(Ms. MIKULSKI) and the Senator from Florida (Mr. NELSON of Florida) were added as cosponsors of amendment No. 763 proposed to H.R. 1836, a bill to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

AMENDMENT NO. 784

At the request of Mr. HARKIN, the names of the Senator from New Jersey (Mr. CORZINE) and the Senator from New York (Mrs. CLINTON) were added as cosponsors of amendment No. 784 proposed to H.R. 1836, a bill to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. BAUCUS:

S. 935. A bill to authorize the negotiation of a Free Trade Agreement with the commonwealth of Australia, and to provide for expedited congressional consideration of such an agreement; to the Committee on Finance.

By Mr. BAUCUS:

S. 943. A bill to authorize the negotiation of a Free Trade Agreement with New Zealand, and to provide for expedited congressional consideration of such an agreement; to the Committee on Finance.

By Mr. BAUCUS:

S. 944. A bill to authorize the negotiation of a Free Trade Agreement with the Republic of Korea and to provide for expedited congressional consideration of such an agreement; to the Committee on Finance.

Mr. BAUCUS. Mr. President, I rise to send three separate bills to the desk, S. 935, S. 943, and S. 944. The bills I am introducing provide authority to negotiate bilateral free trade agreements with three important trading partners: New Zealand, Australia, and the Republic of Korea.

Over the next several months, the Senate will turn its attention to international trade. As we do so, we find ourselves under serious scrutiny. Will we be able to reach consensus? Will we be able to break the impasse?

I don't know the answers to these questions. I have been working hard to find common ground on issues like labor and the environment, and on ensuring the strength of our trade laws. I will continue to do so. But we have a long way to go.

As we think about these issues, though, there is another, more subtle logjam within the trade agenda. Right now, our vision of the future seems locked in on sweeping, multilateral agreements, Free Trade for the Americas, the launch of a new round of global trade negotiations under the WTO.

These are enormous and complicated undertakings. These agreements are also major opportunities for trade liberalization, and we should continue to work hard to get agreements that are good for our workers, farmers, and companies.

But it is interesting to listen to the rhetoric. Why can't we advance labor and environment issues in the WTO? Some say developing countries simply would not allow it. Why can't we agree that our fair trade laws are not for sale in FTAA negotiations? Some say Brazil will never relent.

Indeed, our trade policy seems to have become so focused on sweeping multilateral agreements, that we ignore other avenues to trade liberalization—much to the detriment of U.S. competitiveness.

Take a closer look at this so-called trade impasse: The U.S.-Jordan Free Trade Agreement contains extensive and enforceable provisions on labor and the environment. Our free trade agreement with Canada and Mexico also addresses labor and environmental issues, with potential recourse to trade sanctions. We are moving towards completing an agreement with Chile—a country we know is open to labor and environment issues because they just recently struck a free trade agreement with Canada that includes enforceable provisions on both.

What's the moral of this story? It's simple. These agreements demonstrate we can break the impasse on trade.

Indeed, we must move forward where we can, whenever we can. If not fast track for all, then fast-track for some, specifically, those countries where we have strategic commercial and political interests. Those countries that will share our commitment to open markets, and our values for environmental quality and labor rights.

Today, I am introducing legislation that would authorize trade negotiations with Australia, New Zealand, and the Republic of Korea. It would grant fast track consideration for these agreements, while also establishing a general policy framework for future negotiations.

Trade agreements must address the full range of issues, from guaranteeing national treatment and market access, to protecting intellectual property. From promoting electronic commerce to ensuring that countries do not gain unfair advantage by lowering labor and environmental standards. And these agreements must not weaken our fair trade laws.

I believe there are many countries ready to take that deal. Australia and New Zealand are two countries eager to negotiate free trade agreements. We must continue to build our economic alliances in the Asia-Pacific region, and both countries have been strong partners in trade. We must also be realistic. An FTA would present tremendous opportunities, but we must recognize where there are differences. One such difference is the operation of the Australian wheat board, which, despite recent reforms, still works to distort world markets. Agriculture negotiations with both countries would require careful treatment, but should allow us to better work together to reduce unfair trade barriers in other parts of the world.

A trade agreement with Korea will take more time, as the issues are more difficult to resolve. For example, Korea maintains very high tariffs on beef, hurting ranchers in my home state of Montana. High tariffs, high taxes, and other trade-restrictive practices in Korea, reduce the competitiveness of American automobiles from Michigan and Ohio. Government subsidies in Korea undercut American semiconductor manufacturers in Idaho and Utah.

But we must not wait to negotiate agreements until all these problems are solved. Rather, we should use FTA negotiations as part of the solution. And with Korea, there are benefits that extend well beyond trade. An FTA would help lock in Korea's economic and political progress, and would also be an important part of our strategic interests in Asia.

The bottom line is this: while America hesitates on trade liberalization, and while many reject trying to reach a bipartisan consensus, the rest of the world continues to move forward. Regional trade arrangements in Europe, Latin America, and Asia put U.S. exporters at a competitive disadvantage. We lose overseas markets to foreign competitors who enjoy trade preferences for which our farmers, manufacturers, and service providers are ineligible.

I hope this legislation will send a strong signal to the rest of the world: America intends to continue its leadership in the global trading system.

By Mr. ALLARD (for himself, Mr. JOHNSON, and Mr. THOMAS):

S. 936. A bill to amend the Internal Revenue Code of 1986 to expand S corporation eligibility for banks, and for other purposes; to the Committee on Finance.

Mr. ALLARD. Mr. President, today I am pleased to introduce legislation that will expand and improve Subchapter S of the Internal Revenue Code. I am joined in this effort by Senators TIM JOHNSON and CRAIG THOMAS. I have introduced this legislation over the last few years and I am hopeful that this year we can get this important tax legislation enacted.

The Subchapter S provision of the Internal Revenue Code reflect the desire of Congress to eliminate the double tax burden on small business corporations. Pursuant to that desire, Subchapter S has been liberalized a number of times, most recently in 1996. This legislation contains several provisions that will make the Subchapter S election more widely available to small businesses in all sectors. It also contains several provisions of particular benefit to community banks that may be contemplating a conversion to Subchapter S. Financial institutions were first made eligible for the Subchapter S election in 1996. This legislation builds on and clarifies the Subchapter S provisions applicable to financial institutions.

I ask unanimous consent that the text of the bill and an explanation of

the provisions of the bill be printed in the RECORD.

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

S. 936

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 ''Small Business and Financial Institutions Tax Relief Act of 2001''.

SEC. 2. EXPANSION OF S CORPORATION ELIGIBLE SHAREHOLDERS TO INCLUDE IRAS.

(a) IN GENERAL.—Section 1361(c)(2)(A) of the Internal Revenue Code of 1986 (relating to certain trusts permitted as shareholders) is amended by inserting after clause (v) the following:

''(vi) A trust which constitutes an individual retirement account under section 408(a), including one designated as a Roth IRA under section 408A.''.

(b) TREATMENT AS SHAREHOLDER.—Section 1361(c)(2)(B) of the Internal Revenue Code of 1986 (relating to treatment as shareholders) is amended by adding at the end the following:

''(vi) In the case of a trust described in clause (vi) of subparagraph (A), the individual for whose benefit the trust was created shall be treated as a shareholder.''.

(c) SALE OF STOCK IN IRA RELATING TO S CORPORATION ELECTION EXEMPT FROM PROHIBITED TRANSACTION RULES.—Section 4975(d) of the Internal Revenue Code of 1986 (relating to exemptions) is amended by striking ''or'' at the end of paragraph (14), by striking the period at the end of paragraph (15) and inserting ''; or'', and by adding at the end the following:

''(16) a sale of stock held by a trust which constitutes an individual retirement account under section 408(a) to the individual for whose benefit such account is established if such sale is pursuant to an election under section 1362(a).''.

(d) CONFORMING AMENDMENT.—Section 512(e)(1) of the Internal Revenue Code of 1986 is amended by inserting ''1361(c)(2)(A)(vi) or'' before ''1361(c)(6)''.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to trusts which constitute individual retirement accounts on the date of the enactment of this Act in taxable years beginning after December 31, 2001.

SEC. 3. EXCLUSION OF INVESTMENT SECURITIES INCOME FROM PASSIVE INCOME TEST FOR BANK S CORPORATIONS.

(a) IN GENERAL.—Section 1362(d)(3)(C) of the Internal Revenue Code of 1986 (defining passive investment income) is amended by adding at the end the following:

''(v) EXCEPTION FOR BANKS; ETC.—In the case of a bank (as defined in section 581), a bank holding company (as defined in section 246A(c)(3)(B)(ii)), or a qualified subchapter S subsidiary bank, the term 'passive investment income' shall not include—

''(I) interest income earned by such bank, bank holding company, or qualified subchapter S subsidiary bank, or

''(II) dividends on assets required to be held by such bank, bank holding company, or qualified subchapter S subsidiary bank to conduct a banking business, including stock in the Federal Reserve Bank, the Federal Home Loan Bank, or the Federal Agricultural Mortgage Bank or participation certificates issued by a Federal Intermediate Credit Bank.''.

