S. CON. RES. 52

At the request of Mr. CORZINE, the name of the Senator from Minnesota (Mr. DAYTON) was added as a cosponsor of S. Con. Res. 52, a concurrent resolution expressing the sense of Congress that reducing crime in public housing should be a priority, and that the successful Public Housing Drug Elimination Program should be fully funded.

S. CON. RES. 59

At the request of Mr. HUTCHINSON, the names of the Senator from Maine (Ms. COLLINS) and the Senator from Missouri (Mrs. CARNAHAN) were added as cosponsors of S. Con. Res. 59, a concurrent resolution expressing the sense of Congress that there should be established a National Community Health Center Week to raise awareness of health services provided by community, migrant, public housing, and homeless health centers.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

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

S. 1197. A bill to authorize a program of assistance to improve international building practices in eligible Latin American countries; to the Committee on Foreign Relations.

Mr. DODD. Mr. President, I rise today to introduce legislation that will improve building safety in Latin America, increase the cost-effectiveness of our disaster relief assistance, and, most importantly, save lives. As many of us know, throughout the last decade, the people of Latin America have been the victims of numerous natural disasters that have resulted in death, property damage, and destruction. Indeed, in the last three years the continent has been ravaged by Hurricane Mitch, earthquakes in El Salvador and Peru, and horrendous rains and mudslides. These disasters have exacted a tremendous toll on the region, causing over 12,000 deaths, $40 billion in damage, and numerous injuries.

The cost to rebuild following these disasters is prohibitive and places a tremendous burden on the already struggling emerging economies of Latin America. To mitigate this cost, the United States has frequently released disaster relief funds to help affected countries recover the injured, maintain order, and rebuild their infrastructure. For example, the combined assistance released by the United States following Hurricane Mitch and the recent earthquakes totals over $1.2 billion. I fully support these appropriations, and believe that we have a duty to assist our neighbors and allies when they are confronted with natural disasters. I do, however, believe that we can make this assistance more cost-effective in the long run, while saving lives.

As I stated, I fully support offering U.S. monetary assistance to rebuild following natural disasters. However, because much of Latin America does not utilize modern, up-to-date building codes, much of this assistance goes to waste. For example, following the earthquakes in El Salvador in 1986, the United States provided $98 million dollars to rebuild that country. Most of the reconstruction was done by local Salvadoran contractors, and these structures were not built to code. Now, 15 years later, following the most recent earthquakes in El Salvador, the United States offered over $100 million dollars in aid. Had reconstruction in 1986 been done to code, undoubtedly the cost of the most recent earthquake would have been lower in both monetary value and lives.

To remedy this problem, and encourage safe, modern building practices in countries that need them the most, I introduce today, with my colleagues Senator LIEBERMAN and Senator SESSIONS, the Code and Safety for the Americas, CASA Act. The CASA Act would authorize the expenditure of $3 million over two years from general foreign aid funds to translate the International Code Council family of building codes, which are the standard for the United States, into Spanish. Furthermore, it would provide funding for the International Code Council's proposal to train architects and contractors in El Salvador and Ecuador in the proper use of the code. By educating builders and providing them the necessary code for their work in their own language, it is only a matter of time before we will begin to see safer buildings in the region, and a return on our investment. The United States spent over $10 million in body bags, temporary tent housing, and first aid alone following the recent earthquake in El Salvador. For a comparatively modest sum, $3 million, we can reduce the need for this type of aid by attacking the problem of shoddy building before it begins.

In addition, after this program has been implemented in El Salvador and Ecuador, it could easily be replicated in other Latin American countries at low cost, requiring only funding for the training program. While we want to start this program on a small scale, I am confident that other countries will request similar training programs in the future. In fact, other countries have already asked to be considered for a future expansion of the program. The Inter-American Development Bank and UN have expressed interest in this idea, and are potential candidates to provide partial funding of any future expansion. Given this interest, it is highly likely that, in the future, a public-private partnership can be constructed to expand this program to Peru, Guatemala, and the rest of Spanish-speaking Latin America. Also, we cannot forget the valuable contributions that American volunteer organizations such as the International Executive Service Corps can make to this program in the long-run.

This legislation is supported by architects, contractors, and public officials both in the United States and in Latin America. Students of architecture in Latin America want to be taught proper standards and code application, and local governments have requested the code in Spanish. So, this is not a case of the ''ugly'' America imposing its will on Latin America. We have been asked to share this life-saving code with our Southern neighbors and, indeed, the number of requests from different countries has been staggering.

