, and each joint committee of the Congress, which has jurisdiction over legislation involving subject matters which would be affected by the trade agreement.

(2) SCOPE.—The consultation described in paragraph (1) shall include consultation with respect to—

(A) the nature of the agreement;

(B) how and to what extent the agreement will achieve the applicable purposes, policies, and objectives of this title; and

(C) the implementation of the agreement under section 305, including the general effect of the agreement on existing laws.

(c) ADVISORY COMMITTEE REPORTS.—The report required under section 135(e)(1) of the Trade Act of 1974 regarding any trade agreement entered into under section 303(a) or (b) of this Act shall be provided to the President, the Congress, and the United States Trade Representative not later than 30 days after the date on which the President notifies the Congress under section 303(a)(1) or 305(a)(1)(A) of the President's intention to enter into the agreement.

SEC. 305. IMPLEMENTATION OF TRADE AGREEMENTS.

(a) IN GENERAL.—

(1) NOTIFICATION AND SUBMISSION.—Any agreement entered into under section 303(b) shall enter into force with respect to the United States if (and only if)—

(A) the President, at least 90 calendar days before the day on which the President enters into the trade agreement, notifies the House of Representatives and the Senate of the President's intention to enter into the agreement, and promptly thereafter publishes notice of such intention in the Federal Register;

(B) within 60 days after entering into the agreement, the President submits to the Congress a description of those changes to

existing laws that the President considers would be required in order to bring the United States into compliance with the agreement;

(C) after entering into the agreement, the President submits a copy of the final legal text of the agreement, together with—

(i) a draft of an implementing bill described in section 303(b)(3);

(ii) a statement of any administrative action proposed to implement the trade agreement; and

(iii) the supporting information described in paragraph (2); and

(D) the implementing bill is enacted into law.

(2) SUPPORTING INFORMATION.—The supporting information required under paragraph (1)(C)(iii) consists of—

(A) an explanation as to how the implementing bill and proposed administrative action will change or affect existing law; and

(B) a statement—

(i) asserting that the agreement makes progress in achieving the applicable purposes, policies, and objectives of this title;

(ii) setting forth the reasons of the President regarding—

(I) how and to what extent the agreement makes progress in achieving the applicable purposes, policies, and objectives referred to in clause (i);

(II) whether and how the agreement changes provisions of an agreement previously negotiated;

(III) how the agreement serves the interests of United States commerce; and

(IV) how the implementing bill meets the standards set forth in section 303(b)(3).

(3) RECIPROCAL BENEFITS.—In order to ensure that a foreign country that is not a party to a trade agreement entered into under section 303(b) does not receive benefits under the agreement unless the country is also subject to the obligations under the agreement, the implementing bill submitted with respect to the agreement shall provide that the benefits and obligations under the agreement apply only to the parties to the agreement, if such application is consistent with the terms of the agreement. The implementing bill may also provide that the benefits and obligations under the agreement do not apply uniformly to all parties to the agreement, if such application is consistent with the terms of the agreement.

(b) LIMITATIONS ON TRADE AUTHORITIES PROCEDURES.—

(1) FOR LACK OF CONSULTATIONS.—

(A) IN GENERAL.—The trade authorities procedures shall not apply to any implementing bill submitted with respect to a trade agreement entered into under section 303(b) if during the 60-day period beginning on the date that one House of Congress agrees to a procedural disapproval resolution for lack of notice or consultations with respect to that trade agreement, the other House separately agrees to a procedural disapproval resolution with respect to that agreement.

(B) PROCEDURAL DISAPPROVAL RESOLUTION.—For purposes of this paragraph, the term ''procedural disapproval resolution'' means a resolution of either House of Congress, the sole matter after the resolving clause of which is as follows: ''That the President has failed or refused to notify or consult (as the case may be) with Congress in accordance with section 304 or 305 of the Reciprocal Trade Agreement Authorities Act of 2001 on negotiations with respect to, or entering into, a trade agreement to which section 303(b) of that Act applies and, therefore, the provisions of section 151 of the Trade Act of 1974 shall not apply to any implementing bill submitted with respect to that trade agreement.''.

(2) PROCEDURES FOR CONSIDERING RESOLUTION.—(A) A procedural disapproval resolution—

(i) in the House of Representatives—

(I) shall be introduced by the chairman or ranking minority member of the Committee on Ways and Means or the chairman or ranking minority member of the Committee on Rules;

(II) shall be referred to the Committee on Ways and Means and to the Committee on Rules; and

(III) may not be amended by either Committee; and

(ii) in the Senate shall be an original resolution of the Committee on Finance.

(B) The provisions of section 152(d) and (e) of the Trade Act of 1974 (19 U.S.C. 2192(d) and (e)) (relating to the floor consideration of certain resolutions in the House and Senate) apply to a procedural disapproval resolution.

(C) It is not in order for the House of Representatives to consider any procedural disapproval resolution not reported by the Committee on Ways and Means and by the Committee on Rules.

(c) RULES OF HOUSE OF REPRESENTATIVES AND SENATE.—Subsection (b) of this section and section 303(c) are enacted by the Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such are deemed a part of the rules of each House, respectively, and such procedures supersede other rules only to the extent that they are inconsistent with such other rules; and

(2) with the full recognition of the constitutional right of either House to change the rules (so far as relating to the procedures of that House) at any time, in the same manner, and to the same extent as any other rule of that House.

SEC. 306. TREATMENT OF CERTAIN TRADE AGREEMENTS.

(a) CERTAIN AGREEMENTS.—Notwithstanding section 303(b)(2), if an agreement to which section 303(b) applies—

(1) is entered into under the auspices of the World Trade Organization regarding trade in information technology products,

(2) is entered into under the auspices of the World Trade Organization regarding extended negotiations on financial services as described in section 135(a) of the Uruguay Round Agreements Act (19 U.S.C. 3555(a)),

(3) is entered into under the auspices of the World Trade Organization regarding the rules of origin work program described in Article 9 of the Agreement on Rules of Origin referred to in section 101(d)(10) of the Uruguay Round Agreements Act (19 U.S.C. 3511(d)(10)), or

(4) is entered into with Chile,

and results from negotiations that were commenced before the date of enactment of this Act, subsection (b) shall apply.

(b) TREATMENT OF AGREEMENTS.—In the case of any agreement to which subsection (a) applies—

(1) the applicability of the trade authorities procedures to implementing bills shall be determined without regard to the requirements of section 304(a), and any procedural disapproval resolution under section 305(b)(1)(B) shall not be in order on the basis of a failure or refusal to comply with the provisions of section 304(a); and

(2) the President shall consult regarding the negotiations described in subsection (a) with the committees described in section 304(a)(1)(B) as soon as feasible after the enactment of this Act.

SEC. 307. CONFORMING AMENDMENTS.

(a) IN GENERAL.—Title I of the Trade Act of 1974 (19 U.S.C. 2111 et seq.) is amended as follows:

(1) IMPLEMENTING BILL.—

(A) Section 151(b)(1) (19 U.S.C. 2191(b)(1)) is amended by striking ''section 1103(a)(1) of the Omnibus Trade and Competitiveness Act of 1988, or section 282 of the Uruguay Round Agreements Act'' and inserting ''section 282 of the Uruguay Round Agreements Act, or section 305(a)(1) of the Reciprocal Trade Agreement Authorities Act of 2001''.

(B) Section 151(c)(1) (19 U.S.C. 2191(c)(1)) is amended by striking ''or section 282 of the Uruguay Round Agreements Act'' and inserting '', section 282 of the Uruguay Round Agreements Act, or section 305(a)(1) of the Reciprocal Trade Agreement Authorities Act of 2001''.

(2) ADVICE FROM INTERNATIONAL TRADE COMMISSION.—Section 131 (19 U.S.C. 2151) is amended—

(A) in subsection (a)—

(i) in paragraph (1), by striking ''section 123 of this Act or section 1102 (a) or (c) of the Omnibus Trade and Competitiveness Act of 1988,'' and inserting ''section 123 of this Act or section 303(a) or (b) of the Reciprocal Trade Agreement Authorities Act of 2001,''; and

(ii) in paragraph (2), by striking ''section 1102 (b) or (c) of the Omnibus Trade and Competitiveness Act of 1988'' and inserting ''section 303(b) of the Reciprocal Trade Agreement Authorities Act of 2001'';

(B) in subsection (b), by striking ''section 1102(a)(3)(A)'' and inserting ''section 303(a)(3)(A) of the Reciprocal Trade Agreement Authorities Act of 2001'' before the end period; and

(C) in subsection (c), by striking ''section 1102 of the Omnibus Trade and Competitiveness Act of 1988,'' and inserting ''section 303 of the Reciprocal Trade Agreement Authorities Act of 2001,''.

(3) HEARINGS AND ADVICE.—Sections 132, 133(a), and 134(a) (19 U.S.C. 2152, 2153(a), and 2154(a)) are each amended by striking ''section 1102 of the Omnibus Trade and Competitiveness Act of 1988,'' each place it appears and inserting ''section 303 of the Reciprocal Trade Agreement Authorities Act of 2001,''.

(4) PREREQUISITES FOR OFFERS.—Section 134(b) (19 U.S.C. 2154(b)) is amended by striking ''section 1102 of the Omnibus Trade and Competitiveness Act of 1988'' and inserting ''section 303 of the Reciprocal Trade Agreement Authorities Act of 2001''.

(5) ADVICE FROM PRIVATE AND PUBLIC SECTORS.—Section 135 (19 U.S.C. 2155) is amended—

(A) in subsection (a)(1)(A), by striking ''section 1102 of the Omnibus Trade and Competitiveness Act of 1988'' and inserting ''section 303 of the Reciprocal Trade Agreement Authorities Act of 2001'';

(B) in subsection (e)(1)—

(i) by striking ''section 1102 of the Omnibus Trade and Competitiveness Act of 1988'' each place it appears and inserting ''section 303 of the Reciprocal Trade Agreement Authorities Act of 2001''; and

(ii) by striking ''section 1103(a)(1)(A) of such Act of 1988'' and inserting ''section 305(a)(1)(A) of the Reciprocal Trade Agreement Authorities Act of 2001''; and

(C) in subsection (e)(2), by striking ''section 1101 of the Omnibus Trade and Competitiveness Act of 1988'' and inserting ''section 302 of the Reciprocal Trade Agreement Authorities Act of 2001''.