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

SEC. 4. INCREASE IN NUMBER OF ELIGIBLE SHAREHOLDERS TO 150.

(a) IN GENERAL.—Section 1361(b)(1)(A) of the Internal Revenue Code of 1986 (defining small business corporation) is amended by striking ''75'' and inserting ''150''.

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

SEC. 5. TREATMENT OF QUALIFYING DIRECTOR SHARES.

(a) IN GENERAL.—Section 1361 of the Internal Revenue Code of 1986 (defining s corporation) is amended by adding at the end the following:

''(f) TREATMENT OF QUALIFYING DIRECTOR SHARES.—

''(1) IN GENERAL.—For purposes of this subchapter—

''(A) qualifying director shares shall not be treated as a second class of stock, and

''(B) no person shall be treated as a shareholder of the corporation by reason of holding qualifying director shares.

''(2) QUALIFYING DIRECTOR SHARES DEFINED.—For purposes of this subsection, the term 'qualifying director shares' means any shares of stock in a bank (as defined in section 581) or in a bank holding company registered as such with the Federal Reserve System—

''(i) which are held by an individual solely by reason of status as a director of such bank or company or its controlled subsidiary; and

''(ii) which are subject to an agreement pursuant to which the holder is required to dispose of the shares of stock upon termination of the holder's status as a director at the same price as the individual acquired such shares of stock.

''(3) DISTRIBUTIONS.—A distribution (not in part or full payment in exchange for stock) made by the corporation with respect to qualifying director shares shall be includible as ordinary income of the holder and deductible to the corporation as an expense in computing taxable income under section 1363(b) in the year such distribution is received.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1361(b)(1) of the Internal Revenue Code of 1986 is amended by inserting '', except as provided in subsection (f),'' before ''which does not''.

(2) Section 1366(a) of such Code is amended by adding at the end the following:

''(3) ALLOCATION WITH RESPECT TO QUALIFYING DIRECTOR SHARES.—The holders of qualifying director shares (as defined in section 1361(f)) shall not, with respect to such shares of stock, be allocated any of the items described in paragraph (1).''.

(3) Section 1373(a) of such Code is amended by striking ''and'' at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting '', and'', and adding at the end the following:

''(3) no amount of an expense deductible under this subchapter by reason of section 1361(f)(3) shall be apportioned or allocated to such income.''.

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

SEC. 6. BAD DEBT CHARGE OFFS IN YEARS AFTER ELECTION YEAR TREATED AS ITEMS OF BUILT–IN LOSS.

The Secretary of the Treasury shall modify Regulation 1.1374–4(f) for S corporation elections made in taxable years beginning after December 31, 1996, with respect to bad debt deductions under section 166 of the Internal Revenue Code of 1986 to treat such deductions as built-in losses under section 1374(d)(4) of such Code during the entire period during which the bank recognizes built-in gains from changing its accounting method for recognizing bad debts from the reserve method under section 585 of such Code to the charge-off method under section 166 of such Code.

SEC. 7. INCLUSION OF BANKS IN 3-YEAR S CORPORATION RULE FOR CORPORATE PREFERENCE ITEMS.

(a) IN GENERAL.—Section 1363(b) of the Internal Revenue Code of 1986 (relating to computation of corporation's taxable income) is amended by adding at the end the following new flush sentence:

''Paragraph (4) shall apply to any bank whether such bank is an S corporation or a qualified subchapter S subsidiary.''.

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

SEC. 8. C CORPORATION RULES TO APPLY FOR FRINGE BENEFIT PURPOSES.

(a) IN GENERAL.—Section 1372 of the Internal Revenue Code of 1986 (relating to partnership rules to apply for fringe benefit purposes) is repealed.

(b) PARTNERSHIP RULES TO APPLY FOR HEALTH INSURANCE COSTS OF CERTAIN S CORPORATION SHAREHOLDERS.—Paragraph (5) 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:

''(5) TREATMENT OF CERTAIN S CORPORATION SHAREHOLDERS.—

''(A) IN GENERAL.—Section 1372 shall apply in the case of any 2-percent shareholder of an S corporation, except that—

''(i) for purposes of this subsection, such shareholder's wages (as defined in section 3121) from the S corporation shall be treated as such shareholder's earned income (within the meaning of section 401(c)(1)), and

''(ii) there shall be such adjustments in the application of this subsection as the Secretary may by regulations prescribe.

''(B) 2-PERCENT SHAREHOLDER DEFINED.—For purposes of this paragraph, the term '2-percent shareholder' means any person who owns (or is considered as owning within the meaning of section 318) on any day during the taxable year of the S corporation more than 2 percent of the outstanding stock of such corporation or stock possessing more than 2 percent of the total combined voting power of all stock of such corporation.''.

(c) CONFORMING AMENDMENT.—The table of sections for part III of subchapter S of chapter 1 of the Internal Revenue Code of 1986 is amended by striking the item relating to section 1372.

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

SEC. 9. EXPANSION OF S CORPORATION ELIGIBLE SHAREHOLDERS TO INCLUDE FAMILY LIMITED PARTNERSHIPS.

(a) IN GENERAL.—Section 1361(b)(1)(B) of the Internal Revenue Code of 1986 (defining small business corporation) is amended—

(1) by striking ''or an organization'' and inserting ''an organization'', and

(2) by inserting '', or a family partnership described in subsection (c)(7)'' after ''subsection (c)(6)''.

(b) FAMILY PARTNERSHIP.—Section 1361(c) of the Internal Revenue Code of 1986 (relating to special rules for applying subsection (b)) is amended by adding at the end the following:

''(7) FAMILY PARTNERSHIPS.—

''(A) IN GENERAL.—For purposes of subsection (b)(1)(B), any partnership or limited liability company may be a shareholder in an S corporation if—

''(i) all partners or members are members of 1 family as determined under section 704(e)(3), and

''(ii) all of the partners or members would otherwise be eligible shareholders of an S corporation.

''(B) TREATMENT AS SHAREHOLDERS.—For purposes of subsection (b)(1)(A), in the case

of a partnership or limited liability company described in subparagraph (A), each partner or member shall be treated as a shareholder.''.

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

SEC. 10. ISSUANCE OF PREFERRED STOCK PERMITTED.

(a) IN GENERAL.—Section 1361 of the Internal Revenue Code of 1986 (defining s corporation), as amended by section 5(a), is amended by adding at the end the following:

''(g) TREATMENT OF QUALIFIED PREFERRED STOCK.—

''(1) IN GENERAL.—For purposes of this subchapter—

''(A) qualified preferred stock shall not be treated as a second class of stock, and

''(B) no person shall be treated as a shareholder of the corporation by reason of holding qualified preferred stock.

''(2) QUALIFIED PREFERRED STOCK DEFINED.—For purposes of this subsection, the term 'qualified preferred stock' means stock which meets the requirements of subparagraphs (A), (B), and (C) of section 1504(a)(4). Stock shall not fail to be treated as qualified preferred stock solely because it is convertible into other stock.

''(3) DISTRIBUTIONS.—A distribution (not in part or full payment in exchange for stock) made by the corporation with respect to qualified preferred stock shall be includible as ordinary income of the holder and deductible to the corporation as an expense in computing taxable income under section 1363(b) in the year such distribution is received.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 1361(b)(1) of the Internal Revenue Code of 1986, as amended by section 5(b)(1), is amended by striking ''subsection (f)'' and inserting ''subsections (f) and (g)''.

(2) Section 1366(a) of such Code, as amended by section 5(b)(2), is amended by adding at the end the following:

''(4) ALLOCATION WITH RESPECT TO QUALIFIED PREFERRED STOCK.—The holders of qualified preferred stock (as defined in section 1361(g)) shall not, with respect to such stock, be allocated any of the items described in paragraph (1).''.

(3) Section 1373(a)(3) of such Code, as added by section 5(b)(3), is amended by inserting ''or 1361(g)(3)'' after ''section 1361(f)(3)''.

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

SEC. 11. CHARITABLE CONTRIBUTIONS STOCK BASIS ADJUSTMENT.

(a) STOCK BASIS ADJUSTMENT.—Paragraph (1) of section 1367(a) of the Internal Revenue Code of 1986 (relating to adjustments to basis of stock of shareholders, etc.) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following:

''(D) the excess of the deductions for charitable contributions over the basis of the property contributed.''.

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

SEC. 12. CONSENT TO ELECTIONS.

(a) 90 PERCENT OF SHARES REQUIRED FOR CONSENT TO ELECTION.—Section 1362(a)(2) of the Internal Revenue Code of 1986 (relating to all shareholders must consent to election) is amended—

(1) by striking ''all persons who are shareholders in'' and inserting ''shareholders holding at least 90 percent of the shares of'', and

(2) by striking ''ALL SHAREHOLDERS'' in the heading and inserting ''AT LEAST 90 PERCENT OF SHARES''.