In short, this legislation will save lives, lessen the damage caused by future disasters, and illustrate our good will toward our Latin American allies while proving to be cost-effective for the United States through decreased aid following future disasters. For a detailed analysis of the problem, and this solution, I wish to draw my colleagues attention to an article by Steven Forneris, an American architect living in Ecuador, that appeared in ''Building Standards'' magazine. In it, Mr. Forneris argues the value of this proposal from his position at the front lines in Ecuador. He clearly and eloquently outlines why Latin America needs building code reform, and why it is in the best interests of the United States to involve itself in this endeavor.

The CASA Act is common-sense legislation that will dramatically improve the lives of citizens of our hemisphere, and represents a real chance for American leadership in the Hemisphere at very little cost. I hope that my colleagues will join me in this humanitarian effort.

I ask unanimous consent that Mr. Forneris' article be printed in the RECORD.

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

[From Building Standards, March–April 2001]

IS IT WRONG TO ASK FOR HELP ON BUILDING CODES?

(By Stephen Forneris)

I work in the field of architecture, part of the time in the City of Guayaquil, Ecuador, and the other part of the time in New York State. Like everyone involved in this profession, one of my chief responsibilities is to guard the health, safety and welfare of my clients. The architects I work with in New York do this by following the International Codes promulgated by the International Code Council (ICC). When working as an architect myself in the small Latin American nation of Ecuador, which simply does not have the resources to develop a complete building code of its own, I am left with a set of very limited and woefully inadequate codes.

Ecuador developed its current code 20 years ago by translating portions of 1970s versions of the American Concrete Institute ''Building Code Requirements for Reinforced Concrete and the Uniform Building Code'' (UBC). While a noble effort at the time, it is antiquated by today's standards. The adopted provisions only address structural design requirements and the code does not provide for any general life-safety design concerns such as fire and egress. In 1996, the president of Ecuador signed a bill to develop a new code, but it will take years before it is fully complete and will still only consider structural design requirements. So what does this

have to do with the United Nations or the U.S. Government?

As part of its International Decade for Natural Disaster Reduction program, the United Nation's Risk Assessment Tools for Diagnosis of Urban Areas Against Seismic Disasters (RADIUS) project conducted a study of Guayaquil. The RADIUS team determined there to be a 53-percent chance that a magnitude 8.0 or greater earthquake will strike within 200 miles of the city in the next 50 years. An estimated 26,000 fatalities would result, along with approximately 90,000 injuries severe enough to require hospitalization. Projections indicate that up to 75 percent of the local hospitals would be non-operational and 90,000 people left homeless. Power would be out for up to three weeks, telephones inoperable and roads impassable for two months, running water cut off for three months, and sewage systems unusable for a year. All told, damage from the tragedy is expected to exceed one billion U.S. dollars . . . and Guayaquil, which is situated in a zone of high seismic activity that stretches from Chile to Alaska, is not even the most vulnerable of Ecuador's cities.

I watched news of the recent earthquakes in El Salvador and India with apprehension, knowing that it is only a matter of time before Guayaquil joins the ranks of these horrific human disasters. My colleagues in New York and I are shocked at what those poor people must be going through and are proud that our government is doing its part to help. We are a kind people at our core, and the U.S. Agency for International Development (USAID) has given El Salvador $8,365,777 and India $12,595,631 in assistance. I have to wonder, though, if the U.S. government has been able to allocate nearly $21 million over the past few months for international disaster relief, should it not be possible to get funding to mitigate the effects of future disasters like these?

In 1999, James Lee Witt, then director of the U.S. Federal Emergency Management Agency (FEMA) stated: ''At FEMA, we're working to change the way Americans think about disasters. We've made prevention the focus of emergency management in the United States, and we believe strong, rigorously enforced building codes are central to that effort.'' In 1999, FEMA signed an agreement with ICC to encourage states to adopt and enforce the International Building Code (IBC). As the U.S. government has turned to an aggressive program of domestic prevention, it only seems logical to apply this philosophy in its projects abroad.

Guayaquil, and all of Latin America for that matter, needs our help right now. The FEMA-endorsed International Codes arguably provide the best mitigation for natural disasters available in the world, and ICC representatives have informed me that they have a team ready to translate them into Spanish. If USAID is capable of providing such quick and significant funding for plastic sheets, water jugs, hygiene kits, food assistance, etc., why not consider funding translation of the International Codes for a fraction of that cost?

In February of this year, The Associated Press reported that USAID had agreed to provide an additional $3 million to El Salvador for emergency housing. Less than a month later, President Bush pledged $100 million more in aid, which El Salvador's President Francisco Flores has stated will be used to reconstruct basic infrastructure and housing in the country. It is worth recalling that only 15 years ago the U.S. government provided El Salvador reconstruction funds totaling $98 million after a smaller earthquake. This brings the total to more than $200 million in less than 20 years, yet the people of El Salvador are no safer because their homes still do not meet any of the generally accepted U.S. building code standards.