(6) TRANSMISSION OF AGREEMENTS TO CONGRESS.—Section 162(a) (19 U.S.C. 2212(a)) is amended by striking ''or under section 1102 of the Omnibus Trade and Competitiveness Act of 1988'' and inserting ''or under section 303 of the Reciprocal Trade Agreement Authorities Act of 2001''.

(b) APPLICATION OF CERTAIN PROVISIONS.—For purposes of applying sections 125, 126,

and 127 of the Trade Act of 1974 (19 U.S.C. 2135, 2136(a), and 2137)—

(1) any trade agreement entered into under section 303 shall be treated as an agreement entered into under section 101 or 102, as appropriate, of the Trade Act of 1974 (19 U.S.C. 2111 or 2112); and

(2) any proclamation or Executive order issued pursuant to a trade agreement entered into under section 303 shall be treated as a proclamation or Executive order issued pursuant to a trade agreement entered into under section 102 of the Trade Act of 1974.

SEC. 308. DEFINITIONS.

In this title:

(1) UNITED STATES PERSON.—The term ''United States person'' means—

(A) a United States citizen;

(B) a partnership, corporation, or other legal entity organized under the laws of the United States; and

(C) a partnership, corporation, or other legal entity that is organized under the laws of a foreign country and is controlled by entities described in subparagraph (B) or United States citizens, or both.

(2) URUGUAY ROUND AGREEMENTS.—The term ''Uruguay Round Agreements'' has the meaning given that term in section 2(7) of the Uruguay Round Agreements Act (19 U.S.C. 3501(7)).

(3) WORLD TRADE ORGANIZATION.—The term ''World Trade Organization'' means the organization established pursuant to the WTO Agreement.

(4) WTO AGREEMENT.—The term ''WTO Agreement'' means the Agreement Establishing the World Trade Organization entered into on April 15, 1994.

TITLE IV—AGRICULTURAL TRADE FREEDOM

SEC. 401. SHORT TITLE.

This title may be cited as the ''Agricultural Trade Freedom Act''.

SEC. 402. DEFINITIONS.

In this title, the terms ''agricultural commodity'' and ''United States agricultural commodity'' have the meanings given the terms in section 102 of the Agricultural Trade Act of 1978 (7 U.S.C. 5602).

SEC. 403. AGRICULTURAL COMMODITIES, LIVESTOCK, AND PRODUCTS EXEMPT FROM UNILATERAL AGRICULTURAL SANCTIONS.

Subtitle B of title IV of the Agricultural Trade Act of 1978 (7 U.S.C. 5661 et seq.) is amended by adding at the end the following:

''SEC. 418. AGRICULTURAL COMMODITIES, LIVESTOCK, AND PRODUCTS EXEMPT FROM UNILATERAL AGRICULTURAL SANCTIONS.

''(a) DEFINITIONS.—In this section:

''(1) CURRENT SANCTION.—The term 'current sanction' means a unilateral agricultural sanction that is in effect on the date of enactment of the Agricultural Trade Freedom Act.

''(2) NEW SANCTION.—The term 'new sanction' means a unilateral agricultural sanction that becomes effective after the date of enactment of that Act.

''(3) UNILATERAL AGRICULTURAL SANCTION.—The term 'unilateral agricultural sanction' means any prohibition, restriction, or condition that is imposed on the export of an agricultural commodity to a foreign country or foreign entity and that is imposed by the United States for reasons of the national interest, except in a case in which the United States imposes the measure pursuant to a multilateral regime and the other members of that regime have agreed to impose substantially equivalent measures.

''(b) EXEMPTION.—

''(1) IN GENERAL.—Subject to paragraphs (2) and (3) and notwithstanding any other provision of law, agricultural commodities made available as a result of commercial sales shall be exempt from a unilateral agricultural sanction imposed by the United States on another country.

''(2) EXCLUSIONS.—Paragraph (1) shall not apply to agricultural commodities made available as a result of programs carried out under—

''(A) the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691 et seq.);

''(B) section 416 of the Agricultural Act of 1949 (7 U.S.C. 1431);

''(C) the Food for Progress Act of 1985 (7 U.S.C. 1736o);

''(D) the Agricultural Trade Act of 1978 (7 U.S.C. 5601 et seq.); or

''(E) section 153 of the Food Security Act of 1985 (15 U.S.C. 713a–14).

''(3) DETERMINATION BY PRESIDENT.—The President may include agricultural commodities made available as a result of the activities described in paragraph (1) in the unilateral agricultural sanction imposed on a foreign country or foreign entity if—

''(A) a declaration of war by Congress is in effect with respect to the foreign country or foreign entity; or

''(B)(i) the President determines that inclusion of the agricultural commodities is in the national interest;

''(ii) the President submits the report required under subsection (d); and

''(iii) Congress has not approved a joint resolution stating the disapproval of Congress of the report submitted under subsection (d).

''(4) EFFECT ON AGRICULTURAL TRADE.—Nothing in this subsection requires the imposition of a unilateral agricultural sanction with respect to an agricultural commodity, whether exported in connection with a commercial sale or a program described in paragraph (2).

''(c) CURRENT SANCTIONS.—

''(1) IN GENERAL.—Subject to paragraph (2), the exemption under subsection (b)(1) shall apply to a current sanction.

''(2) PRESIDENTIAL REVIEW.—Not later than 90 days after the date of enactment of the Agricultural Trade Freedom Act, the President shall review each current sanction to determine whether the exemption under subsection (b)(1) should apply to the current sanction.

''(3) APPLICATION.—The exemption under subsection (b)(1) shall apply to a current sanction beginning on the date that is 180 days after the date of enactment of the Agricultural Trade Freedom Act unless the President determines that the exemption should not apply to the current sanction for reasons of the national interest.

''(d) REPORT.—

''(1) IN GENERAL.—If the President determines under subsection (b)(3)(B)(i) or (c)(3) that the exemption should not apply to a unilateral agricultural sanction, the President shall submit a report to Congress not later than 15 days after the date of the determination.

''(2) CONTENTS OF REPORT.—The report shall contain—

''(A) an explanation of—

''(i) the economic activity that is proposed to be prohibited, restricted, or conditioned by the unilateral agricultural sanction; and

''(ii) the national interest for which the exemption should not apply to the unilateral agricultural sanction; and

''(B) an assessment by the Secretary—

''(i) regarding export sales—

''(I) in the case of a current sanction, whether markets in the sanctioned country or countries present a substantial trade opportunity for export sales of a United States agricultural commodity; or

''(II) in the case of a new sanction, the extent to which any country or countries to be sanctioned or likely to be sanctioned are markets that accounted for, during the preceding calendar year, more than 3 percent of export sales of a United States agricultural commodity;

''(ii) regarding the effect on United States agricultural commodities—

''(I) in the case of a current sanction, the potential for export sales of United States agricultural commodities in the sanctioned country or countries; and

''(II) in the case of a new sanction, the likelihood that exports of United States agricultural commodities will be affected by the new sanction or by retaliation by any country to be sanctioned or likely to be sanctioned, including a description of specific United States agricultural commodities that are most likely to be affected;

''(iii) regarding the income of agricultural producers—

''(I) in the case of a current sanction, the potential for increasing the income of producers of the United States agricultural commodities involved; and

''(II) in the case of a new sanction, the likely effect on incomes of producers of the agricultural commodities involved;

''(iv) regarding displacement of United States suppliers—

''(I) in the case of a current sanction, the potential for increased competition for United States suppliers of the agricultural commodity in countries that are not subject to the current sanction because of uncertainty about the reliability of the United States suppliers; and

''(II) in the case of a new sanction, the extent to which the new sanction would permit foreign suppliers to replace United States suppliers; and

''(v) regarding the reputation of United States agricultural producers as reliable suppliers—

''(I) in the case of a current sanction, whether removing the sanction would improve the reputation of United States producers as reliable suppliers of agricultural commodities in general, and of specific agricultural commodities identified by the Secretary; and

''(II) in the case of a new sanction, the likely effect of the proposed sanction on the reputation of United States producers as reliable suppliers of agricultural commodities in general, and of specific agricultural commodities identified by the Secretary.

''(e) CONGRESSIONAL PRIORITY PROCEDURES.—

''(1) JOINT RESOLUTION.—In this subsection, the term 'joint resolution' means only a joint resolution introduced within 10 session days of Congress after the date on which the report of the President under subsection (d) is received by Congress, the matter after the resolving clause of which is as follows: 'That Congress disapproves the report of the President pursuant to section 418(d) of the Agricultural Trade Act of 1978, transmitted on _____.', with the blank completed with the appropriate date.

''(2) REFERRAL OF REPORT.—The report described in subsection (d) shall be referred to the appropriate committee or committees of the House of Representatives and to the appropriate committee or committees of the Senate.

''(3) REFERRAL OF JOINT RESOLUTION.—

''(A) IN GENERAL.—A joint resolution shall be referred to the committees in each House of Congress with jurisdiction.

''(B) REPORTING DATE.—A joint resolution referred to in subparagraph (A) may not be reported before the eighth session day of Congress after the introduction of the joint resolution.

''(4) DISCHARGE OF COMMITTEE.—If the committee to which is referred a joint resolution has not reported the joint resolution (or an identical joint resolution) at the end of 30 session days of Congress after the date of introduction of the joint resolution—

''(A) the committee shall be discharged from further consideration of the joint resolution; and

''(B) the joint resolution shall be placed on the appropriate calendar of the House concerned.

''(5) FLOOR CONSIDERATION.—

''(A) MOTION TO PROCEED.—

''(i) IN GENERAL.—When the committee to which a joint resolution is referred has reported, or when a committee is discharged under paragraph (4) from further consideration of, a joint resolution—

''(I) it shall be at any time thereafter in order (even though a previous motion to the same effect has been disagreed to) for any member of the House concerned to move to proceed to the consideration of the joint resolution; and

''(II) all points of order against the joint resolution (and against consideration of the joint resolution) are waived.