(b) RULES FOR CONSENT.—Section 1362(a) of the Internal Revenue Code of 1986 (relating to election) is amended by adding at the end the following:

''(3) RULES FOR CONSENT.—For purposes of making any consent required under paragraph (2) or subsection (d)(1)(B)—

''(A) each joint owner of shares shall consent with respect to such shares,

''(B) the personal representative or other fiduciary authorized to act on behalf of the estate of a deceased individual shall consent for the estate,

''(C) one parent, the custodian, the guardian, or the conservator shall consent with respect to shares owned by a minor or subject to a custodianship, guardianship, conservatorship, or similar arrangement,

''(D) the trustee of a trust shall consent with respect to shares owned in trust,

''(E) the trustee of the estate of a bankrupt individual shall consent for shares owned by a bankruptcy estate,

''(F) an authorized officer or the trustee of an organization described in subsection (c)(6) shall consent for the shares owned by such organization, and

''(G) in the case of a partnership or limited liability company described in subsection (c)(8)—

''(i) all general partners shall consent with respect to shares owned by such partnership,

''(ii) all managers shall consent with respect to shares owned by such company if management of such company is vested in 1 or more managers, and

''(iii) all members shall consent with respect to shares owned by such company if management of such company is vested in the members.''.

(c) TREATMENT OF NONCONSENTING SHAREHOLDER STOCK.—

(1) IN GENERAL.—Section 1361 of the Internal Revenue Code of 1986 (defining s corporation), as amended by section 10(a), is amended by adding at the end the following:

''(h) TREATMENT OF NONCONSENTING SHAREHOLDER STOCK.—

''(1) IN GENERAL.—For purposes of this subchapter—

''(A) nonconsenting shareholder stock shall not be treated as a second class of stock,

''(B) such stock shall be treated as C corporation stock, and

''(C) the shareholder's pro rata share under section 1366(a)(1) with respect to such stock shall be subject to tax paid by the S corporation at the highest rate of tax specified in section 11(b).

''(2) NONCONSENTING SHAREHOLDER STOCK DEFINED.—For purposes of this subsection, the term 'nonconsenting shareholder stock' means stock of an S corporation which is held by a shareholder who did not consent to an election under section 1362(a) with respect to such S corporation.

''(3) DISTRIBUTIONS.—A distribution (not in part or full payment in exchange for stock) made by the corporation with respect to nonconsenting shareholder stock shall be includible as ordinary income of the holder and deductible to the corporation as an expense in computing taxable income under section 1363(b) in the year such distribution is received.''.

(2) CONFORMING AMENDMENT.—Section 1361(b)(1) of the Internal Revenue Code of 1986, as amended by section 10(b)(1), is amended by striking ''subsections (f) and (g)'' and inserting ''subsections (f), (g), and (h)''.

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

SEC. 13. INFORMATION RETURNS FOR QUALIFIED SUBCHAPTER S SUBSIDIARIES.

(a) IN GENERAL.—Section 1361(b)(3)(A) of the Internal Revenue Code of 1986 (relating to treatment of certain wholly owned subsidiaries) is amended by inserting ''and in the case of information returns required under part III of subchapter A of chapter 61'' after ''Secretary''.

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

SMALL BUSINESS AND FINANCIAL INSTITUTIONS TAX RELIEF ACT OF 2001—SUMMARY

This legislation expands Subchapter S of the IRS Code. Subchapter S corporations do not pay corporate income taxes, earnings are passed through to the shareholders where income taxes are paid, eliminating the double taxation of corporations. By contrast, Subchapter C corporations pay corporate income taxes on earnings, and shareholders pay income taxes again on those same earnings when they pass through as dividends. Subchapter S of the IRS Code was enacted in 1958 to reduce the tax burden on small business. The Subchapter S provisions have been liberalized a number of times over the last two decades, significantly in 1982, and again in 1996. This reflects a desire on the part of Congress to reduce taxes on small business.

This S corporation legislation would benefit many small businesses, but its provisions are particularly applicable to banks. Congress made S corporation status available to small banks for the first time in the 1996 ''Small Business Job Protection Act'' but many banks are having trouble qualifying under the current rules. The proposed legislation:

Permits S corporation shares to be held as Individual Retirement Accounts (IRAs), and permit IRA shareholders to purchase their shares from the IRA in order to facilitate a Subchapter S election.

Clarifies that interest and dividends on investments maintained by a bank for liquidity and safety and soundness purposes shall not be ''passive'' income. This is necessary because S corporations are restricted in the amount of passive investment income they may generate.

Increases the number of S corporation eligible shareholders from 75 to 150.

Provides that any stock that bank directors must hold under banking regulations shall not be a disqualifying second class of stock. This is necessary because S corporations are permitted only one class of stock.

Permits banks to treat bad debt charge offs as items of built in loss over the same number of years that the accumulated bad debt reserve must be recaptured (four years) for built in gains tax purposes. This provision is necessary to properly match built in gains and losses relating to accounting for bad debts. Banks that are converting to S corporations must convert from the reserve method of accounting to the specific charge off method and the recapture of the accumulated bad debt reserve is built in gain. Presently the presumption that a bad debt charge off is a built in loss applies only to the first S corporation year.

Clarifies that the general 3 Year S corporation rule for certain ''preference'' items applies to interest deductions by S corporation banks, thereby providing equitable treatment for S corporation banks. S corporations that convert from C corporations are denied certain interest deductions preference items for up to 3 years after the conversion, at the end of 3 years the deductions are allowed.

Provides that non-health care related fringe benefits such as group-term life insurance will be excludable from wages for ''more-than-two-percent'' shareholders. Current law taxes the fringe benefits of these shareholders. Health care related benefits are not included because their deductibility

would increase the revenue impact of the legislation.

Permits Family Limited Partnerships to be shareholders in subchapter S corporations. Many family owned small businesses are organized as Family Limited Partnerships or controlled by Family Limited Partnerships for a variety of reasons. A number of small banks have Family Limited Partnership shareholders, and this legislation would for the first time permit those partnerships to be S corporation shareholders.

Permits S corporations to issue preferred stock in addition to common. Prohibited under current law which permits S corporations to have only one class of stock. Because of limitations on the number of common shareholders, banks need to be able to issue preferred stock in order to have adequate access to equity.

Facilitates charitable giving by S corporation shareholders by providing a basis increase for the excess of the charitable contribution deduction over the basis of property contributed. Current law penalizes a shareholder who makes a charitable contribution through an S corporation by limiting the charitable deduction that flows through to the shareholder to the basis of the donated property. This means that the shareholder is unable to benefit from the full fair market value deduction when the basis does not reflect the appreciation in the property. This differs from the full value deduction afforded the taxpayer who donates property in an individual capacity or through a partnership, instead of through an S corporation.

Reduces the required level of shareholder consent to convert to an S corporation from unanimous to 90 percent of shares.

Clarifies that Qualified Subchapter S Subsidiaries (QSSS) provide information returns under their own tax id number. This can help avoid confusion by depositors and other parties over the insurance of deposits and the payer of salaries and interest.

By Mr. CLELAND (for himself, Mr. WARNER, Mr. LEVIN, Mr. KENNEDY, Mr. REED, Ms. LANDRIEU, Mrs. CARNAHAN, Mr. DAYTON, Mr. BINGAMAN, and Mr. LIEBERMAN):

S. 937. A bill to amend title 38, United States Code, to permit the transfer of entitlement to educational assistance the Montgomery GI bill by members of the Armed Forces, and for other purposes; to the Committee on Veterans' Affairs.

Mr. CLELAND. Mr. President, I come before you today to introduce legislation that addresses the educational needs of our men and women in uniform and their families. I appreciate the support of my colleagues who have supported my provisions to enhance the GI bill, Senators LEVIN, KENNEDY, BINGAMAN, REED, DAYTON, LANDRIEU, and CARNAHAN. I also like to recognize the Chairman of the Senate Armed Services Committee, Senator WARNER, who himself went to school on the GI bill. I want to thank him for his cosponsorship, support and encouragement in improving the GI bill for military personnel and their families.

I call this measure the HOPE, Help Our Professionals Educationally, Act.

In 1999, Time magazine named the American GI as the Person of the Century. That alone is a statement about the value of our military personnel. They are recognized around the world for their dedication and commitment to fight for our country and for peace in the world. This past century has been filled with strife and conflict. During this period, the American GI has fought in the trenches during the first World War, the beaches at Normandy, in the jungles of Vietnam, in the deserts of the Persian Gulf, and most recently in the Balkans and Kosovo.

The face of our military and the people who fight our wars has changed. The traditional image of the single, mostly male, drafted, and disposable soldier is gone. Today we are fielding the force for the 21st century. This new force is a volunteer force, filled with men and women who are highly skilled, married, and definitely not disposable. Gone are the days when quality of life for a GI included a beer in the barracks and a three-day pass. Now, we know we have to recruit a soldier and retain a family.