I have to wonder what kind of message we are sending to developing countries? Have we created a ''disaster lottery'' in which needed aid comes only after images of devastation flash across the evening news? If so, South America alone stands to receive hundreds of millions of dollars in disaster relief over the next few years. In contrast, code translation, certification and training would greatly reduce the risk in the region for much less. What we need to do is think about saving lives now. It is sad to think that it may be easier to get coffins in which to bury the dead than the building codes that would save many of those same people's lives. It is my hope that the U.S. and United Nations, motivated by compassion, foresight and simple economics, can help provide all of Latin America with the truly vital and life-protecting building codes the region urgently needs.

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Julie Watson, ''El Salvador Seeks Aid after Quake'', 2/15/01. Reprinted with permission of The Associated Press.

Sandra Sobieraj, ''Bush Promises Help For El Salvador,'' 3/2/01. Reprinted with permission of The Associated Press.

By Mrs. HUTCHISON (for herself, Mr. BREAUX, Ms. COLLINS, Mr. BAUCUS, Mr. CHAFEE, Ms. LANDRIEU, Mr. LOTT, Mr. CONRAD, Mr. MURKOWSKI, Mr. ALLARD, Mr. BROWNBACK, Mr. COCHRAN, Mr. DOMENICI, Mr. GRAMM, Mr. ENZI, Mr. HELMS, Mr. HUTCHINSON, Mr. INHOFE, Mr. NICKLES, Mr. STEVENS, and Mr. THOMAS):

S. 1199. A bill to amend the Internal Revenue Code of 1986 to allow a tax credit for marginal domestic oil and natural gas well production and an election to expense geological and geophysical expenditures and delay rental payments; to the Committee on Finance.

Mrs. HUTCHISON. Mr. President, I rise today to speak about an energy bill I am re-introducing this year, marginal well tax credits. I am proud to introduce the Hutchison-Breaux-Collins Marginal Well Preservation Act of 2001.

As we look to long-term solutions to the high cost of gasoline, electricity and home heating oil, marginal well tax incentives are critical to increasing supply and retaining our energy independence. Our crisis of volatile fuel prices in the U.S. has led this year to historically high gasoline prices, airline ticket surcharges for rising jet fuel costs, and expected problems with high home heating oil costs this coming winter. This problem is real, it is growing, and it demands a response from Congress to join with the Administration to find a comprehensive, long-term solution.

Senators representing all regions of the country, including the Northeast and Midwest have a common interest: to make the United States less susceptive to the volatility of world oil markets by reducing America's dependence on foreign oil. I understand that when the price of home heating oil spikes in the Northeast, it hurts those Senators' constituents. They understand when the price of oil falls below $10 a barrel, as it did just over two years ago, and we lose 18,000 jobs as we did in Texas, that hurts my constituents. We understand that these are merely two sides of the same coin: growing dependence on foreign oil.

In fact, at the heart of my legislation is the goal of reducing our imports of foreign oil to less than 50 percent by the year 2010. While it is incredible to me that we have let America slide into greater than 55 percent dependence today, from the 46 percent dependence we saw in 1992, nevertheless a goal of producing at least half of our oil needs right here in the United States is a laudable and, I believe, an achievable one.

The core problem with our growing dependence on foreign oil is an underutilized domestic reserve base of both crude oil and natural gas. In 1992, we imported 46 percent of our oil needs from overseas. It is equally important to realize that in 1974, when America was brought to her knees by the OPEC oil embargo, we imported only 36 percent of our oil. Today, as I mentioned, we stand at over 55 percent imports. While it is true that OPEC controls less, in percentage terms, of the world oil market than it did in 1974, if the major oil producing countries of the world were ever to get their collective act together, they cold not only wreak havoc with the American economy, they could literally shut it down. As the sole remaining superpower in the world, and as the country with an economy that is the envy of the industrialized world, this threat to our economic as well as our national security is simply and totally unacceptable.

We simply must take steps today to increase the amount of oil and natural gas we produce right here at home. It is estimated that, in total, the United States possesses as much as 160 billion barrels of oil and as many as 1,700 trillion cubic feet of natural gas. This is enough to fuel the U.S. economy for at least 60 years without importing a single drop of foreign oil. While shutting-off foreign oil completely may not be realistic, it is realistic to utilize our reserves much more than we do today.

Believe it or not, much of this oil and gas could be produced in areas where it is being produced today and has for decades that is not environmentally sensitive. That is why I have advocated for tax incentives that would make it economically feasible for production to continue and actually increase in areas largely where production takes place today. Much of this production is from so-called ''marginal'' wells, those wells that produce less than 15 barrels of oil and less than 90 thousand cubic feet of natural gas per day.