''(ii) PRIVILEGE.—The motion to proceed to the consideration of the joint resolution—

''(I) shall be highly privileged in the House of Representatives and privileged in the Senate; and

''(II) shall not be debatable.

''(iii) AMENDMENTS AND MOTIONS NOT IN ORDER.—The motion to proceed to the consideration of the joint resolution shall not be subject to—

''(I) amendment;

''(II) a motion to postpone; or

''(III) a motion to proceed to the consideration of other business.

''(iv) MOTION TO RECONSIDER NOT IN ORDER.—A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order.

''(v) BUSINESS UNTIL DISPOSITION.—If a motion to proceed to the consideration of the joint resolution is agreed to, the joint resolution shall remain the unfinished business of the House concerned until disposed of.

''(B) LIMITATIONS ON DEBATE.—

''(i) IN GENERAL.—Debate on the joint resolution, and on all debatable motions and appeals in connection with the joint resolution, shall be limited to not more than 10 hours, which shall be divided equally between those favoring and those opposing the joint resolution.

''(ii) FURTHER DEBATE LIMITATIONS.—A motion to limit debate shall be in order and shall not be debatable.

''(iii) AMENDMENTS AND MOTIONS NOT IN ORDER.—An amendment to, a motion to postpone, a motion to proceed to the consideration of other business, a motion to recommit the joint resolution, or a motion to reconsider the vote by which the joint resolution is agreed to or disagreed to shall not be in order.

''(C) VOTE ON FINAL PASSAGE.—Immediately following the conclusion of the debate on a joint resolution, and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the House concerned, the vote on final passage of the joint resolution shall occur.

''(D) RULINGS OF THE CHAIR ON PROCEDURE.—An appeal from a decision of the Chair relating to the application of the rules of the Senate or House of Representatives, as the case may be, to the procedure relating to a joint resolution shall be decided without debate.

''(6) COORDINATION WITH ACTION BY OTHER HOUSE.—If, before the passage by 1 House of a joint resolution of that House, that House receives from the other House a joint resolution, the following procedures shall apply:

''(A) NO COMMITTEE REFERRAL.—The joint resolution of the other House shall not be referred to a committee.

''(B) FLOOR PROCEDURE.—With respect to a joint resolution of the House receiving the joint resolution—

''(i) the procedure in that House shall be the same as if no joint resolution had been received from the other House; but

''(ii) the vote on final passage shall be on the joint resolution of the other House.

''(C) DISPOSITION OF JOINT RESOLUTIONS OF RECEIVING HOUSE.—On disposition of the joint resolution received from the other House, it shall no longer be in order to consider the joint resolution originated in the receiving House.

''(7) PROCEDURES AFTER ACTION BY BOTH THE HOUSE AND SENATE.—If a House receives a joint resolution from the other House after the receiving House has disposed of a joint resolution originated in that House, the action of the receiving House with regard to the disposition of the joint resolution originated in that House shall be deemed to be the action of the receiving House with regard to the joint resolution originated in the other House.

''(8) RULEMAKING POWER.—This subsection is enacted by Congress—

''(A) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such this subsection—

''(i) is deemed to be a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a joint resolution; and

''(ii) supersedes other rules only to the extent that this subsection is inconsistent with those rules; and

''(B) with full recognition of the constitutional right of either House to change the rules (so far as the rules relate to the procedure of that House) at any time, in the same manner and to the same extent as in the case of any other rule of that House.''.

SEC. 404. SALE OR BARTER OF FOOD ASSISTANCE.

It is the sense of Congress that the amendments to section 203 of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1723) made by section 208 of the Federal Agriculture Improvement and Reform Act of 1996 (Public Law 104–127; 110 Stat. 954) were intended to allow the sale or barter of United States agricultural commodities in connection with United States food assistance only within the recipient country or countries adjacent to the recipient country, unless—

(1) the sale or barter within the recipient country or adjacent countries is not practicable; and

(2) the sale or barter within countries other than the recipient country or adjacent countries will not disrupt commercial markets for the agricultural commodity involved.

By Mr. MCCONNELL (for himself, Mr. GRAHAM, Mr. BUNNING, Mr. DEWINE, Mr. WARNER, and Mr. LUGAR):

S. 335. A bill to amend the Internal Revenue Code of 1986 to provide an exclusion from gross income for distributions from qualified State tuition programs which are used to pay education expenses, and for other purposes; to the Committee on Finance.

Mr. MCCONNELL. Mr. President, today I am once again honored to introduce a bill which focuses on an important issue facing American families today—paying for the education of their children. I have long believed that we need to make college education more affordable, and my legislation, the Setting Aside for a Valuable Education, or SAVE, Act, will do that by making savings in qualified tuition savings plans entirely tax-free. I am pleased to be joined in this endeavor by the bill's original co-sponsors, Senators GRAHAM, BUNNING, DEWINE, WARNER, and LUGAR.

I have worked for the past six years to make saving for college easier for American families by providing ways to help them keep pace with the rising cost of a college education through tax incentives. In 1994, I introduced the first bill to make education savings in state tuition plans exempt from taxation. Since that time, Congress has made significant progress toward achieving this important goal.

In 1996, I was able to include a provision in the Small Business Job Protection Act that clarified the tax treatment of state-sponsored savings plans and the participants' investment. This measure established that account earnings on the savings plans are to be included in gross income when distributions to attend school are made. This was an important change because it removed the tax uncertainty that was hindering the plans' effectiveness and helped families who are trying to save for their children's future education needs. Before this clarification, it appeared that account earnings may be taxed annually, which would have deterred saving for education expenses. Also, my language shifted the tax burden upon distribution of the funds from the parent to the student, who is generally taxed at a lower rate.

The following year, the Taxpayer Relief Act of 1997 included several important legislative initiatives that maximized flexibility to families with investments in long-term education savings plans. Through this vehicle, I was pleased to be able to expand the definition of ''eligible education expenses'' to include room and board costs so that these expenses—often as much as one-half the entire cost of college—also received the deferred tax treatment. Secondly, I was able to include a provision which expanded the definition of ''eligible institutions'' to include all schools, including certain proprietary schools, which are eligible under the Department of Education's student aid program. Finally, I was pleased that the Taxpayer Relief Act included a more detailed definition of the term ''member of family'' to allow tax-free transfers of credits or account balances in a qualified tuition program to additional family members in the event that the named beneficiary does not attend college.

However, while I am proud of these initial success stories, I will continue to press to make education savings entirely tax free. While the end is in

sight, we cannot claim victory until we achieve this goal. In fact, the need for education savings tax relief is more acute then ever as recent studies demonstrate that we must continue to encourage parents to adopt a long-term savings approach for their children's future education.

According to the College Board, during the 2000–2001 academic school year, the average tuition at four-year public colleges rose between 4.4 and 5.2 percent. It is important to note that this increase was higher than the 1999 tuition increase of 3.4 percent. In addition, the College Board estimates that room and board charges will increase between 4 and 5 percent for next year. What is most frustrating is that despite the recent economic boom, the cost of a college education continues to rise at a rate faster than many families can afford. According to the College Board, since 1980 the price of a college education has been rising between two and three times the Consumer Price Index. In fact, tuition and fees for a four year college education has risen 115 percent over inflation since the 1980–81 school year, while median household income has risen only 20 percent. Over the past decade, tuition has increased between 32 and 49 percent, while family income over the same period has increased just 4 percent.

As a result, more and more families are forced to rely on financial aid to meet tuition costs. In fact, a majority of all college students utilize some amount of financial assistance. The amount of financial aid available to students and their families for the 1999–2000 school year topped $68 billion, more than 4% above than the previous year. However, there has been a marked trend from grant-based assistance programs to loan-based assistance programs, and today many students are forced to borrow in order to attend college. This shift toward loans increases the financial burden of attending college because students and families must then assume interest costs that can add thousands to the total cost of tuition.

We must not forget that compounded interest cuts both ways. For those students who must borrow, compounded interest is a burden, for those students and families who save, it is a blessing. By saving, participants can keep pace, or even ahead of, tuition increases. By borrowing, students bear additional interest costs that add thousands to the total cost of tuition. Savings have a positive impact by reducing the need for students to borrow tens of thousands of dollars in student loans. This will help make need-based grants, which target low-income families, better meet the demands of those who are in most need.

Mr. President, the need for rewarding long-term saving for college is clear. My legislation will recognize and award savings while allowing students and families that are participating in these state-sponsored plans to be exempt from federal income tax when the funds are used for qualified educational purposes. This bill will finish what I started in 1994.

Mr. President, as a result of our actions over the last several years, a majority of the states have implemented tuition savings plans for their residents. In the mid-1980s, states first began to recognize the difficulty that families faced in keeping pace with the rising cost of education. States like Kentucky, Florida, Ohio, and Michigan were among the first to start programs aimed at helping families save for their children's college education. Other states have since followed suit, and currently 48 states have some form of tuition savings plans.

Today, there are nearly one million savers who have contributed over $2 billion in education savings. In the Commonwealth of Kentucky alone, 3,250 beneficiaries have active accounts and have accumulated $13 million in savings. With average monthly contributions as low as $110, and nearly 60% of the participating families earning a household income of under $60,000 annually, state-sponsored tuition plans clearly benefit middle-class families—the exact Americans who deserve and need such relief.

In addition to accomplishing my long-sought goal of making savings in tuition savings plans entirely tax-free, the SAVE Act, includes several other new provisions. It allows private institutions to establish their own qualified prepaid tuition programs, and at the same time includes important consumer protections to ensure that these new plans operate in a fiscally responsible manner. The SAVE Act also modifies the cap on room and board expenses to more accurately reflect the cost of attending an institution of higher learning. The final important change made in the SAVE Act is a provision allowing for one annual rollover between Section 529 plans to meet the needs of our increasingly mobile society.