We have won the cold war, this victory has changed the world and our military. The new world order has given us a new world disorder. The United States is responding to crises around the globe, whether it be strategic bombing or humanitarian assistance, and our military is the our most effective response. In order to meet these challenges, we are retooling our forces to be lighter, leaner and meaner. This is a positive move. Along with this lighter force, our military professionals must be highly educated and highly trained.

Our Nation has recently experienced the longest running peacetime economic growth in history. This economic expansion has been a boom for our Nation. However, there is a negative impact of this growing economy. With the enticement of quick prosperity in the civilian sector it is more difficult than ever to recruit and retain our highly skilled force.

The services have increased their budgets for advertising and refocused attention on recruiting. However, we still face problems in retaining some of the key skills that our service men and women possess—skills that our new economy is demanding. The highly trained technical skilled personnel are leaving the military to seek a better quality of life for their family outside of our military.

As I have heard so often, the decision to stay in the military is made at the dinner table. It was the wisdom of a young enlisted soldier at Schofield Barracks who noted, when the choice is 'stay in the military or stay married,' the soldier opts to stay married. In my travels across Georgia, around the country, and abroad, I have found that our men and women in uniform want to do what is right, for themselves and the country. However, our benefits systems have not kept pace and forcing our personnel to choose between family and service.

In talking with our military personnel, we know that money alone is not enough. Education is the number one reason service members come into the military and the number one reason its members are leaving. In recent years the Senate began to address this issue by supporting improved education benefits for military members and their families.

My amendment will improve and enhance the current educational benefits and create the GI bill for the 21st century and beyond.

One of the most important provisions of my amendment would give the Service Secretaries the authority to authorize a service member to transfer half of his or her basic MGIB benefits to family members. Many service members tell us that they really want to stay in the service, but do not feel that they can stay and provide an education for their families. This will give them, in affect, an educational savings account, so that they can stay in the service and still provide an education for their spouses and children. This will give the Secretaries a very powerful retention tool.

The measure would allow the Services to authorize transfer of unused basic GI bill benefits of a servicemember who has been in the military for 6 years. The spouse would be able to use these benefits immediately upon authorization by the services. This provision is designed to assist the spouse of a military member in pursuing their own education or assist them in gaining the necessary skills to prepare for an occupation in the new economy.

The measure also includes language that permits a servicemember with ten years of service to transfer GI bill benefits to a dependent child. This provision is designed to help a servicemember with the expected costs of a child's education. It could be used to help with secondary expenses as well as with college costs.

I believe that the Services can use this much like a reenlistment bonus to keep valuable service members in the service. It can be creatively combined with reenlistment bonuses to create a very powerful and cost effective incentive for highly skilled military personnel to stay in the Service. In talking with service members upon their departure from the military, we have found that the family plays a crucial role in the decision of a member to continue their military career. Reality dictates that we must address the needs of the family in order to retain our soldiers, sailors, airmen, and marines.

Another enhancement to the current MGIB would extend the period in which the members of Reserve components can use this benefit. Currently they lose this benefit when they leave the service or after 10 years of service. They have no benefit when they leave service. My amendment will permit them to use the benefit up to 5 years

after their separation. This will encourage them to stay in the Reserves for a full career.

I believe that this is a necessary next step for improving our education benefits for our military members and their families. We must offer them credible choices. If we offer them choices, and treat the members and their families properly, we will show them our respect for their service and dedication. Maybe then we can turn around our current retention statistics. This GI bill is an important retention tool for the services. I believe that education begets education. We must continue to focus our resources in retaining our personnel based their needs.

By Mr. JEFFORDS (for himself, Mr. DODD, Mr. FITZGERALD, and Mr. BROWNBACK):

S. 938. A bill to amend the Internal Revenue Code of 1986 to provide that the exclusion from gross income for foster care payments shall also apply to payments by qualifying placement agencies, and for other purposes; to the Committee on Finance.

Mr. JEFFORDS. Mr. President, I am introducing today a bill that will simplify and make more fair the tax treatment of foster care payments. The bill will eliminate unnecessary distinctions drawn by the Internal Revenue Code in the treatment of payments received by people who open their homes to foster children and adults. I introduced this same bill in the 106th Congress, and it was passed by both Houses as part of a larger tax bill that was subsequently vetoed by the President. I am re-introducing the bill now, as I believe that this issue should not be overlooked as we debate tax reform this year. This bill not only simplifies the tax treatment of foster care payments, it will also remove inequities and uncertainties inherent in current law.

In my home State of Vermont, we are proud that we have been able to reduce our reliance on the institutional care of children and adults. We have accomplished this by developing an array of services that can be provided in typical family homes, in a cost-effective and fiscally responsible manner. I believe that this is not only good public policy, but that whenever possible we should encourage these alternatives. Equal tax treatment for all tax families that provide foster care services should provide some encouragement.

Under current law, foster care families are required to include foster care payments in income. They can offset this income with deductions for the expenditures they incur. Families must maintain detailed records to substantiate these deductions. In lieu of detailed record keeping, Section 131 of the Internal Revenue Code allows certain foster care families to exclude from income the payments they receive for providing foster care. Eligibility for this exclusion depends upon a complicated analysis of three factors: the age of the person in foster care; the type of foster care placement agency; and the source of the foster care payments. For children under age 19 in foster care, Section 131 permits families to exclude payments when a State, or one of its political subdivisions, or a tax-exempt charitable placement agency places the individual in foster care and makes the foster care payments. For persons age 19 and older, Section 131 permits families to exclude foster care payments from income only when a State, or one of its political subdivisions, places the individual and makes the payments.

This bill is designed to provide tax fairness; it will simplify the anachronistic tax rules by amending the tax code's current exclusion to include foster care payments for all persons in foster care, regardless of age. The exclusion will also be available when the foster care placement is made by a private foster care placement agency and even when the foster care payments are received through a private foster care placement agency, rather than directly from a State. To ensure appropriate oversight, the bill requires that the placement agency be either licensed or certified by a State.

A qualified foster care payment under this bill must be made pursuant to a foster care program run by a State or county. My intention is for this bill to cover the wide variety of foster care programs developed by States. Recognizing foster care as an effective approach to provide support within the community to people with mental retardation and other disabilities, these programs place children, and in some cases adults, in homes of unrelated families who provide foster care on a full-time basis. Families providing foster care give those in their care the daily support and supervision typically given to a family member. Like traditional families, foster care families ensure that foster children and adults have a healthy physical environment, get routine and emergency medical care, are adequately clothed and fed, and have satisfying leisure activities. Foster families provide those in their care with stimulation and emotional support all too often lacking in large congregate and institutional settings.

In some State, the State itself administers both child and adult foster care programs. Many States, however, are increasingly entrusting administration of these programs to private placement agencies, approved through licensing or certification procedures, or to government-designated intermediary tax-exempt organizations. Through the approval process, private placement agencies are accountable for their use of funds and for the quality of services they provide. This bill is intended to cover governmental foster care programs funded solely by State or political subdivision monies, and, especially in the case of adult foster care, programs funded by the federal government, typical through a State's Medicaid Home and Community-Based Waiver program.

While foster care for children has been in existence for decades, foster care for adults is a more recent phenomenon. Sometimes referred to as ''host homes'' or ''developmental homes,'' adult foster care facilities have proven to be an effective alternative to institutional care for adults with disabilities. In 1993, Vermont closed the State institution for people with developmental disabilities, choosing instead to rely on foster families. Under this approach, Vermonters with developmental disabilities can live in homes and participate in the routines of daily life that most of us take for granted. Vermont's approach has provided people with disabilities a cost-effective opportunity for successful lives in communities, with valued relationships with their foster families.

Vermont authorizes local developmental disability service organizations to act as placement agencies and contract with families willing to provide foster care in their homes. The current tax law's disparate tax treatment of foster care payments impedes these types of arrangements. Persons providing foster care for individuals placed in their homes by the government can exclude foster care payments from income, while foster care families receiving the same payments through private agencies under contract with State or local governments are not eligible for this exclusion, unless the individual in foster care is under age 19 and the placement agency is a nonprofit organization. Because of the complexity of current law, families often receive conflicting advice from tax professionals regarding the proper tax treatment of foster care payments. In addition, the law's complex rules discourage willing families from providing foster care in their homes to persons placed by private agencies, reducing the availability of care alternatives.

This bill will advance the development of family-based foster care services, a highly valued alternative to institutionalization. My home State of Vermont is proud of having closed its institutions and leading the nation in developing other support systems. The use of foster care services has facilitated this effort. I believe this represents good policy and is something to be encouraged. We should be removing disincentives and barriers to quality support for people with disabilities in our communities. I urge my colleagues to support this bill.

By Mrs. HUTCHISON:

S. 939. A bill amend the Immigration and Nationality Act to confer citizenship automatically on children residing abroad in the legal and physical custody of a citizen parent serving in a Government or military position abroad; to the Committee on the Judiciary.