Many of these wells are so small that, once they close, they never reopen. There were close to 500,000 such wells across the U.S. Together, they have the capacity to produce 20 percent of America's oil. This is roughly the same amount of oil the U.S. imports from Saudi Arabia. During the oil price plummet over two years ago, more than a quarter of these wells closed, many of them for good.

The overwhelming majority of producing wells in Texas are marginal wells. A survey by the Independent Producers Association of America, IPAA, found that marginal wells account for 75 percent of all crude production for small independent operators; up to 50 percent for mid-sized independents; and up to 20 percent for large companies.

A more sensible energy independence policy would be to offer tax relief to producers of these smaller wells that would help them stay in business when prices fall below a break-even point. When U.S. producers can stay in business during periods of low prices, supply will be higher and help keep prices from shooting up too high.

My legislation provides a maximum $3 per barrel tax credit for the first 3 barrels of daily production from a marginal oil well, and a similar credit for marginal gas wells. The marginal oil well credit would be phased in-and-out in equal increments as prices for oil and natural gas fall and rise. For oil, it would phase in between $18 and $15 per barrel.

A counter-cyclical system such as this would help keep producers alive during the record low prices, so they can be producing during the record highs. This would gradually ease our dependence on overseas oil.

There's another benefit to encouraging marginal well production: it has a multiplier effect. In 1997, these low-volume wells generated $314 million in taxes paid annually to State governments. These revenues are sued for State and local schools, highways and other state-funded projects and services.

Another idea in my plan is to offer incentives to restart inactive wells by offering producers a tax exemption for the costs of doing so. This would ensure greater oil availability and also increase Federal and State tax revenues paid by oil producers and energy sector employees. Everyone wins. More jobs, more State and Federal revenue, and, most importantly, more domestic oil.

Studies and actual results have borne this out. In Texas, a program similar to this has met with considerable success. Over 6,000 wells have been returned to production, injecting approximately $1.65 billion into the Texas economy each year. We should try this nationwide.

We do not have to be at the whim of market forces beyond our control. The only way out, though, is to be part of the price setting process, rather than be price takers. To do that, we've got to increase our domestic supply. We have an excellent opportunity to unite around this bill, Democrats and Republicans, energy production and energy consumption States.

Marginal well tax incentive legislation is a positive, proactive approach that I believe can garner a majority of support in Congress and that will begin to reverse the slide toward greater and greater dependence on foreign oil.

By Mr. HATCH. (for himself, Mr. BREAUX, Mrs. LINCOLN, Mr. ALLARD, Mr. THOMPSON, and Mr. GRAHAM):

S. 1201. A bill to amend the Internal Revenue Code of 1986 to provide for S corporation reform, and for other purposes; to the Committee on Finance.

Mr. HATCH. Mr. President, I rise today to introduce the Subchapter S Modernization Act of 2001. I am very pleased to be joined in this effort by Senators BREAUX, LINCOLN, THOMPSON, ALLARD, and GRAMM.

The bill we are introducing today is a continuation of a bipartisan effort that began in the Senate nearly a decade ago when former Senators Pryor and Danforth, along with myself and six other senators, introduced the S Corporation Reform Act of 1993. We recognized then, as the sponsors of today's bill do now, that S corporations are a vital and growing part of our economy and that our tax law should reflect the importance of these entities and provide tax rules that allow them to grow and compete with a minimum of complexity and a maximum of flexibility.

According to the Joint Committee on Taxation, there were nearly 2.6 million S corporations in the United States in 1998, up from about 500,000 in 1980. In fact, S corporations now outnumber both C corporations and partnerships. These are predominantly small businesses in the retail and service sectors. Over 92 percent of all S corporations in 1998 reported less than $1 million in assets. Many of these businesses, however, are growing rapidly. These are the kinds of businesses that make up ''Main Street USA.'' In my home state of Utah, over half the corporations have elected Subchapter S treatment.

Subchapter S of the Internal Revenue Code was enacted in 1958 to help remove tax considerations from small business owners' decisions to incorporate. This elective tax treatment has been helpful to millions of small businesses over the years, particularly to those just starting out. Subchapter S provides entrepreneurs the advantage of corporate protection from liability along with the single level of tax enjoyed by partnerships and limited liability companies.

However, Subchapter S as enacted and modified over the years contains a variety of limitations, restrictions, and pitfalls for the unwary. And, even though some very important improvements have been made over the years, including many first introduced in the 1993 S Corporation Reform Act I mentioned earlier, more needs to be done to bring the tax treatment of these important businesses into the 21st Century. This is what our bill today is all about.

A May 2001 study by the Federal Reserve Bank of Kansas City highlights the importance of small businesses to our economy and points out why Congress should do everything possible to make it easier for these entities to get started and grow. The study points out that more than 75 percent of the net new jobs created from 1990 to 1995 occurred in small firms, defined as those with fewer than 500 employees. Moreover, seven of the ten fastest growing industries have been dominated by small businesses in recent years, including the high technology sector, where small firms employ 38 percent of that industry's workers.