I have worked closely with state plan administrators over the years seeking both their advice and support. When I introduce the SAVE Act this afternoon, I will be honored once again to have the endorsement of the National Association of State Treasurers and the College Savings Plans Network (CSPN). I ask unanimous consent that CSPN's letter of support be included in the record. They have worked tirelessly in support of this legislation because they know it is in the best interests of plan participants—families who care about their children's education. In addition, state-sponsored tuition savings plans have recently been touted as one of the best ways to save for a college education by such influential magazines as Money, Fortune, and Business Week.

This overwhelming support for these programs underscores my belief that we have a real opportunity to go even further toward making college affordable for American families. It is in our national interest to maintain a quality and affordable education system for all families—not merely those fortunate to have the resources. My legislation rewards parents who are serious about their children's future and who are committed over the long-term to the education of their children by providing a significant tax break for all savers nationwide. This will reduce the cost of education and will not unnecessarily burden future generations with thousands of dollars in loans.

College is a lifelong investment. We must take steps to ensure that higher education is within the reach of every child so that they are prepared to meet the challenges they will face in our increasingly competitive world. We must make it easier for families to save for college, and we can do so this year by providing total tax freedom for education savings. My bill will make these tuition savings plans entirely tax-free when the money is drawn out to pay for college, and I believe that my legislation is the best approach to ensuring that our children can obtain a higher education without mortgaging their futures.

Mr. President, I appreciate the opportunity to speak to the Senate on this legislation and I look forward to working with the bill's co-sponsors and the Bush Administration to enact it into law.

I ask unanimous consent that the bill and a letter be printed in the RECORD.

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

S. 335

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 ''Setting Aside for a Valuable Education (SAVE) Act''.

SEC. 2. EXCLUSION FROM GROSS INCOME OF EDUCATION DISTRIBUTIONS FROM QUALIFIED STATE TUITION PROGRAMS.

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

''(B) DISTRIBUTIONS FOR QUALIFIED HIGHER EDUCATION EXPENSES.—For purposes of this paragraph—

''(i) IN-KIND DISTRIBUTIONS.—No amount shall be includible in gross income under subparagraph (A) by reason of a distribution which consists of providing a benefit to the distributee which, if paid for by the distributee, would constitute payment of a qualified higher education expense.

''(ii) CASH DISTRIBUTIONS.—In the case of distributions not described in clause (i), if—

''(I) such distributions do not exceed the qualified higher education expenses (reduced by expenses described in clause (i)), no amount shall be includible in gross income, and

''(II) in any other case, the amount otherwise includible in gross income shall be reduced by an amount which bears the same ratio to such amount as such expenses bear to such distributions.

''(iii) EXCEPTION FOR INSTITUTIONAL PROGRAMS.—In the case of any taxable year beginning before January 1, 2004, clauses (i)

and (ii) shall not apply with respect to any distribution during such taxable year under a qualified State tuition program established and maintained by 1 or more eligible educational institutions.

''(iv) TREATMENT AS DISTRIBUTIONS.—Any benefit furnished to a designated beneficiary under a qualified State tuition program shall be treated as a distribution to the beneficiary for purposes of this paragraph.

''(v) COORDINATION WITH HOPE AND LIFETIME LEARNING CREDITS.—The total amount of qualified higher education expenses with respect to an individual for the taxable year shall be reduced—

''(I) as provided in section 25A(g)(2), and

''(II) by the amount of such expenses which were taken into account in determining the credit allowed to the taxpayer or any other person under section 25A.

''(vi) COORDINATION WITH EDUCATION SAVINGS ACCOUNTS.—If, with respect to an individual for any taxable year—

''(I) the aggregate distributions to which clauses (i) and (ii) and section 530(d)(2)(A) apply, exceed

''(II) the total amount of qualified higher education expenses otherwise taken into account under clauses (i) and (ii) (after the application of clause (iv)) for such year,

the taxpayer shall allocate such expenses among such distributions for purposes of determining the amount of the exclusion under clauses (i) and (ii) and section 530(d)(2)(A).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 135(d)(2)(B) of the Internal Revenue Code of 1986 is amended by striking ''section 530(d)(2)'' and inserting ''sections 529(c)(3)(B)(i) and 530(d)(2)''.

(2) Section 221(e)(2)(A) of such Code is amended by inserting ''529,'' after ''135,''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 3. ELIGIBLE EDUCATIONAL INSTITUTIONS PERMITTED TO MAINTAIN QUALIFIED TUITION PROGRAMS.

(a) IN GENERAL.—Section 529(b)(1) of the Internal Revenue Code of 1986 (defining qualified State tuition program) is amended by inserting ''or by 1 or more eligible educational institutions'' after ''maintained by a State or agency or instrumentality thereof''.

(b) PRIVATE QUALIFIED TUITION PROGRAMS LIMITED TO BENEFIT PLANS.—Clause (ii) of section 529(b)(1)(A) of the Internal Revenue Code of 1986 is amended by inserting ''in the case of a program established and maintained by a State or agency or instrumentality thereof,'' before ''may make''.

(c) ADDITIONAL REQUIREMENTS FOR CERTAIN PRIVATE QUALIFIED TUITION PROGRAMS.—Section 529(b) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

''(8) ADDITIONAL REQUIREMENTS FOR CERTAIN PRIVATE QUALIFIED TUITION PROGRAMS.—A program established and maintained by 1 or more eligible educational institutions and described in paragraph (1)(A)(ii) shall not be treated as a qualified tuition program unless—

''(A) under such program a trust is created or organized for the sole purpose of paying the qualified higher education expenses of the designated beneficiary of the account,

''(B) the written governing instrument creating the trust of which the account is a part provides safeguards to ensure that contributions made on behalf of a designated beneficiary remain available to provide for the qualified higher education expenses of the designated beneficiary, and

''(C) the trust meets the following requirements:

''(i) Any trustee or person who may under contract operate or manage the trust demonstrates to the satisfaction of the Secretary that the manner in which that trustee or person will administer the trust will be consistent with the requirements of this section.

''(ii) The assets of the trust are not commingled with other property except in a common trust fund or common investment fund.

''(iii) The trust annually prepares and makes available the reports and accountings required by this section. The annual report, at a minimum, includes information on the financial condition of the trust and the investment policy of the trust.

''(iv) Before entering into contracts or otherwise accepting contributions on behalf of a designated beneficiary, the trust obtains an appropriate actuarial report to establish, maintain, and certify that the trust shall have sufficient assets to defray the obligations of the trust and annually makes the actuarial report available to account contributors and designated beneficiaries.

''(v) The trust secures a favorable ruling or opinion issued by the Internal Revenue Service that the trust is in compliance with the requirements of this section.

''(vi) Before entering into contracts or otherwise accepting contributions on behalf of a designated beneficiary, the trust solicits answers to appropriate ruling requests from the Securities and Exchange Commission regarding the application of Federal securities laws to the trust.''.

(d) APPLICATION OF FEDERAL SECURITIES LAWS TO PRIVATE QUALIFIED TUITION PROGRAMS.—Section 529(e) of the Internal Revenue Code of 1986 (relating to other definitions and special rules) is amended by adding at the end the following new paragraph:

''(6) APPLICATION OF FEDERAL SECURITIES LAWS TO PRIVATE QUALIFIED TUITION PROGRAMS.—Nothing in this section shall be construed to exempt any qualified tuition program that is not established and maintained by a State or agency or instrumentality thereof from any of the requirements of the Securities Act of 1933 (15 U.S.C 77a et seq.) or the Investment Company Act of 1940 (15 U.S.C 80a-1 et seq.).''.

(e) CONFORMING AMENDMENTS.—

(1) Sections 72(e)(9), 135(c)(2)(C), 135(d)(1)(D), 529, 530(b)(2)(B), 4973(e), and 6693(a)(2)(C) of the Internal Revenue Code of 1986 are each amended by striking ''qualified State tuition'' each place it appears and inserting ''qualified tuition''.

(2) The headings for sections 72(e)(9) and 135(c)(2)(C) of such Code are each amended by striking ''QUALIFIED STATE TUITION'' and inserting ''QUALIFIED TUITION''.

(3) The headings for sections 529(b) and 530(b)(2)(B) of such Code are each amended by striking ''QUALIFIED STATE TUITION'' and inserting ''QUALIFIED TUITION''.

(4) The heading for section 529 of such Code is amended by striking ''state''.

(5) The item relating to section 529 of such Code in the table of sections for part VIII of subchapter F of chapter 1 is amended by striking ''State''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 4. OTHER MODIFICATIONS TO QUALIFIED TUITION PROGRAMS.

(a) ROLLOVER TO DIFFERENT PROGRAM FOR BENEFIT OF SAME DESIGNATED BENEFICIARY.—Section 529(c)(3)(C) of the Internal Revenue Code of 1986 (relating to change in beneficiaries) is amended—

(1) by striking ''transferred to the credit'' in clause (i) and inserting ''transferred—

''(I) to another qualified tuition program for the benefit of the designated beneficiary, or

''(II) to the credit'',

(2) by adding at the end the following new clause:

''(iii) LIMITATION ON CERTAIN ROLLOVERS.—Clause (i)(I) shall only apply to 1 transfer with respect to a designated beneficiary in any year.'', and

(3) by inserting ''OR PROGRAMS'' after ''BENEFICIARIES'' in the heading.

(b) MEMBER OF FAMILY INCLUDES FIRST COUSIN.—Section 529(e)(2) of the Internal Revenue Code of 1986 (defining member of family) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and by inserting ''; and'', and by adding at the end the following new subparagraph:

''(D) any first cousin of such beneficiary.''.

(c) ADJUSTMENT OF LIMITATION ON ROOM AND BOARD DISTRIBUTIONS.—Section 529(e)(3)(B)(ii) of the Internal Revenue Code of 1986 is amended to read as follows:

''(ii) LIMITATION.—The amount treated as qualified higher education expenses by reason of clause (i) shall not exceed the greater of—

''(I) the amount (applicable to the student) included for room and board for such period in the cost of attendance (as defined in section 472 of the Higher Education Act of 1965 (20 U.S.C. 1087ll), as in effect on the date of the enactment of the Setting Aside for a Valuable Education (SAVE) Act) for the eligible educational institution for such period, or

''(II) the actual invoice amount the student residing in housing owned or operated by the eligible educational institution is charged by such institution for room and board costs for such period.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

COLLEGE SAVINGS PLANS NETWORK,
Lexington, KY, February 13, 2001.