Mrs. HUTCHISON. Mr. President, I am pleased to offer legislation on an issue important to many of our military and government families assigned

overseas. Currently, if one of these families adopts a child who is a citizen of the United States, that child is not automatically eligible for citizenship. Current law allows U.S. citizens residing in the United States to adopt children from overseas and to automatically confer citizenship on these children who are residing in the legal and physical custody of the citizen parent. My bill would allow U.S. military and government employees who are stationed overseas and adopt a child to enjoy the same ability to have citizenship automatically conferred.

Today many of our service members and government employees are stationed overseas serving their country. Some of these families want to offer their home and their hearts to children needing a good, loving family. The opportunity is often missed by these families because of this oversight in the current law. This amendment will ensure that those who are serving our nation and our government overseas are not penalized when adopting children during their tour.

By Mr. DODD (for himself, Mr. KENNEDY, and Mr. WELLSTONE):

S. 940. A bill to leave no child behind; to the Committee on Finance.

Mr. DODD. Mr. President, on behalf of myself, Senator KENNEDY, and Senator WELLSTONE, I rise today to introduce the Leave No Child Behind Act, legislation that will address the needs of our nation's children to deliver them from poverty, violence, abuse, neglect, and poor education.

This measure combines the best public and private ideas, policies, and practices into a comprehensive measure to improve the lives of all children. Not just poor children. But all children.

Many Members of Congress have contributed to this legislation, adding their ideas and their thoughts, including: Senator KENNEDY, Senator JEFFORDS, Senator ROCKEFELLER, Senator DEWINE, Senator HARKIN, Senator STEVENS, Senator BIDEN, Senator SNOWE, Senator BOXER, Senator GRASSLEY, Senator DASCHLE, Senator GORDON SMITH, Senator REED, Senator CHAFEE, Senator WELLSTONE, Senator KERRY, Senator DURBIN, Senator FEINSTEIN, Senator KOHL, Senator TORRICELLI, Senator SCHUMER, and Senator BAYH. A number of Members of the House have also contributed to this legislation. It is without hesitation that I say that this bill would not have been possible without the help of so many of my colleagues.

For the first time in more than a generation, our budget is in balance. Indeed, we have a surplus. At long last, we can talk about meeting the needs of the future, rather than paying off the debts of the past. For the first time in decades, we have an opportunity to put children first, to move them out of poverty, to end their hunger, to heal their wounds, to enrich and inform their minds.

We are on the verge of doing what many of us have long dreamed of doing for America's young people.

The legislation we are introducing today represents a vision for children in the 21st century.

It's more than a bill. More than pages of legislative language. It's a covenant that we are entering into today. Not only with each other, but with those who will stand in this place long after we have gone.

It's a declaration that we need to put children first, and that we intend to put children first. In doing so, we put America first.

A question that we must all ask ourselves and ask this country, is, what should our highest priority be? When I ask this question, the response I most often receive is our children.

Children are one-quarter of our population. But they are one hundred percent of our future.

Despite that fact, they are getting a fraction of our attention and a fraction of our resources.

Having languished in budget deficits for years, we now have the largest projected federal budget surpluses in the history of this Nation. We have witnessed unprecedented prosperity. We are so lucky to live in this free and dynamic society, a Nation at peace, of such great wealth.

But some are not so lucky. Some families struggle through each day. They live paycheck to paycheck. Their children are hungry. They're cold. They might have difficulty following the teacher's instructions on the blackboard because they can't see it clearly. But their parents haven't taken them to the doctor because they don't have health insurance.

Over 12 million children live in poverty.

Nearly 11 million children have no health coverage.

About 7 million children go home alone each week after school.

This is America, too.

The legislation we are introducing today is called, ''An Act to Leave No Child Behind''. We are committed to one principle beyond all others. Not just as a slogan, but as a means to define an urgent national priority.

Regrettably, however, for some those words are slogans, and nothing more. There are those who utter the words ''Leave No Child Behind'' in front of microphones and television cameras. They have adopted the words as a political mantra, repeating it endlessly during ''photo-ops'' with children and in press conferences with reporters.

We need to make sure that we not only talk about leaving no child behind, but that we actually take steps to do so. Introducing this bill is the first step.

Every word on every page is focused on the same purpose—lifting our children up, giving each child an opportunity, helping each child to have a safe and rewarding life.

Under the Act to Leave No Child Behind, every child in America would have health coverage. No child in America would go to bed at night aching from hunger. We would use our tax code to lift millions of children out of poverty.

It's time to ensure that every American child has an opportunity to attend Head Start, Pre-K, or child care to begin a lifetime of learning. That every American child can read by 4th grade, and read at grade level. It's time to take dramatic new steps to address the needs of children who are abused and neglected every year.

Those who are truly committed to leaving no child behind will support this bill. It's about priorities. It's about values.

As we speak, Congress is considering how to spend our nation's surplus.

Sadly, a disproportionate share of that surplus will not go to our nation's children, but to those who least need our help and attention.

Most of the surplus will go to the tax cut. And, most of the tax cut will go to those who are doing the best in our society, those who least need a helping hand or a step up.

Are those the values that we want to instill in our children? That as a Nation we care not for those who need our help most?

It's time to take a stance for children.

It's time to invest in the needs of our children. Not in a token way, but in a real way. A meaningful way that will make a difference in a child's life.

We have the resources. The time is right.

If we join together, we can transform this Nation and give each and every child his God-given right to grow and flourish to all he can be. To grow to his or her fullest potential. We want an America where all children can realize their dreams.

I ask unanimous consent that a summary of the Act to Leave No Child Behind be printed in the RECORD.

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

THE ACT TO LEAVE NO CHILD BEHIND—DETAILED SUMMARY, MAY 23, 2001

TITLE I. HEALTHY START—EVERY UNINSURED CHILD SHOULD HAVE COMPREHENSIVE HEALTH COVERAGE.

Section A. Children's health insurance

Create a new federal health program with comprehensive benefits similar to Medicare for uninsured children, who are not covered by existing programs.

Section B. Children's health insurance eligibility expansion and enrollment improvements

Expand existing federal children's health programs (CHIP/Medicaid) up to 300% of poverty through age 21 and require states to allow families above 300% of poverty to buy into the program for their uninsured children on a sliding scale premium basis.

Give states the option of providing coverage under CHIP and Medicaid to legal immigrant children and legal immigrant pregnant women.

Give states the option to allow families with too much income to qualify for Medicaid to purchase coverage for their disabled children.

Simplify outreach and enrollment for CHIP and Medicaid and enroll all children at birth.

Section C. Improving access to care

Establish Children's Access To Care Commission that shall make recommendations for improving children's access to care, removing barriers to care, and improving children's health status.

Strengthen the care of children under HMO's.

Require DHHS to collect data from states participating in the Medicaid program on the delivery of services to children through the early and Periodic Screening, Diagnosis and Treatment component of the program, in order to document the delivery of services through all service delivery arrangements.

Section D. Reducing public health risks for children

Appropriate $50 million per year for grants to state to develop programs to prevent, treat and manage children asthma.

Implement an aggressive youth smoking cessation and education program and provide the FDA authority to regulate the marketing of tobacco products to children.

Increase funding for HUD's Lead-Based Paint Hazard Control grants and Healthy Homes grants.

All private insurance policies would be required to pay for immunizations as a benefit of coverage.

Section E. Reducing environmental health risks for children.

Require testing of chemicals to determine safe exposure levels for children.

Reduce the use of toxic chemicals in schools.

TITLE II. HEALTHY START—ALL PARENTS DESERVE HELP TO SUPPORT THEIR CHILDREN'S HEALTHY DEVELOPMENT

Promote State and Local Parenting Support and Education Programs. Provide grants to state parenting support and education councils to develop and expand local activities to help parents appropriately care for and respond to their children's needs, without having to wait until problems develop.

Extend Supports for Parents Caring for Children. Expand the Family and Medical Leave Act to apply to employers with 25 or more employees, rather than 50 as in current law.

Paid Family Leave. Establish demonstration projects with paid leave for new parents so that they are able to spend time with a new infant or newly adopted child.

Extend Health Care to Uninsured Parents. Expand the federal children's health programs, CHIP and Medicaid, to cover uninsured parents of children who are eligible for CHIP or Medicaid and to pregnant women.

Help Parents Reduce Environmental Health Risks for their Children. Strengthen consumer right-to-know laws to ensure that parents are fully aware of the presence of potentially harmful substances in products to which their children are exposed.

Encourage Support from Non-Custodial Parents. Provide grants to localities or non-profit providers for services to low-income noncustodial parents so that they can contribute financially, emotionally and in other positive ways to their children's development.

TITLE III. HEAD START—ALL CHILDREN SHOULD ENTER SCHOOL READY TO LEARN AND REACH THEIR HIGHEST POTENTIAL WHILE IN SCHOOL

Section A. Infants and toddlers

Increase the Early Head Start set-aside for infants and toddlers from 10 percent to 40 percent.

Allocate 5% of total CCDBG funds in FY 2003 to improve and expand infant child care, rising to 10% in FY 2007.