In the rural parts of America, the role of small enterprises is even more important. Small businesses account for 90 percent of all rural establishments. In 1998, small companies employed 60 percent of rural workers and provided half of rural payrolls.

What do these small businesses, especially those in small-town America, most need to grow, to thrive, and even to survive? According to the White House Conference on Small Business, two of the most important issue areas for these enterprises is easier access to capital and an easing of the tax burden. The bill we are introducing today addresses both of these vital issues.

Perhaps the biggest challenge facing all kinds of businesses, but especially smaller ones, is attracting adequate capital. Unfortunately, Subchapter S is currently a hindrance, rather than a help, for many corporations facing this challenge. For example, current law allows for only one class of stock for S corporations. Further, S corporations are not allowed currently to issue convertible debt. Nor are they allowed to have a non-resident alien as a shareholder. These restrictions all limit the ability of S corporations in attracting capital, which is very often the lifeblood of growing a business.

Several of the provisions of the Subchapter S Modernization Act are designed to alleviate these restrictions on the ways S corporations can attract capital. This will help make them more competitive with other small enterprises doing business in other forms, such as partnerships or limited liability companies, that do not face such barriers.

Even though electing Subchapter S currently offers much to a small corporation in the way of tax relief, principally because such an election eliminates the corporate level of taxation, S corporations still face some significant tax burdens in the way of potential pitfalls and tax traps for the unwary. Some of these impediments exist in the requirements of elective S corporation status, and others are in the rules governing the day-to-day operations of the

entities. In either case, these provisions stifle growth and impede job creation.

Most of the sections of the bill we introduce today are dedicated to eliminating many of these barriers and making it easier for companies to elect Subchapter S and to operate in this status once the election is made.

The Small Business Job Protection Act of 1996 made many important changes to Subchapter S. One of the most significant was the ability for small banks to elect to be S corporations for the first time. This opened the door for many small community banks to become more competitive with other financial institutions operating in their towns and neighborhoods. So far, more than 1,400 banks in the U.S. have made the election, which represents about 18 percent of the more than 8,000 community banks in the United States.

According to a survey taken earlier this year by the accounting firm Grant Thornton, 3 percent of the remaining community banks plan to elect Subchapter S status in 2001, and another 14 percent are considering the election after this year.

The availability of Subchapter S has been a positive development in increasing profitability and competitiveness of many community banks. However, two problems currently exist. The first is that current law includes several significant hurdles to many small banks in converting to S corporation status. These include restrictions on the types and number of shareholders allowed. The second problem is that some of the operating rules under Subchapter S are unduly inflexible, complex, and harsh.

The bill we introduce today attempts to address many of these challenges by easing the restrictions on the kinds of shareholders who can own S corporation stock and the number of shareholders allowed, as well as relaxing some of the operational rules. These changes are designed to make it significantly easier for community banks to take advantage of the benefits of Subchapter S.

Small businesses are key to the continued growth of our economy and to future job creation. The way I see it, it is the job of government to see that unnecessary restrictions and barriers to the success of these businesses are removed so that these small enterprises can attract capital and function with the maximum of efficiency.

Some would argue that S corporations are a relic of the past and that newer, more flexible forms of doing business, such as limited liability companies, are the business entities of the future. Such a view is a great distortion of reality. S corporations are a large and growing part of our economy. They have served a vital function in our communities for the past 43 years and will continue to do so. Our tax laws should be overhauled to streamline these rules and make them as flexible and easy to work in as possible.

The S Corporation Modernization Act enjoys the support of a broad range of associations and trade groups, many of which have worked with us in crafting the bill. I want to especially acknowledge the assistance of the American Institute of Certified Public Accountants, the Taxation Section of the American Bar Association, the Independent Bankers Association of America, and the Utah Bankers Association. These organizations contributed time and talent in making recommendations for many of the improvements in this bill.

I urge my colleagues to take a close look at this bill, and to support it. Thousands of small and growing businesses in every State will benefit from the improvements included therein. Its enactment will lead to an increased ability of these enterprises to attract capital, expand, and create new jobs.

I ask unanimous consent that a section-by-section description of the bill and a letter of support from a group of organizations that endorse it be printed in the RECORD.

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

SUPPORTERS OF S CORPORATION MODERNIZATION

DEAR SENATORS HATCH, BREAUX, LINCOLN, AND ALLARD: The undersigned organizations, speaking on behalf of many of America's small businesses, want to commend and thank you for sponsoring the S Corporation Modernization Act of 2001. This important legislation will improve capital formation opportunities for small businesses, preserve family-owned businesses, and eliminate unnecessary and unwarranted traps for taxpayers. We want to express our unqualified and enthusiastic support for the entire bill.