Re College Savings Plans Network's Support of the SAVE Act

Hon. MITCH MCCONNELL,
U.S. Senate, Russell Senate Office Building, Washington, DC.

DEAR SENATOR MCCONNELL: Thank you for your continued support of legislation to encourage college savings through state-sponsored college savings programs. Your leadership in helping families plan for their children's college education is truly commendable; your foresight and knowledge have enhanced the ability of all families to save. Section 529 programs now represent over 1.4 million families who have invested more than $8 billion for their children's future higher education. The College Savings Plans Network represents all 50 states that are currently operating or developing §529 college savings programs.

In our continuing efforts to make a college education more accessible and affordable for American families, we are very appreciative of your sponsorship of the ''Setting Aside for a Valuable Education (SAVE) Act,'' which would provide an exclusion from gross income for earnings on §529 accounts, as well as several technical amendments that would make these college savings programs more user-friendly.

The college Savings Plans Network strongly supports an exclusion from gross income for earnings on §529 accounts. This tax treatment would be less burdensome to administer than current tax provisions, and would result in better compliance and less cost to college savings programs and their participants. More importantly, an exclusion from gross income would provide a powerful additional incentive for families to save early for college expenses. Section 529 of the Internal Revenue Code already contains restrictions and penalties to prevent any potential abuse of these programs.

Please do not hesitate to contact me should you need any additional information or have any questions. Thank you again for your continued interest in and support of §529 programs and the hundreds of thousands of children for whom college is now an affordable reality.

Sincerely,

GEORGE THOMAS,
Chair, College Savings Plans Network and New Hampshire State Treasurer.

Mr. GRAHAM. Mr. President, I am proud to join Senator MCCONNELL and my other Senate colleagues in launching an initiative to increase Americans' access to college education. Today, we are introducing the Setting Aside for a Valuable Education Act. This bill extends tax-free treatment to all state sponsored prepaid tuition plans and state savings plans. This legislation also gives prepaid tuition plans established by private colleges and universities tax-exempt status.

Prepaid college tuition and savings programs have flourished at the state level in the face of spiraling college costs. According to the College Board, between 1980 and 2000, the cost of going to a four-year college has increased 115 percent above the rate of inflation. The cause of this dramatic increase in tuition is the subject of significant debate. But whether these increases are attributable to increased costs to the universities, reductions in state funding for public universities, or the increased value of a college degree, the fact remains that financing a college education has become increasingly difficult.

In response to higher college costs the states have engineered innovative ways to help its families afford college. Michigan implemented the first prepaid tuition plan in 1986. Florida followed in 1988. Today 49 states have either implemented or are in the process of implementing prepaid tuition plans or state education savings plans.

Prepaid college tuition plans allow parents to pay prospectively for their children's higher education at participating universities. States pool these funds and invest them in a manner that will match or exceed the pace of educational inflation. This ''locks in'' current tuition and guarantees financial access to a future college education. In 1996, Congress acted to ensure that the tax on the earnings in these state-sponsored programs is tax-deferred.

Senator MCCONNELL and I believe the 107th Congress must move to make these programs completely tax free. Students should be able to enroll in college without the fear of incurring a significant tax liability just because they went to school. The legislation extends this same tax treatment to private college prepaid programs.

We believe that these programs should be tax free for numerous reasons. First, prepaid tuition and savings programs help middle income families afford a college education. Florida's experience shows that it is not higher income families who take most advantage of these plans. It is middle income families who want the discipline of monthly payments. They know that they would have a difficult time coming up with funds necessary to pay for college if they waited until their child enrolled. In Florida, more than 70 percent of participants in the state tuition program have family income of less than $50,000. Second, Congress should make these programs tax free in order to encourage savings and college attendance. Finally, for most families, these plans simply represent the purchase of a service to be provided in the future. The accounts are not liquid, and the funds are transferred from the state directly to the college or university. The imposition of a tax liability on earnings represents a substantial burden, because the student is required to find other means of generating the funds to pay the tax.

I am pleased to have this opportunity to join my colleagues in introducing this bill which makes a college education easier to obtain.

By Mr. BOND:

S. 336. A bill to amend the Internal Revenue Code of 1986 to allow use of cash accounting method for certain small businesses; to the Committee on Finance.

Mr. BOND. Mr. President, I rise today to introduce a bill that addresses an issue of growing concern to small businesses across the nation—tax accounting methods. I am pleased to be working with our colleague in the other body, Congressman WALLY HERGER, who is introducing the companion to this legislation.

While this topic may lack the notoriety of some other tax issues currently in the spotlight like tax-rate reductions, estate-tax repeal, or elimination of the alternative minimum tax, it goes to the heart of a business' daily operations—reflecting its income and expenses. And because it is such a fundamental issue, one may ask: ''What's the big deal? Hasn't this been settled long ago?'' Regrettably, efforts by the Treasury Department and Internal Revenue Service (IRS) over the past couple of years have muddied what many small business owners have long seen as a settled issue.

To many small business owners, tax accounting simply means that they record gross receipts when they receive cash and expenses when they write a check for the various costs associated with operating a business. The difference is income, which is subject to taxes. In its simplest form, this is known as the ''cash receipts and disbursements'' method of accounting—or the ''cash method'' for short. It is easy to understand, it is simple to undertake in daily business operations, and for the vast majority of small enterprises, it matches their income with the related expenses in a given year. Coincidentally, it's also the method of accounting used by the Federal government to keep track of the nearly $2 trillion in tax revenues it collects each year as well as all of its expenditures for salaries and expenses, procurement, and the cost of various government programs.

Unfortunately, what's good for the Federal government apparently is not good enough for small businesses. In recent years, the IRS has taken a different view with respect to small businesses on the cash method. In too many cases, the IRS has asserted that a small business should report its income when all events have occurred to establish the business' right to receipt and the amount can reasonably be determined. Similar principles are applied to determine when a business may recognize an expense. This method of accounting is known as ''accrual accounting.'' The reality of accrual accounting for a small business is that it may be deemed to have income well before the cash is actually received and an expense long after the cash is actually paid. As a result, accrual accounting can create taxable income for a small business that has yet to receive the cash necessary to pay the taxes.

While the IRS argues that the accrual method of accounting produces a more accurate reflection of ''economic income,'' it also produces a major headache for small enterprise. Few entrepreneurs have the time or experience to undertake accrual accounting, which forces them to hire costly accountants and tax preparers. By some estimates, accounting fees can increase as much as 50 percent when accrual accounting is required, excluding the cost of high-tech computerized accounting systems that some businesses must install. For the brave few that try to handle the accounting on their own, the accrual method often leads to major mistakes, resulting in tax audits and additional costs for professional help to sort the whole mess out—not to mention the interest and penalties that the IRS may impose as a result of the mistake.

To make matters even worse, the IRS focused on small service providers who use some merchandise in the performance of their service. In an e-mail sent to practitioners in my State of Missouri and in Kansas on March 22, 1999, the IRS'' local district office took special aim at the construction industry asserting that ''[t]axpayers in the construction industry who are on the cash method of accounting may be using an improper method. The cash method is permissible only if materials are not an income producing factor.'' For those lucky service providers, the IRS has asserted that the use of merchandise requires the business to undertake an additional and even more onerous form of bookkeeping—inventory accounting.

Let's be clear about the kind of taxpayer at issue here. It's the home builder who by necessity must purchase wood, nails, dry wall, and host of other items to provide the service of constructing a house. Similarly, it's a painting contractor who will often purchase the paint when he renders the

service of painting the interior of a house. These service providers generally purchase materials to undertake a specific project and at its end, little or no merchandise remains. They may even arrange for the products to be delivered directly to their client.

Mr. President, if we thought that accrual accounting is complicated and burdensome, imaging having to keep track of all the boards, nails, and paint used in the home builder's and painter's jobs each year. And it doesn't always stop at inventory accounting for these service providers. Instead, the IRS has used it as the first step to imposing overall accrual accounting—a one-two punch for the small service provider when it comes to compliance burdens.

Even more troubling is the cost of an audit for these unsuspecting service providers who have never known they were required to use inventories or accrual accounting. According to a survey of practitioners by the Padgett Business Services Foundation, audits of businesses on the issue of merchandise used in the performance of services resulted in tax deficiencies from $2,000 to $14,000, with an average of $7,200. That's a steep price to pay for an accounting method error that the IRS for years has never enforced.

The bill I'm introducing today—the Cash Accounting for Small Business Act of 2001—addresses both of these issues and builds on the legislation that I introduced in the 106th Congress. First, the bill establishes a clear threshold for when small businesses may use the cash method of accounting. Simply put, if a business has an average of $5 million in annual gross receipts or less during the preceding three years, it may use the cash method. Plain and simple—no complicated formula; no guessing if you made the right assumptions and arrived at the right answer. If the business exceeds the threshold, it may still seek to establish, as under current law, that the cash method clearly reflects its income.

Some may argue that this provision is unnecessary because section 448(b) and (c) of the Internal Revenue Code already provide a $5 million gross receipts test with respect to accrual accounting. That's a reasonable position since many in Congress back in 1986 intended section 448 to provide relief for small business taxpayers using the cash method. Unfortunately, the IRS has twisted this section to support its quest to force as many small businesses as possible into costly accrual accounting. The IRS has construed section 448 to be merely a $5 million ceiling above which a business can never use the cash method. My bill corrects this misinterpretation once and for all—if a business has average gross receipts of $5 million or less, it is free to use cash accounting.

Additionally, the bill indexes the $5 million threshold for inflation so it will keep pace with price increases. As a result, small businesses will not be forced into the accrual method merely because their gross receipts increased due to inflation.

Second, for small service providers, the Cash Accounting for Small Business Act exempts these taxpayers from inventory accounting if they meet the general $5 million threshold. These businesses will be able to deduct the expenses for such inventory that are actually consumed and used in the operation of the business during that particular taxable year. While the small service provider will still have to keep some minimal records as to the merchandise used during the year, it will be vastly more simple than having to comply with the onerous inventory accounting rules currently in place in the tax code.