Section B. Child care access

Increase funding proportionately each year to ensure that every child eligible for assistance under the Child Care and Development Block Grant (CCDBG) receives assistance by 2011.

Require that states make children in foster care an eligible category for CCDBG.

Require states to pay not less than the 100th percentile of the market rate for child care, with higher rates for higher quality care, hard-to-find care, care for children with special needs, and care in low-income and rural communities. States would also be required to adjust rates by inflation between market surveys.

Require that the CCDBG agency coordinate with the TANF agency to ensure that child care assistance staff are located on-site at TANF offices. Require that state CCDBG plans describe how they will ensure that TANF and other low-income working families are aware of their eligibility for child care assistance as part of their consumer education strategy.

Require no more than annual eligibility determination.

Section C. Child care quality improvements

Create a program to improve wages and skills of child care staff.

Improve child care quality by increasing the CCDBG quality set aside from 4 to 12 percent.

Require every state to have a state-based office that is charged with developing a system of local resource and referral agencies to provide parents with information and support, collect data on the supply and demand of child care in the community, develop linkages to businesses, and help to build the supply of quality child care.

Require child care centers operated on federal or legislative property to comply with either state and local child care operation and safety laws or similar safety rules established by the General Services Administration.

Provide $500 million per year to support the construction of new child care facilities.

Expand the existing national 1% CCDBG set-aside to 2%. This set-aside will be used for training and technical assistance to states, communities, and CCDBG grantees.

Require all providers receiving CCDBG, or who work in programs receiving CCDBG, to have training in early childhood development.

Require at a minimum two annual unannounced visits for each facility accepting CCDBG funding.

Section D. Head Start and Early Head Start access

Increase funds proportionately each year to ensure that every three and four-year-old eligible for Head Start may participate by 2006 and 25% of eligible infants and toddlers may participate in Early Head Start by 2011.

Expand investments in the Early Learning Opportunities Act to provide increased resources to communities for early learning initiatives.

Section E. Education improvements

Early learning

Provide grants to states to ensure access to pre-kindergarten for families who choose to participate.

Amend the Reading Excellence Act to require that states support early literacy efforts in child care, pre-kindergarten, and Head Start programs.

Create a book stamp program that would enable proceeds from a children's literacy postage stamp to support a system to expand books in the homes of low income children that are enrolled in child care programs.

Authorize $30 million in ESEA for the Education Excellence Act, which would provide professional development for early childhood educators in high poverty communities.

Increased accountability

Amend Title I of the Elementary and Secondary Education Act (ESEA) to require states and local school districts to establish specific goals and performance benchmarks aimed at improving the performance of all students, to strengthen requirements mandating corrective actions for failing schools such as school reconstitution and transfers to other public schools, and to require states to issue report cards detailing the performance of individuals schools.

Reduce class size

Provide funding to help local school districts recruit, train, and hire additional teachers to reduce class size in grades K through 3.

Quality teaching and leadership

Provide incentives to teachers to obtain certification from the National Board for Professional Teaching Standards.

Improve student loan forgiveness program for aspiring teachers.

Provide support to recruit, prepare and place career-changing professionals as teachers.

Award competitive grants to establish programs for teacher quality improvement.

Provide for professional development services to increase leadership skills of school principals.

School construction

Provide new tax incentives for school construction/modernization bonds.

Establish a grant program to assist LEA's to increase the involvement of parents, teachers, students, and others in the planning and design of new and renovated elementary and secondary schools.

Community schools

Encourage communities to foster school-based or school-linked family centers.

TITLE IV. FAIR START—LIFTING ALL CHILDREN OUT OF POVERTY—TAX RELIEF TO ASSIST LOW-INCOME WORKING FAMILIES

Increase the child tax credit from $500 to $1000 and make if fully refundable.

Expand the EITC for families with three or more children and reduce the marriage penalty for families eligible for the EITC.

Expand the Dependent Care Tax Credit to increase the slide to 50%, make it refundable, and annually index income phase-outs and cost of care for inflation.

TITLE V. FAIR START—ENSURE THAT CHILDREN AND FAMILIES RECEIVE SUPPORTS TO PROMOTE WORK AND REDUCE POVERTY

Section A. Ensure children and families receive all supports for which they are eligible

Initiate a Gateways Program that provides grants to states, localities, and/or community based organizations to (a) train caseworkers about available support programs and their eligibility requirements; (b) expand outreach about available support assistance; (c) improve automation and application procedures; and (d) track the extent to which low-income families receive the benefits and services for which they are eligible.

Section B. Support from both parents

Improve child support collections and let families keep the money collected for their children; provide federal incentives for states to pass through payments collected for families receiving Temporary Assistance for Needy Families (TANF); and require families who have left TANF to receive any support collected through IRS intercepts.

Provide funding for child support assurance demonstration projects.

Section C. Fair wages and unemployment insurance

Increase the federal minimum wage to $6.65 over three installments and index it for inflation.

Implement ''living wage'' policy for employees of federal contractors or subcontractors.

Make Unemployment Insurance more accessible to low income families with children, including more favorable counting of wages for the purpose of determining eligibility, expanding benefits to part-time workers, and making domestic violence and lack of child care causes for separation from employment.

Section D. Helping low income parents get and keep jobs with above poverty income

Add poverty reduction as a goal of the TANF program.

For those families who are working and playing by the rules, the TANF time limit is interrupted.

Allow a broader range of education and training to count as work activities under TANF.

Initiate a TANF poverty reduction bonus for states.

Require state and local TANF officials to participate in the Workforce Investment Boards.

Section E. Create incentives to serve families effectively

The Secretary of Health and Human Services shall develop model training materials for caseworkers.

TANF funds used by states to provide caseworker bonuses and new state initiatives to break down barriers to work shall not count towards the 15 percent administrative cap.

Strengthen Individual Responsibility Plans.

Section F. Addressing work barriers

Expand funding for the Department of Transportation's Access to Jobs program to allow parents better access to jobs and child care.

Require caseworkers with adequate training to identify work barriers of TANF recipients, including domestic violence, mental health, drug or alcohol problems, homelessness, or disability and to provide appropriate services to address these barriers.

Allow states to exempt families with severe barriers to employment from TANF time limits, even if the total exempted exceeds 20 percent of the current caseload.

Section G. Protections for families in need

Earn back months of TANF assistance for months worked.

Hold agencies accountable for ensuring that families who are unable to comply with complex TANF rules are afforded a real conciliation process.

Section H. TANF reauthorization

Reauthorize TANF.

Prohibit supplantation of state funding for programs serving needy families with children with federal TANF funds.

TITLE VI. FAIR START—ALL FAMILIES WITH CHILDREN SHOULD RECEIVE THE SUPPORT THEY NEED TO LIVE ABOVE POVERTY—NUTRITION

Section A. Child care nutrition

Allow for-profit child care centers to participate in the Child and Adult Care Food Program (CACFP) if 25 percent of their enrolled children are eligible for free and reduced-priced lunch.

Allow youth in after-school programs up to age 19 to participate in CACFP if they are enrolled in community-based programs including those outside of low-income areas.

Provide a dinner for after-school programs.

Standardize the categorical eligibility requirements for income determination in the family child care portion of CACFP.

Increase the CACFP sponsors' administrative reimbursement rate to reflect the increased administrative burden of the means test system.

Section B. Food stamp program

Restore Food Stamp eligibility to legal immigrants.

Provide six months of transitional food stamp benefits to those who leave TANF.

Index the standard deduction for family size and inflation.

Eliminate the cap on excess shelter costs for families with children.

Include child support in earnings disregard.

Increase funding for The Emergency Food Assistance Program (TEFAP).

Reduce burden on eligible families in renewing benefits.

Improve incentives for states to serve low-income working families better.

TITLE VII. FAIR START—ALL FAMILIES SHOULD RECEIVE THE SUPPORTS THEY NEED TO LIVE ABOVE POVERTY—HOUSING

Provide 1 million new Section 8 vouchers over 10 years.

Establish a Voucher Success program for communities experiencing problems utilizing Section 8 vouchers.

Redirect surplus generated by federal housing programs into National Affordable Housing Trust to help alleviate the housing crisis by funding new construction of affordable rental housing.

Promote preservation of affordable housing units by providing matching grants to states that have developed and funded programs for preservation of privately owned housing that is affordable to low-income families.

TITLE VIII. SAFE START—ENSURING EVERY CHILD A SAFE, NURTURING, AND PERMANENT FAMILY

Section A. Promoting permanency for children

Enhance the likelihood that the goals for children in the Adoption and Safe Families Act will be met by offering states funding for preventive, protective, and crisis services for children and parents who come to the attention of the child welfare system, permanency services for families whose children end up in foster care, independent living services for young people transitioning from foster care, and post-permanency services for children who are reunited with their families, adopted, or placed permanently with relatives or other legal guardians.

Improve the quality of services for children by extending funding for training of staff of private child welfare agencies, judges and other court staff, and other children's service providers that serve abused and neglected children.