In 1958, Congress created S corporations to create an effective alternative business structure for private entrepreneurs. Under Subchapter S, if certain requirements and restrictions are met, a business can choose to operate in corporate form without being penalized with a second level of tax. Today, about 2.6 million S corporations operate in virtually every sector and in every State across America. These S corporations employ many Americans and hold over $1.45 trillion in business assets.

Though many of these businesses have been successful ventures, the qualifications and restrictions contained in the original Subchapter S rules were very limiting and complex. Over time, Congress has removed some of these restrictions and has made incremental changes to update and improve the Subchapter S rules. Congress last acted in 1996 to pass reforms to make S Corporation rules more compatible with modern-day business demands.

Unfortunately today, many of these companies are still burdened by obsolete rules, which stunt expansion, inhibit venture capital attraction, and otherwise impede these businesses from meeting the demands of the challenging global economy. As the domestic economy faces increasing challenges, such restrictions are particularly troubling. For S corporations, which have been a key element in America's economic growth, we can no longer afford to keep such antiquated restrictions in place.

Indeed, the need for any of these restrictions is highly doubtful. Over the last decade, all States (with supporting rulings from the IRS) have now enacted statutes creating limited liability companies (LLCs). LLCs operate like S corporations (with limited liability and subject to a single level of tax), but face none of the burdensome and unnecessary restrictions. As a result, new business enterprises are being formed at an accelerating rate under the LLC regime. The Subchapter S Modernization Act of 2001 will go a long way toward lifting these needless burdens on S corporations.

For these reasons, we agree with you that it is again time to revisit Subchapter S reform, and we look forward to working with you to enact the S Corporation Modernization Act of 2001. Thank you again for your championship of this important initiative.

Sincerely,

U.S. Chamber of Commerce; Employee-Owned S Corporations of America; S Corporation Association; National Cattleman's Beef Association; Associated General Contractors of America; National Association of Realtors; National Multi Housing Council; National Apartment Association; Small Business Survival Committee; Independent Insurance Agents of America; National Association of Manufacturers; Independent Community Bankers of America; American Bankers Association; Utah Bankers Association; Independent Bankers Association of Texas; Independent Bankers of Colorado; Maine Association of Community Banks; Independent Community Bankers of Minnesota; Community Bankers of Wisconsin; Community Bankers Association of Indiana; Community Bankers Association of Kansas; Bluegrass Bankers Association; The Community Bankers Association of Alabama; Independent Community Bankers of New Mexico; Iowa Independent Bankers; California Independent Bankers; Community Bankers Association of Illinois; Montana Independent Bankers; Missouri Independent Bankers Association; Nebraska Independent Community Bankers; Arkansas Community Bankers; Community Bankers Association of Georgia; Michigan Association of Community Bankers; Community Bankers of Louisiana; Independent Bankers Association of New York; Pennsylvania Association of Community Bankers; Independent Community Bankers of South Dakota; Independent Community Bankers of North Dakota; West Virginia Association of Community Bankers; Virginia Association of Community Banks; Community Bankers Association of Oklahoma; Community Bankers Association of New Hampshire.

SUBCHAPTER S MODERNIZATION ACT OF 2001—SECTION-BY-SECTION DESCRIPTION

The Subchapter S Modernization Act of 2001 includes the following provisions to help improve capital formation opportunities for small business, preserve family-owned businesses, and eliminate unnecessary and unwarranted traps for taxpayers.

TITLE I—ELIGIBLE SHAREHOLDERS OF AN S CORPORATION

Section 101. Members of family treated as 1 shareholders

The Act provides for an election to count family members that are not more than six generations removed from a common ancestor as one shareholder for purposes of the number of shareholder limitation (currently 75 shareholders). The election requires the consent of a majority of all shareholders. The provision helps family-owned S corporations plan for the future without fear of termination of their S corporation elections.

Section 102. Nonresident aliens allowed to be shareholders

The Act would permit nonresident aliens to be S corporation shareholders. To assure collection of the appropriate amount of tax, the Act requires the S corporation to withhold and pay a tax on effectively connected income allocable to its nonresident alien shareholders. The provision enhances an S corporation's ability to expand into international markets and expands an S corporation's access to capital.

Section 103. Expansion of bank S corporation eligible shareholders to include IRAs

The Act permits Individual Retirement Accounts (IRAs) to hold stock in a bank that is a S corporation. Additionally, the Act would exempt the sale of bank S corporation stock in an IRA from the prohibited transaction rules. Currently, IRAs own community bank stock, which results in a significant obstacle to banks that want to make an S election. The provision allows an IRA to own bank S stock, and thus, avoids transactions to buy back stock, which drains the bank's resources.