The $5 million threshold set forth in my bill is a common-sense solution to an increasing burden for small businesses in this country, which was recently highlighted by the IRS National Taxpayer Advocate. In his 2001 Report to Congress, the Advocate noted that ''Small business taxpayers may be burdened by having to maintain an accrual method of accounting for no other purpose than tax reporting. Because these taxpayers can be relatively unsophisticated about tax and inventory accounting issues, they are likely to hire advisors to help them comply with their tax obligations.'' Unfortunately, these higher costs of recordkeeping and tax preparation take valuable capital away from the business and hinder its ability to grow and produce jobs. The Cash Accounting for Small Business Act takes a big step toward easing those burdens and allowing small business owners to dedicate their time and money to running successful enterprises—instead of filling out government paperwork.

In addition, it sends a clear signal to the IRS: stop wasting scarce resources forcing small businesses to adopt complex and costly accounting methods when the benefit to the Treasury is simply a matter of timing. Whether a small business uses the cash or accrual method or inventory accounting or not, in the end, the government will still collect the same amount of taxes—maybe not all this year, but very likely early in the next year. What small business can go very long without collecting what it is owed or paying its bills?

Last year, the Treasury Department's answer was to propose a $1 million threshold under which a small business could escape accrual accounting and presumably inventories. While it is a step in the right direction, it simply doesn't go far enough. Even ignoring inflation, if a million dollar threshold were sufficient, why would Congress have tried to enact a $5 million threshold 14 years ago? My bill completes the job that the Clinton Treasury Department was unable or unwilling to do.

More recently, the IRS issued a notice announcing that the agency has temporarily changed its litigation position concerning the requirement that certain taxpayers must use inventory and accrual accounting. Based on losses in several court cases, the IRS has decided to back off on taxpayers in construction businesses similar to those addressed by the courts. For those taxpayers, the agency has turned down the fire, and I applaud the IRS for its decision. The new litigation position, however, does not solve the underlying statutory issues that led the IRS to pursue these taxpayers in the first place, nor is it any assurance that the litigation position will not be changed again once the IRS'' Chief Counsel has completed its study of these issues. The Cash Accounting for Small Businesses resolves this matter once and for all small businesses giving them clear rules and certainty as they struggle to keep their businesses running.

The legislation I introduce today is the companion to the bill that Congressman HERGER is introducing in the other body. Together with Congressman HERGER and the small business community, I expect to continue the momentum that we started last year and achieve some much needed relief from unnecessary compliance burdens and costs for America's small businesses.

The call for tax simplification has been growing increasingly loud in recent years, and this bill provides an excellent opportunity for us to advance the ball well down the field. This is not a partisan issue; it's a small business issue. And I urge my colleagues on both sides of the aisle to join me in this common-sense legislation for the benefit of America's small enterprises, which contribute so greatly to this country's economic engine.

Mr. President, I ask unanimous consent to have printed in the RECORD, the text of the bill and a description of its provisions.

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

S. 336

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 ''Cash Accounting for Small Business Act of 2001''.

SEC. 2. CLARIFICATION OF CASH ACCOUNTING RULES FOR SMALL BUSINESS.

(a) CASH ACCOUNTING PERMITTED.—Section 446 of the Internal Revenue Code of 1986 (relating to general rule for methods of accounting) is amended by adding at the end the following new subsection:

''(g) SMALL BUSINESS TAXPAYERS PERMITTED TO USE CASH ACCOUNTING METHOD WITHOUT LIMITATION.—

''(1) IN GENERAL.—Notwithstanding any other provision of this title, an eligible taxpayer shall not be required to use an accrual method of accounting for any taxable year.

''(2) ELIGIBLE TAXPAYER.—For purposes of this subsection—

''(A) IN GENERAL.—A taxpayer is an eligible taxpayer with respect to any taxable year if—

''(i) for all prior taxable years beginning after December 31, 1999, the taxpayer (or any predecessor) met the gross receipts test of subparagraph (B), and

''(ii) the taxpayer is not a tax shelter (as defined in section 448(d)(3)).

''(B) GROSS RECEIPTS TEST.—A taxpayer meets the gross receipts test of this subparagraph for any prior taxable year if the average annual gross receipts of the taxpayer (or any predecessor) for the 3-taxable-year period ending with such prior taxable year does not exceed $5,000,000. The rules of paragraphs (2) and (3) of section 448(c) shall apply for purposes of the preceding sentence.

''(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2001, the dollar amount contained in subparagraph (B) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ''calendar year 2000'' for ''calendar year 1992'' in subparagraph (B) thereof.

If any amount as adjusted under this subparagraph is not a multiple of $100,000, such amount shall be rounded to the nearest multiple of $100,000.''.

(b) CLARIFICATION OF INVENTORY RULES FOR SMALL BUSINESS.—Section 471 of the Internal Revenue Code of 1986 (relating to general rule for inventories) is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

''(c) SMALL BUSINESS TAXPAYERS NOT REQUIRED TO USE INVENTORIES.—

''(1) IN GENERAL.—An eligible taxpayer shall not be required to use inventories under this section for a taxable year.

''(2) TREATMENT OF TAXPAYERS NOT USING INVENTORIES.—If an eligible taxpayer does not use inventories with respect to any property for any taxable year beginning after December 31, 2000, such property shall be treated as a material or supply which is not incidental.

''(3) ELIGIBLE TAXPAYER.—For purposes of this subsection, the term 'eligible taxpayer' has the meaning given such term by section 446(g)(2).''.

(c) INDEXING OF GROSS RECEIPTS TEST.—Section 448(c) of the Internal Revenue Code of 1986 (relating to $5,000,000 gross receipts test) is amended by adding at the end the following new paragraph:

''(4) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2001, the dollar amount contained in paragraph (1) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ''calendar year 2000'' for ''calendar year 1992'' in subparagraph (B) thereof.

If any amount as adjusted under this paragraph is not a multiple of $100,000, such amount shall be rounded to the nearest multiple of $100,000.''.

(d) EFFECTIVE DATE AND SPECIAL RULES.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2000.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer changing the taxpayer's method of accounting for any taxable year under the amendments made by this section—

(A) such change shall be treated as initiated by the taxpayer;

(B) such change shall be treated as made with the consent of the Secretary of the Treasury; and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account over a period (not greater than 4 taxable years) beginning with such taxable year.

CASH ACCOUNTING FOR SMALL BUSINESS ACT OF 2001—DESCRIPTION OF PROVISIONS

The bill amends section 446 of the Internal revenue Code to provide a clear threshold for small businesses to use the cash receipts and disbursements method of accounting, instead of accrual accounting. To qualify, the business must have $5 million or less in average annual gross receipts based on the preceding three years. Thus, even if the production, purchase, or sale of merchandise is an income-producing factor in the taxpayer's business, the taxpayer will not be required to use an accrual method of accounting if the taxpayer meets the average annual gross receipts test.

In addition, the bill provides that a taxpayer meeting the average annual gross receipts test is not required to account for inventories under section 471. The taxpayer will be required to treat such inventory in the same manner as materials or supplies that are not incidental. Accordingly, the taxpayer may deduct the expenses for such inventory that are actually consumed and used in the operation of the business during that particular taxable year.

The bill indexes the $5 million average annual gross receipts threshold for inflation. The cash-accounting safe harbor will be effective for taxable years beginning after December 31, 2000.

By Mr. DOMENICI:

S. 337. A bill to amend the Elementary and Secondary Education act of 1965 to assist State and local educational agencies in establishing teacher recruitment centers, teacher internship programs, and mobile professional development teams, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

Mr. DOMENICI. Mr. President, I rise today with great pleasure to introduce the Teacher Recruitment, Development, and Retention Act of 2001.

I want to begin with a quotation I recently came across that captures the essence of teaching:

The mediocre teacher tells. The good teacher explains. the superior teacher demonstrates. The great teacher inspires.

The point is simple, for our children to succeed we must ensure they are taught by well-educated, competent, and qualified teachers.

I say this because it is a simple fact that in the future the individuals who will succeed will be those who can read, write, and do math. I firmly believe that a good education will help ensure a ticket to the economic security of the middle class because almost no one doubts the link between education and an individual's prospects.

However, one of the fundamental keys to providing our children with the tools to succeed is the presence of qualified teachers. Nothing can have a more positive impact on a child's learning than a knowledgeable and skillful teacher. Thus, we must ensure there are not only enough teachers, but enough teachers that possess the tools required to make that positive impact on our children.

Teachers must not only be prepared when they are hired, but they must remain armed with the latest technology and teaching tools for the duration of their careers. Just think of the constant training and testing doctors, police officers, and lawyers must endure throughout their careers.

Before I touch upon the Teacher Recruitment, Development, and Retention Act of 2001 in greater detail I would like to make a few brief comments about K–12 education in New Mexico. New Mexico is a very large and rural state with almost 20,000 teachers and nearly 330,000 public school students.

New Mexico's 89 school districts come in all shapes and sizes, for instance, Albuquerque has over 85,000 students and Corona has only 92 students. However, each of these districts, large and small must all have qualified teachers.

The Teacher Recruitment, Development, and Retention Act of 2001 seeks to create several optional programs for states to facilitate teacher recruitment development, and retention through grants awarded by the Secretary of Education.

The first option would be the creation of Teacher Recruitment Centers. These centers would serve as job banks/statewide clearinghouses for the recruitment and placement of K–12 teachers. The centers would also be responsible for creating programs to further teacher recruitment and retention within the state.

The second option would encourage states to implement teacher internships where newly hired teachers would participate in a teacher internship in addition to any state or district student teaching requirement. The internship would last one year and during that time the teacher would be assigned a mentor/senior teacher for guidance and support.

Finally, states would have the option of creating mobile professional development teams. These teams would alleviate the need for teachers and administrators that often have to travel great distances to attend professional development programs by bringing these activities directly to the local district or a centrally located regional site through mobile professional development teams.

I believe the primary beneficiaries of mobile professional development teams would be rural areas and the programs offered would focus on any state or local requirements for licensure of teachers and administrators, including certification and recertification.