Offer kinship guardianship assistance payments to grandparents and other relatives who commit to care permanently for children for whom they have legal guardianship and that they have cared for in foster care.

Eliminate current federal disincentives to ensure that children who have been abused or neglected or are at risk of maltreatment receive the services and supports they need.

Eliminate current federal disincentives to promote adoption for children with special needs.

Support young people aging out of foster care by offering them increased opportunities for supervised living arrangements and tuition assistance to help them pursue a range of educational opportunities.

Increase accountability within the child welfare system to improve outcomes for children and services available to children and families.

Expand opportunities for Indian tribes to offer foster care and adoption assistance to Indian children.

Section B. Promoting safe and stable families

Reauthorize and increase funding for the Promoting Safe and Stable Families Program.

Section C. Social services block grant

Restore funding for the Social Services Block Grant, which supports a range of services for abused, neglected and other children, and also provides help for persons with disabilities, senior citizens, and other special populations.

Section D. Child protection and alcohol and drug partnerships

Address the treatment needs of families with alcohol and drug problems who come to the attention of the child welfare system by giving state child protection and alcohol and drug agencies incentives to offer joint screening, assessment, comprehensive treatment and after care services, and training.

Section E. One-time permanency grants

Offer one-time assistance to state child welfare agencies to help move children who were in foster care when the Adoption and Safe Families Act was passed, and will not be returning home, into adoptive families or other permanent placements with kin.

Section F. Helping children exposed to domestic violence

Promote multi-system partnerships to respond to the needs of children who have been exposed to domestic violence.

Promote cross-training for staff of child welfare agencies and domestic violence service providers about domestic violence and its impact on children and relevant child welfare policies.

Enhance research and data collection on the impact of domestic violence on children.

Offer grants to elementary and secondary schools and early care and education programs to help prevent domestic violence and its impact on its adult and child victims.

Support training for law enforcement and court personnel about domestic violence and its impact on children.

Section G. Enhancing healthy emotional development in young children

Assist networks of early childhood, child welfare, substance abuse, and/or domestic violence programs to promote the mental health and healthy emotional development of the young children they serve.

TITLE IX. SUCCESSFUL TRANSITIONS TO ADULTHOOD—YOUTH DEVELOPMENT

Section A. Youth development: Strengthening 21st Century Community Learning Centers

Increase funding for the 21st Century Community Learning Centers Program.

Allow community-based organizations to apply for 21st Century funds.

Create a 3 percent set-aside for training and technical assistance.

Section B. Youth development: Promoting positive activities for America's youth

Creation of a comprehensive program (the proposed Younger Americans Act) to mobilize and support communities in carrying out youth development activities.

Increase funding for Americorps, Youthbuild, Job Corps, and the Workforce Investment Act youth employment programs to open up more employment opportunities for teens.

TITLE X. SAFE START—EVERY CHILD SHOULD HAVE A SAFE ENVIRONMENT IN WHICH TO LEARN AND TO LIVE—JUVENILE JUSTICE

Amend the Juvenile Justice and Delinquency Prevention Act (JJDPA) by adding the definition of a ''juvenile'' as an individual less than 18 years of age.

Amend the JJDPA to mandate that not less than 75 percent of title V funds be used solely for the purposes of carrying out section 505. Increase funding for Title V to $250 million for fiscal year 2002.

Disproportionate Minority Confinement (DMC)—Strengthen accountability standards

for states to take action to address the disparate treatment of minorities at all stages of the juvenile justice system, including intake, arrest, detention, adjudication, disposition and transfer.

Create a fifth core protection for juveniles by requiring that states provide every adjudicated juvenile with reasonable safety and security, with adequate food, heat, light, sanitary facilities, bedding, clothing, recreation, counseling, education, training, and medical care, including necessary mental health services.

Increase funding for the JJDPA Title II, Part B formula grants, to raise the small state minimum to $750,000, create a 3% setaside for the establishment of state juvenile justice coalitions and (include language that coalitions include participation of youth), and a 3% set aside for states to carry out state plans with respect to the DMC core requirement.

Repeal Part H of JJDPA (juvenile boot camps).

Amend title II of the JJDPA by adding Access to Mental Health and Substance Abuse Treatment, a grant program encouraging states to invest in and coordinate with other systems to provide appropriate treatment and other services for incarcerated juvenile offenders.

Fund Services for Youth Offenders at $40 million for fiscal year 2002, providing funding for after care or wrap-around services for youth discharged from the adult criminal or juvenile justice system.

Authorize the Juvenile Accountability Block Grant, which would authorize and significantly modify the Juvenile Accountability Incentive Block Grant (JAIBG) to provide incentives to: build and maintain smaller juvenile facilities, including separate units within juvenile facilities for juveniles tried as adults; require all staff, whether supervising juveniles adjudicated in the adult or juvenile system, are trained appropriately; develop and utilize accountable community-based alternatives to incarceration; risk assessment; and enact Child Access Prevention (CAP) laws.

In order to receive funds under the new block grant, states are prohibited from applying the death penalty to juvenile offenders.

Increase funding for the Runaway and Homeless Youth Act to $120 million for fiscal year 2002.

TITLE XI. SAFE START—EVERY CHILD SHOULD HAVE A SAFE ENVIRONMENT IN WHICH TO LEARN AND TO LIVE—GUN SAFETY

Close the gun show loophole by applying the Brady background check to gun sales conducted through private dealers at events where 50 or more firearms are offered for sale.

Require mandatory safety locks with the sale of all handguns and establish consumer safety standards for such safety locks.

Ban the importation of large capacity ammunition clips capable of holding more than 10 rounds.

Ban the possession of assault weapons by juveniles.

Require FTC study on marketing practices of gun industry.

Ban the possession of handguns by individuals under 21 years of age.

One-gun-a-month purchase limitation.

Regulation of internet sales of firearms.

ENFORCE—enhancements (both authorizing and appropriation) to strengthen enforcement of gun laws.

TITLE XII. MISCELLANEOUS

Direct the Secretary of HHS to establish a blue-ribbon commission to identify and highlight family-friendly practices that the private sector and other employers can promote.

Provide for collection and dissemination of data on the status of children and families who are or have been recipients of government assistance.

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

S. 941. A bill to revise the boundaries of the Golden Gate National Recreation Area in the State of California, to extend the term of the advisory commission for the recreation area, and for other purposes; to the Committee on Energy and Natural Resources.

Mrs. FEINSTEIN. Mr. President, today I am pleased to introduce legislation to add approximately 5,000 acres of pristine natural land to the Golden Gate National Recreation Area in San Mateo County. This addition will protect the sweeping views of the San Mateo Coast and ensure the protection of rich farmland, several miles of public trails, and incredible array of wildlife and vegetation. I am happy to be joined by Senator BOXER in sponsoring this legislation.

The property to be added is one of the most visible and important pieces of land on the San Mateo coast north of Half Moon Bay. The largest parcel to be added is a 4,262 acre stretch of land known as the Rancho Corral de Tierra. The Rancho Corral de Tierra is one of the largest undeveloped tracts remaining on the San Mateo Coast and is constantly under threat of development.

The mountainous property, which surrounds the coastal towns of Moss Beach and Montara, was previously purchased by the Peninsula Open Space Trust. The Trust has agreed to transfer the land to the Federal Government for about half of the purchase cost. It is this type of public-private partnership that Congress needs to support in our efforts to preserve open space.

The Rancho Corral de Tierra Golden Gate National Recreation Area Boundary Act of 2001 has the support of the entire Bay Area Congressional Delegation. Similar legislation is being introduced today in the House of Representatives by TOM LANTOS with co-sponsors ANNA ESHOO, NANCY PELOSI, GEORGE MILLER, LYNN WOOLSEY, ELLEN TAUSCHER, PETER STARK, MIKE THOMPSON, BARBARA LEE, MIKE HONDA, and ZOE LOFGREN.

The addition of the Rancho Corral de Tierra property will result in the protection of all or part of four watersheds, and several endangered species such as the peregrine falcon, San Bruno elfin butterfly, San Francisco garter snake, and the red-legged frog. Moreover, due to the coastal marine influence and dramatic altitude changes, plants grow on the property that are found nowhere else in the world.

This legislation will also reauthorize the Golden Gate National Recreation Area and Point Reyes National Seashore Advisory Commission for another 20 years. The Advisory Commission was established by Congress in 1972 to provide for the free exchange of ideas between the National Park Service and the public. The Commission holds open and accessible public meetings monthly at which the public has an opportunity to comment on park-related issues.

I have always felt that protecting our nation's unique natural areas should be one of our highest priorities. The Golden Gate National Recreation Area is one of our Nation's most heavily visited urban national parks as it is in close proximity to millions of people. I invite my colleagues to join me in supporting this legislation.

By Mr. GRAHAM (for himself, Mrs. HUTCHISON, Mr. BINGAMAN, Mr. HUTCHINSON, Mr. BREAUX, Mr. ENSIGN, Mrs. LINCOLN, and Mr. THOMPSON):

S. 942. A bill to authorize the supplemental grant for population increases in certain states under the temporary assistance to needy families program for fiscal year 2002; to the Committee on Finance.