Section 104. Increase in number of eligible shareholders to 150

Currently a corporation is not eligible to be an S corporation if it has more than 75 shareholders. The Act increases the number of permitted shareholders to 150. The provision will enable S corporation to raise more capital and plan for the future without endangering their S corporation status.

TITLE II—QUALIFICATION AND ELIGIBILITY REQUIREMENTS OF S CORPORATIONS

Section 201. Issuance of preferred stock permitted

The Act would permit S corporations to issue qualified preferred stock (''QPS''). QPS generally would be stock that (i) is not entitled to vote, (ii) is limited and preferred as to dividends and does not participate in corporate growth to any significant extent, and (iii) has redemption and liquidation rights which do not exceed the issue price of such stock (except for a reasonable redemption or liquidation premium). Stock would not fail to be treated as QPS merely because it is convertible into other stock. This provision increases access to capital from investors who insist on having a preferential return and facilitates family succession by permitting the older generation of shareholders to relinquish control of the corporation but maintain an equity interest.

Section 202. Safe harbor expanded to include convertible debt

The Act permits S corporations to issue debt that may be converted into stock of the corporation provided that the terms of the debt are substantially the same as the terms that could have been obtained from an unrelated party. The Act also expands the current law safe-harbor debt provision to permit nonresident alien individuals as creditors. The provision facilitates the raising of investment capital.

Section 203. Repeal of excessive passive investment income as a termination event

The Act would repeal the rule that an S corporation would lose its S corporation status if it has excess passive income for three consecutive years. A corporate-level ''sting'' (or double) tax would still apply, as modified in Section 204 below, to excess passive income.

Section 204. Modifications to passive income rules

The Act would increase the threshold for taxing excess passive income from 25 percent to 60 percent (consistent with a Joint Tax Committee recommendation on simplification measures). In addition, the Act removes gains from the sales or exchanges of stock or securities from the definition of passive investment income for purposes of the sting tax.

Section 205. Stock basis adjustment for certain charitable contributions

Current rules discourage charitable gifts of appreciated property by S corporations. The Act would remedy this problem by providing for an increase in the basis of shareholders' stock in an amount equal to excess of the value of the contributed property over the basis of the property contributed. This provision conforms the S corporation rules to those applicable to charitable contributions by partnerships.

TITLE III—TREATMENT OF S CORPORATION SHAREHOLDERS

Section 301. Treatment of losses to shareholders

In the case of a liquidation of an S corporation, current law can result in double taxation because of a mismatch of ordinary income (realized at the corporate level and passed through to the shareholder) and a capital loss (recognized at the shareholder level on the liquidating distribution). Although careful tax planning can avoid this result, many S corporations do not have the benefit of sophisticated tax advice. The Act eliminates this potential trap by providing that any portion of any loss recognized by an S corporation shareholder on amounts received by the shareholder in a distribution in complete liquidation of the S corporation would be treated as an ordinary loss to the extent of the shareholder's ''ordinary income basis'' in the S corporation stock.

Section 302. Transfer of suspended losses incident to divorce

The Act allows for the transfer of a pro rata portion of the suspended losses when S corporation stock is transferred, in whole or in part, incident to divorce. Under current IRS regulations, any suspended losses or deductions are personal to the shareholder and cannot, in any manner, be transferred to another person. Accordingly, if a shareholder transfers all of his or her stock in an S corporation to his or her former spouse as a result of divorce, any suspended losses or deductions with respect to such stock are permanently disallowed. This result is inequitable and unduly harsh, and needlessly complicates property settlement negotiations.

Section 303. Use of passive activity loss and at-risk amount by qualified subchapter S trust income beneficiaries

The Act clarifies that, if a QSST transfers its entire interest in S corporation stock to an unrelated party in a fully taxable transaction, the income beneficiary's suspended losses from S corporation activity under the passive activity loss rules would be freed up for use by the income beneficiary. The Act further provides that the income beneficiary's at-risk amount with respect to S activity would be increased by the amount of gain recognized by the QSST on a disposition of S stock. These provisions clarify a troublesome area under current law, and so, eliminate traps for the unwary taxpayer.

Section 304. Deductibility of interest expense incurred by an electing small business trust to acquire S corporation stock

The Act provides that interest expense incurred by an ESBT to acquire S corporation stock is deductible by the S portion of the trust. Recently issued proposed regulations would provide that interest expense incurred by an ESBT to acquire stock in an S corporation is allocable to the S portion of the trust, but is not deductible. This result is contrary to the treatment of other taxpayers, who are entitled to deduct interest incurred to acquire an interest in a pass through entity. Further, Congress never intended to place ESBTs at a disadvantage relative to other taxpayers.