Under the Teacher Recruitment, Development, and Retention Act of 2001 each program would be authorized at $50 million for fiscal year 2002 and such sums as may be necessary for each of the four succeeding fiscal years.

In conclusion, I want to again say how pleased I am to introduce the

Teacher Recruitment, Development, and Retention Act of 2001 and I look forward to working with my colleagues as we reauthorize the Elementary and Secondary Education Act.

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. 337

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 ''Teacher Recruitment, Development, and Retention Act of 2001''.

SEC. 2. TEACHER RECRUITMENT CENTERS.

Title II of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6601 et seq.) is amended—

(1) by redesignating part E as part H;

(2) by redesignating sections 2401 and 2402 as sections 2701 and 2702, respectively; and

(3) by inserting after part D the following:

''PART E—TEACHER RECRUITMENT CENTERS

''SEC. 2401. GRANTS.

''(a) IN GENERAL.—The Secretary may make grants to State educational agencies to establish and operate State teacher recruitment centers.

''(b) USE OF FUNDS.—An agency that receives a grant under subsection (a) shall use the funds made available through the grant to establish and operate a center that—

''(1) serves as a statewide clearinghouse for the recruitment and placement of kindergarten, elementary school, and secondary school teachers; and

''(2) establishes and carries out programs to improve teacher recruitment and retention within the State.

''(c) APPLICATION.—To be eligible to receive a grant under subsection (a), an agency shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this part $50,000,000 for fiscal year 2002 and such sums as may be necessary for each of fiscal years 2003 through 2006.''.

SEC. 3. TEACHER INTERNSHIPS.

Title II of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6601 et seq.), as amended by section 2, is further amended by inserting after part E the following:

''PART F—TEACHER INTERNSHIPS

''SEC. 2501. GRANTS.

''(a) IN GENERAL.—The Secretary may make grants to State educational agencies and local educational agencies to establish teacher internship programs.

''(b) USE OF FUNDS.—An agency that receives a grant under subsection (a) shall use the funds made available through the grant to establish teacher internship programs in which a new teacher employed in the State or district involved—

''(1) is hired on a probationary basis for a 1–year period; and

''(2) is required to participate in an internship during that year, under the supervision of a mentor teacher, in addition to meeting any State or local requirement concerning student teaching.

''(c) APPLICATION.—To be eligible to receive a grant under subsection (a), an agency shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

''(d) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this part $50,000,000 for fiscal year 2002 and such sums as may be necessary for each of fiscal years 2003 through 2006.''.

SEC. 4. MOBILE PROFESSIONAL DEVELOPMENT TEAMS.

Title II of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6601 et seq.), as amended by section 3, is further amended by inserting after part F the following:

''PART G—MOBILE PROFESSIONAL DEVELOPMENT TEAMS

''SEC. 2601. GRANTS.

''(a) IN GENERAL.—The Secretary may make grants to State educational agencies to carry out professional development activities through mobile professional development teams.

''(b) USE OF FUNDS.—An agency that receives a grant under subsection (a) shall use the funds made available through the grant to carry out, directly or by grant or contract with entities approved by the agency, activities that—

''(1) at a minimum, provide professional development with respect to State licensing and certification (including recertification) requirements of teachers and administrators; and

''(2) are provided by mobile professional development teams, in the school district in which the teachers and administrators are employed, or at a centrally located regional site.

''(c) APPLICATION.—To be eligible to receive a grant under subsection (a), an agency shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

''(d) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to agencies proposing to carry out professional development activities through mobile professional development teams that will primarily operate in rural areas.

''(e) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this part $50,000,000 for fiscal year 2002 and such sums as may be necessary for each of fiscal years 2003 through 2006.''.

By Mr. ENSIGN (for himself and Mr. REID):

S. 338. A bill to protect amateur athletics and combat illegal sports gambling; to the Committee on the Judiciary.

Mr. REID. Mr. President, today I join my colleague from Nevada, Senator ENSIGN, in introducing bipartisan legislation aimed at curtailing illegal gambling in college sports. The bill we are introducing will have a direct and immediate impact on the growing national problem of illegal gambling in college sports.

Illegal gambling in college sports is a growing phenomenon. It is a problem not only in our college campuses and dorm rooms but is spreading throughout the country. While we have laws on our books prohibiting this activity, they seem to be having little impact.

Last year there were several legislative efforts aimed at addressing this problem. I was fortunate last year to work on a similar bill which had the support of Senators TORRICELLI, BAUCUS, and LINCOLN and former Senators Bryan and Robb. Some suggested enacting a prohibition on all forms of sports wagering—even in States where it is legal and regulated. Such a proposal is an affront to States' rights and more importantly, does not address the real problem—illegal gambling.

Indeed, it is like shutting down the Bank of America in order to eliminate loan sharking. I have a pretty good understanding of the many issues involving gaming. Prior to my service in the Senate I chaired the Nevada Gaming Commission. The Commission was responsible for regulating all forms of Nevada's legal gaming industry. Gaming succeeds in Nevada not despite regulation but because of regulation.

It is an all-cash industry. Absent regulation, it invites mischief and criminal wrongdoing. The National gambling Impact Study Commission estimates that as much as $380 billion is wagered illegally every year. By contrast, all sports wagers in Nevada were less than 1 percent of illegal wagers, with college wagers only one-third of the State total.

While there has been disagreement over the appropriate policy response to illegal gambling on college sports, there is agreement that something must be done. The Ensign-Reid bill we are introducing today takes affirmative steps to immediately address illegal gambling on college sports. It establishes a task force on illegal wagering on collegiate sporting events at the Department of Justice.

The task force is directed to enforce Federal laws prohibiting gambling related to college sports and to report to Congress annually on the number of prosecutions and convictions obtained. It doubles the penalties for illegal sports gambling. Our bill also addresses the growing trend of gambling by minors by directing the National Institute of Justice to conduct a study on this disturbing trend.

It requires the Attorney General to conduct a study of illegal college sports gambling. Our legislation answers a concern raised by the NCAA regarding illegal gambling on college campuses. The National Gambling Impact Study Commission's final report found widespread illegal gambling by student athletes despite NCAA regulations prohibiting such activities. The commission urged the NCAA to do more. The NCAA has failed to take any action so our bill does.

Just as schools now report on incidents of drug and alcohol abuse on their campuses they will now provide similar data on illegal wagering. Schools will be required to coordinate their anti-gambling programs and submit an annual report to the Secretary of Education. In addition to reporting on incidents of illegal gambling activity on their campuses, schools will be required to provide a statement of policy regarding illegal gambling.

Finally, our bill includes a section on personal responsibility. Students receiving athletic-related aid shall be deemed ineligible for such aid if it is

determined that that student engaged in illegal gambling activity. While this is a taught measure, if the NCAA is serious about addressing this problem, we would hope they could join us in supporting a real solution. Schools will be required to coordinate their efforts to reduce illegal gambling on campuses.

I believe the problems of illegal gambling on college sporting events is very real. I believe it is growing. No one knows the real extent of this problem. No one knows what is being done to combat this at the Federal level or by our Nation's institutions of higher learning. The NCAA has chosen not to address this problem. To date, their combined strategy of finger pointing, use of red herring and outright denial has left us with little to show in terms of addressing this problem. Our nation's students and schools are being ill-served by this beleaguered association that at times seems more interested in signing billion dollar broadcasting contracts than ensuring the integrity of the sporting events they sanction.

Our bipartisan legislation takes significant and meaningful steps toward cleaning up the state of affairs with collegiate sports. I urge my colleagues join us in committing to address the problem of illegal gambling in college sports.

By Mr. WYDEN (for himself, Mr. FRIST, Mr. SESSIONS, Mr. BREAUX, Ms. LANDRIEU, and Mr. BAYH):

S. 339. A bill to provide for improved educational opportunities in rural schools and districts, and for other purposes; to the Committee on Health, Education, Labor, and Pensions.

Mr. WYDEN. Mr. President, if you are one of the millions of rural school children who ride buses 2.9 billion miles every year, if you attend school in one of the thousands of rural schools that have no school library or no classroom computers, if one of the buildings at your school is in serious disrepair, or if you are sharing a few 30 year-old textbooks with the other students in your class, then you probably feel like you are going to school in an education sacrifice zone.

Our country spends less than a quarter of our Nation's education dollars to educate approximately half of our nation's students. You don't have to be a math whiz to know that the numbers just don't add up. The students who are short-changed often live in rural areas.

Thousands of rural and small schools across our nation face the daunting mission of educating almost half of America's children. Increasingly, these schools are underfunded, overwhelmed, and overlooked. While half of the nation's students are educated in rural and small public schools, they only receive 23 percent of Federal education dollars; 25 percent of State education dollars; and 19 percent of local education dollars.

We all grew up thinking that the ''three R's'' were Reading, Writing, and Arithmetic. Unfortunately for our rural school children, the ''three R's'' are too often run-down classrooms, insufficient resources, and really overworked teachers.

The bill I am introducing with Senators FRIST and SESSIONS, the Rural Education Development Initiative, REDI, would provide funding to 5,400 rural school districts that serve 6.5 million students—a short-term infusion of funds that will allow rural schools and their students to make substantial strides forward.

Local education agencies would be eligible for REDI funding if they are either ''rural'', school locale code of 6, 7, or 8, and have a school-age population, ages 5–17, with 15 percent or more of the kids are from families with incomes below the poverty line; or ''small''—student population of 800 or less and a student population, ages 5–17, with 15 percent or more of the kids are from families with incomes below the poverty line. In Oregon, among the schools eligible for REDI funding would be Jewell High School in Seaside, Burnt River Elementary in Unity, Gaston High School in Gaston, and Mari-Lynn Elementary School in Lyons, Oregon.

Like the Education Flexibility Act of 1999, Ed-Flex, I authored with Senator FRIST last Congress, REDI is voluntary—states and school districts could choose to participate in the program. Both Ed-Flex and REDI are designed to provide states and districts with flexibility they need so they can target their local priorities.