Mr. GRAHAM. Mr. President, I rise today on behalf of Senators HUTCHISON, BINGAMAN, HUTCHINSON, BREAUX, ENSIGN, BAUCUS, LINCOLN, THOMPSON, and myself to introduce a piece of legislation which will extend the Temporary Assistance for Needy Families supplemental grants for one year. This grant program has been critical to the success of welfare reform in our States.

The TANF block grant, as it is commonly known, was established in the 1996 welfare law. These were modest supplemental grants for 17 relatively poor or rapidly growing States. The grants were intended to reduce the very large disparity in welfare funding between poorer and wealthier States that resulted from the basic TANF funding formula. The TANF supplemental grants have afforded States, like ours a more adequate opportunity to achieve TANF goals. While TANF is scheduled to be reauthorized in 2002, the supplemental grants included in the 1996 law were authorized only through October 2001.

If the grants expire, 17 States will lose as much as 10 percent of their TANF funding beginning in October 1 of this year. Wealthy, low-growth States will experience no reduction.

These grants are not supplemental in the sense of being add-ons. They were designed as an integral part of the TANF allocation formula and are critical to the success of the TANF programs in the States that receive them. The decision to end the grants a year before reauthorizing the entire program was not a policy consideration, only a financial one. It was done in order to ensure a balanced budget by 2002.

The 2001 budget resolution, passed by both the House and the Senate, provides $319 million for a one-year extension of these important grants. This provision acknowledges the Senate's commitment to maintaining the tools that many of our States require to continue efforts to help people move from welfare to work, from jobs to careers.

Since the passage of the welfare reform law in 1996, more is expected of state welfare systems that ever before. TANF agencies provide a broad range of social services that include job training and employment counseling, reducing out-of-wedlock births and promoting family formation, and addressing individual challenges such as domestic violence—just to name a few. Without the TANF supplemental grants, impacted states will find themselves unable to provide many of the programs that have enabled their citizens to successfully move from public assistance to independence.

Given the significant costs of work supports, many of the 17 States that receive supplemental TANF grants are now spending more TANF funds each year than they receive from their basic TANF grant. In fiscal year 2000, for example, TANF expenditures in nine of the 17 States that receive TANF supplemental grants exceeded 100 percent of their basic TANF allocation. These States are my own home State of Florida, Alaska, Arizona, Arkansas, Idaho, New Mexico, North Carolina, Tennessee, and Texas.

For these reasons, we are requesting that a one year extension of the TANF supplemental grants. This step will help to ensure that high-growth States can continue their welfare reform efforts and will enable the supplemental grants to be considered as part of the overall TANF reauthorization next year.

Support for the extension of this program should come from all Senators who want to see the goals of welfare reform fulfilled. Whether or not one comes from a State that receives TANF supplemental grant dollars, support for this bill will send a loud and clear message that the United States Senate adheres to the goal of ensuring that all States have the means to provide the services necessary to help all Americans, regardless of where they live, to move from dependence to independence.

That is a goal worth fighting for and I encourage all of my Senate colleagues to cosponsor this important piece of legislation.

Mr. BAUCUS. Mr. President, I am glad to cosponsor this bill from my colleagues Senators GRAHAM and HUTCHISON. It's an important matter for those of us who represent less prosperous States. I have worked hard to promote economic development in Montana. It is crucial to providing a better future for the children of my great State. Until the economy improves in Montana, I will advocate for measures such as this one, which help alleviate the difficulties that stem from our circumstances.

When we enacted welfare reform in 1996, a law I am glad to have supported, there was much discussion here about the appropriate way to allocate welfare funds among States. The old funding formula had produced wide disparities, especially between high per capita income States and low per capita income States. In the end it was resolved to provide additional funding in the form of ''TANF supplemental grants'' to certain states which were poorer or had high growth rates or both. However, the funding was only provided through fiscal year 2001, while the rest of the welfare funds were provided through fiscal year 2002, as part of an effort to balance the budget.

Well, the budget is in surplus now. And we need to continue the TANF supplemental grants for one more year, as this legislation would do, so that we can assess it as a part of the policy on overall welfare funding during next year's reauthorization of the 1996 welfare reform law. The TANF supplemental grants represent a substantial source of welfare funds in several states. Failing to continue this funding would mean, in effect, a 10 percent reduction in the allocations for states such as Georgia, North Carolina, Florida, and Louisiana. My own state of Montana received $1 million last year. I assure you we can use those funds to help poor children in Montana, especially the many who have low-income working parents, the kind who hold down two or three part-time minimum wage jobs, which is all too common in my State.

I thank my colleagues for their leadership and look forward to working with them on this bill.

SUBMITTED RESOLUTIONS

SENATE CONCURRENT RESOLUTION 42—A BILL CONDEMNING THE TALEBAN FOR THEIR DISCRIMINATORY POLICIES AND FOR OTHER PURPOSES

Mr. BROWNBACK (for himself and Mrs. BOXER) submitted the following concurrent resolution; which was referred to the Committee on Foreign Relations:

S. CON. RES. 42

Whereas the Taleban militia took power in Afghanistan in 1996, and now rules over 90 percent of the country;

Whereas, under Taleban rule, most political, civil, and human rights are denied to the Afghan people;

Whereas women, minorities, and children suffer disproportionately under Taleban rule;

Whereas, according to the United States Department of State Country Report on Human Rights Practices, violence against women and girls in Afghanistan occurs frequently, including beatings, rapes, forced marriages, disappearances, kidnapings, and killings;

Whereas Taleban edicts isolate Muslim and non-Muslim minorities, and will require the thousands of Hindus living in Taleban-ruled Afghanistan to wear identity labels on their clothing, singling out these minorities for discrimination and harsh treatment;

Whereas Taleban forces have targeted ethnic Shiite Hazaras, many of whom have been massacred, while those who have survived, are denied relief and discriminated against for their religious beliefs;

Whereas non-Muslim religious symbols are banned, and earlier this year Taleban forces obliterated 2 ancient statues of Buddha, claiming they were idolatrous symbols;

Whereas Afghanistan is currently suffering from its worst drought in 3 decades, affecting almost one-half of Afghanistan's 21,000,000 population, with the impact severely exacerbated by the ongoing civil war and Taleban policies denying relief to needy areas;

Whereas the Taleban has systematically interfered with United Nations relief programs and workers, recently closing a new hospital and arresting local workers, closing United Nations World Food Program bakeries providing much needed food, and closing offices of the United Nations Special Mission to Afghanistan in 4 Afghan cities;

Whereas, as a result of those policies, there are more than 25,000,000 persons who are internally displaced within Afghanistan, and this year, contrary to past practice, the Taleban rejected a United Nations call for a cease-fire in order to bring assistance to the internally displaced;

Whereas, as a result of Taleban policies, there are now more than 2,200,000 Afghan refugees in Pakistan, and 500,000 more refugees are expected to flee in the coming months unless some form of relief is forthcoming;

Whereas Pakistan has closed its borders to Afghanistan, and has announced that Pakistani and United Nations officials will begin screening refugees in June with a view toward forcibly repatriating all those who are found to be staying illegally in Pakistan;

Whereas the Taleban leadership continues to give safe haven to terrorists, including Osama bin Laden, and is known to host and provide training ground to other terrorist organizations; and

Whereas the people of Afghanistan are the greatest victims of the Taleban, and in recognition of that fact, the United States has provided $124,000,000 in relief to the people of Afghanistan this year: Now, therefore, be it

Resolved by the Senate (the House of Representatives concurring), That Congress—

(1) condemns the harsh and discriminatory policies of the Taleban toward Muslims, Hindus, women, and all other minorities, and the attendant destruction of religious icons;

(2) urges the Taleban to immediately reopen United Nations offices and hospitals and allow the provision of relief to all the people of Afghanistan;

(3) commends President George W. Bush and his administration for their recognition of these urgent issues and encourages President Bush to continue to respond to those issues;

(4) recognizes the burdens placed on the Government of Pakistan by Afghan refugees, and calls on that Government to facilitate the provision of relief to these refugees and to abandon any plans for forced repatriation; and

(5) calls on the international community to increase assistance to the Afghan people and consider granting asylum to at-risk Afghan refugees.

AMENDMENTS SUBMITTED AND PROPOSED

SA 785. Ms. STABENOW (for herself and Mr. DAYTON) submitted an amendment intended to be proposed by her to the bill H.R. 1836, to provide for reconciliation pursuant to section 104 of the concurrent resolution on the budget for fiscal year 2002; which was ordered to lie on the table.

SA 786. Mr. GRASSLEY proposed an amendment to amendment SA 763 submitted by Mr. GRAHAM and intended to be proposed to the bill (H.R. 1836) supra.

SA 787. Mr. KERRY submitted an amendment intended to be proposed by him to the bill H.R. 1836, supra.