Rural school districts and schools also find it more difficult to attract and retain qualified teachers, especially in Special Education, Math, and Science. Consequently, teachers in rural schools are almost twice as likely to provide instruction in two or more subjects than their urban counterparts. The History teacher may be teaching Math and Science without any formal training or experience. Rural teachers also tend to be younger, less experienced, and receive less pay than their urban and suburban counterparts. Worse yet, rural school teachers are less likely to have the high quality professional development opportunities that current research strongly suggests all teachers desperately need.

Limited resources also mean fewer course offerings for students in rural and small schools. Consequently, courses are designed for the kids in the middle. So, students at either end of the academic spectrum miss out. Additionally, fewer rural students who dropout ever return to complete high school, and fewer rural higher school graduates go on to college.

On another note, recent research on brain development clearly shows the critical nature of early childhood education, yet rural schools are less likely to offer even kindergarten classes, let alone earlier educational opportunities.

To make matters worse, many of our rural areas are also plagued by persistent poverty, and, as we know, high-poverty schools have a much tougher time preparing their students to reach high standards of performance on state and national assessments. Data from the National Assessment of Educational Progress consistently show large gaps between the achievement of students in high-poverty schools and students in low-poverty schools.

Our legislation will provide rural students with greater learning opportunities by putting more computers in classrooms, expanding distance learning opportunities, providing academic help to students who have fallen behind, and making sure that every class is taught by a highly qualified teacher. I've heard it said that this will be the Education Congress, but we have much to do before we earn that title. It's time to show that we when it comes to education, we won't leave anyone behind, and REDI will give children from rural and small communities more of the educational opportunities they deserve.

I ask unanimous consent that my bill be printed in the RECORD.

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

S. 339

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 ''Rural Education Development Initiative for the 21st Century Act.''

SEC. 2. PURPOSE.

The purpose of this Act is to provide rural school students in the United States with increased learning opportunities.

SEC. 3. FINDINGS.

Congress makes the following findings:

(1) While there are rural education initiatives identified at the State and local level, no Federal education policy focuses on the specific needs of rural school districts and schools, especially those that serve poor students.

(2) The National Center for Educational Statistics (NCES) reports that while 46 percent of our Nation's public schools serve rural areas, they only receive 22 percent of the nation's education funds annually.

(3) A critical problem for rural school districts involves the hiring and retention of qualified administrators and certified teachers (especially in Special Education, Science, and Mathematics). Consequently, teachers in rural schools are almost twice as likely to provide instruction in two or more subjects than teachers in urban schools. Rural schools also face other tough challenges, such as shrinking local tax bases, high transportation costs, aging buildings, limited course offerings, and limited resources.

(4) Data from the National Assessment of Educational Progress (NAEP) consistently shows large gaps between the achievement of students in high-poverty schools and those in other schools. High-poverty schools will face special challenges in preparing their students to reach high standards of performance on State and national assessments.

SEC. 4. DEFINITIONS.

In this Act:

(1) ELEMENTARY SCHOOL; LOCAL EDUCATIONAL AGENCY; SECONDARY SCHOOL; STATE

EDUCATIONAL AGENCY.—The terms ''elementary school'', ''local educational agency,'' ''secondary school'', and ''State educational agency'' have the meanings given the terms in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801).

(2) ELIGIBLE LOCAL EDUCATIONAL AGENCY.—The term ''eligible local educational agency'' means a local educational agency that serves—

(A) a school age population 15 percent or more of whom are from families with incomes below the poverty line; and

(B)(i) a school locale code of 6, 7, 8; or

(ii) a school age population of 800 or fewer students.

(3) RURAL AREA.—The term ''rural area'' includes the area defined by the Department of Education using school local codes 6, 7, and 8.

(4) POVERTY LINE.—The term ''poverty line'' means the poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2))) applicable to a family of the size involved.

(5) SCHOOL LOCALE CODE.—The term ''school locale code'' has the meaning as defined by the Department of Education.

(6) SCHOOL AGE POPULATION.—The term ''School age population'' means the number of students aged 5 through 17.

(7) SECRETARY.—The term ''Secretary'' means the Secretary of Education.

SEC. 5. PROGRAM AUTHORIZED.

(a) RESERVATION.—From amounts appropriated under section 9 for a fiscal year the Secretary shall reserve 0.5 percent to make awards to elementary or secondary schools operated or supported by the Bureau of Indian Affairs to carry out the purpose of this Act.

(b) GRANTS TO STATES.—

(1) IN GENERAL.—From amounts appropriated under section 9 that are not reserved under subsection (a) for a fiscal year, the Secretary shall award grants to State educational agencies that have applications approved under section 7 to enable the State educational agencies to award grants to eligible local educational agencies for local authorized activities described in subsection (c).

(2) FORMULA.—

(A) IN GENERAL.—Each State educational agency shall receive a grant under this section in an amount that bears the same relation to the amount of funds appropriated under section 9 that are not reserved under subsection (a) for a fiscal year as the school age population served by eligible local educational agencies in the State bears to the school age population served by eligible local educational agencies in all States.

(B) DATA.—In determining the school age population under subparagraph (A) the Secretary shall use the most recent date available from the Bureau of the Census.

(3) DIRECT AWARDS TO LOCAL EDUCATIONAL AGENCIES.—If a State educational agency elects not to participate in the program under this Act or does not have an application approved under section 7, the Secretary may award, on a competitive basis, the amount the State educational agency is eligible to receive under paragraph (2) directly to eligible local educational agencies in the State.

(4) MATCHING REQUIREMENT.—Each eligible local educational agency that receives a grant under this Act shall contribute resources with respect to the local authorized activities to be assisted, in cash or in kind, from non-Federal sources, in an amount equal to the Federal funds awarded under the grant.

(c) LOCAL AUTHORIZED ACTIVITIES.—Grant funds awarded to local educational agencies under this Act shall be used for—

(1) for local educational technology efforts as established under section 6844 of Title 20, United States Code;

(2) for professional development activities designed to prepare those teachers teaching out of their primary subject area;

(3) for academic enrichment programs established under section 10204 of Title 20 in United States Code;

(4) innovative academic enrichment programs related to the educational needs of students at-risk of academic failure, including remedial instruction in one or more of the core subject areas of English, Mathematics, Science, and History; or

(4) activities to recruit and retain qualified teachers in Special Education, Math, and Science.

(d) RELATION TO OTHER FEDERAL FUNDING.—Funds received under this Act by a State educational agency or an eligible local educational agency shall not be taken into consideration in determining the eligibility for, or amount of, any other Federal funding awarded to the agency.

SEC. 6. STATE DISTRIBUTION OF FUNDS.

(a) AWARD BASIS.—A State educational agency shall award grants to eligible local educational agencies according to a formula or competitive grant program developed by the State educational agency and approved by the Secretary.

(b) FIRST YEAR.—For the first year that a State educational agency receives a grant under this Act, the State educational agency—

(1) shall use not less than 99 percent of the grant funds to award grants to eligible local educational agencies in the State; and

(2) may use not more than 1 percent for State activities and administrative costs and technical assistance related to the program.

(c) SUCCEEDING YEARS.—For the second and each succeeding year that a State educational agency receives a grant under this Act, the State educational agency—

(1) shall use not less than 99.5 percent of the grant funds to award grants to eligible local educational agencies in the State; and

(2) may use not more than 0.5 percent of the grant funds for State activities and administrative costs related to the program.

SEC. 7. APPLICATIONS.

Each State educational agency, or local educational agency eligible for a grant under section 5(b)(3), that desires a grant under this Act shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may require.

SEC. 8. REPORTS; ACCOUNTABILITY; STUDY.

(a) STATE REPORTS.—

(1) CONTENTS.—Each State educational agency that receives a grant under this Act shall provide an annual report to the Secretary. The report shall describe—

(A) the method the State education agency used to award grants to eligible local educational agencies under this Act;

(B) how eligible local educational agencies used funds provided under this Act;

(C) how the State educational agency provided technical assistance for an eligible local educational agency that did not meet the goals and objectives described in subsection (c)(3); and

(D) how the State educational agency took action against an eligible local educational agency if the local educational agency failed, for 2 consecutive years, to meet the goals and objectives described in subsection (c)(3).

(2) AVAILABILITY.—The Secretary shall make the annual State reports received under paragraph (1) available for dissemination to Congress, interested parties (including educators, parents, students, and advocacy and civil rights organizations), and the public.

(b) LOCAL EDUCATIONAL AGENCY REPORTS.—Each eligible local educational agency that receives a grant under section 5(b)93) shall provide an annual report to the Secretary. The report shall describe how the local educational agency used funds provided under this Act and how the local educational agency coordinated funds received under this Act with other Federal, State, and local funds.

(c) REPORT TO CONGRESS.—The Secretary shall prepare and submit to Congress an annual report. The report shall describe—

(1) the methods the State educational agencies used to award grants to eligible local educational agencies under this Act;

(2) how eligible local educational agencies used funds provided under this Act; and

(3) the progress made by State educational agencies and eligible local educational agencies receiving assistance under this Act in meeting specific, annual, measurable performance goals and objectives established by such agencies for activities assisted under this Act.

(d) ACCOUNTABILITY.—The Secretary, at the end of the third year that a State educational agency participates in the program assisted under this Act, shall permit only those State educational agencies that met their performance goals and objectives, for two consecutive years, to continue to participate in the program.

(e) STUDY.—The Comptroller General of the United States shall conduct a study regarding the impact of assistance provided under this Act on student achievement. The Controller General shall report the results of the study to Congress.

SEC. 9. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this Act $300,000,000 for each of the fiscal years 2002 through 2005.

ADDITIONAL COSPONSORS

S. 29

At the request of Mr. BOND, the name of the Senator from Missouri (Mrs. CARNAHAN) was added as a cosponsor of S. 29, a bill to amend the Internal Revenue Code of 1986 to allow a deduction for 100 percent of the health insurance costs of self-employed individuals.

S. 99

At the request of Mr. KOHL, the name of the Senator from South Dakota (Mr. JOHNSON) was added as a cosponsor of S. 99, a bill to amend the Internal Revenue Code of 1986 to provide a credit