Section 305. Disregard of unexercised powers of appointments in determining potential current beneficiaries of ESBT

The Act revises the definition of a ''potential current beneficiary'' in the context of the ESBT eligibility rules by providing that powers of appointment should only be evaluated when the power is actually exercised. Current law provides that postponed or non-exercisable powers will not interfere with the making of an ESBT election. However, proposed regulations provide that, once such powers become exercisable, the S election will automatically terminate if the power could potentially be exercised in favor of an ineligible individual—whether it was actually exercised in favor of the ineligible individual or not. The application of this rule would prevent many family trusts from qualifying as ESBTs.

The Act expands the existing method to cure a potential current beneficiary problem. Under the Act, an ESBT will have a period of up to one year (currently 60 days) to either dispose of all of its S stock or otherwise cause the ineligible potential current beneficiary's position in the trust to be eliminated without causing the ESBT election or the corporation's S election to fail.

Section 306. Clarification of electing small business trust distribution rules

The Act clarifies that, with regard to ESBT distributions, separate share treatment applies to the S and non-S portions under section 641(c).

Section 307. Allowance of charitable contributions deduction for electing small business trusts

The Act permits a deduction for charitable contributions made by an ESBT, while taxing the charity on its share of the S corporation's income as unrelated business taxable income. Current law discourages charitable contributions by S corporation shareholders by preventing an ESBT from claiming a charitable contribution deduction. The Act encourages philanthropy by permitting a charitable deduction while at the same time effectively taxing the S corporation's income in the hands of the recipient charity to the extent of the deduction.

Section 308. Shareholder basis not increased by income derived from cancellation of S corporation's debt

The Act provides that cancellation of indebtedness (COD) income excluded from the gross income of an S corporation, i.e., due to the S corporation's insolvency, does not increase shareholder's basis in S corporation stock. The Act changes the result reached in the recent U.S. Supreme Court decision in Gitlitz v. Comm'r (2000).

Section 309. Back-to-back loans as indebtedness.

The Act clarifies that a back-to-back loan (a loan made to an S corporation shareholder who in turn loans those funds to his S corporation) constitutes ''indebtedness of the S corporation to the shareholder'' so as to increase such shareholder's basis in the S corporation. The provision would help many shareholders avoid inequitable pitfalls encountered where a loan to an S corporation is not properly structured, even though the shareholder has clearly made an economic outlay with respect to his investment in the S corporation for which a basis increase is appropriate.

TITLE IV—EXPANSION OF S CORPORATION ELIGIBILITY FOR BANKS

Section 401. Exclusion of investment securities income from passive income test for bank S corporations

The Act clarifies that interest and dividends on investments maintained by a bank for liquidity and safety and soundness purposes shall not be ''passive'' income. By treating all bank income as earned from the active and regular conduct of a banking business, banks will no longer face the conundrum of evaluating investment decisions based on tax considerations rather than on more important safety and economic soundness issues.

Section 402. Treatment of qualifying director shares

The Act clarifies that qualifying director shares of bank are not to be treated as a second class of stock. Instead, the qualifying director shares are treated as a liability of the bank and no increase or loss from the S corporation will be allocated to these qualifying director shares. The provision clarifies the law and removes a significant obstacle unique among banks contemplating a S corporation election.

Section 403. Bad debt charge offs in years after election year treated as items of built-in loss

The Act permits bank S corporations to recapture up to 100 percent of their bad debt reserves on their first S corporation tax return and/or their last C corporation income tax return prior to the effective date of the S election. Banks that convert to S corporation status must change from the reserve method of accounting to the specific charge off method. The resulting recapture income is treated as built-in gain subject to tax at both the shareholder and the corporate level. The Act allows banks to accelerate the recapture of bad debt reserve to their last C corporation tax year. The corporate level tax would still be paid on the recapture income, but the recapture would no longer trigger a tax for the bank's shareholders.

TITLE V—QUALIFIED SUBCHAPTER S SUBSIDIARIES

Section 501. Relief from inadvertently invalid qualified subchapter S subsidiary elections and terminations

The Act provides statutory authority for the Secretary to grant relief for invalid QSub elections, and terminations of QSub status, if the Secretary determines that the circumstances resulting in such ineffectiveness or termination were inadvertent. This would allow the IRS to provide relief in appropriate cases, just as it currently does in the case of invalid or terminated S corporation elections.

Section 502. Information returns for qualified subchapter S subsidiaries

The Act would help clarify that a Qualified Subchapter S Subsidiary (QSSS) can provide information returns under their own tax ID number to help avoid confusion by employers, depositors, and other parties.

Section 503. Treatment of the sale of interest in a qualified subchapter S subsidiary

The Act treats the disposition of QSub stock as a sale of the undivided interest in the QSub's assets based on the underlying percentage of stock transferred followed by a deemed contribution by the S corporation and the acquiring party in a nontaxable transaction. Under current law, an S corporation may be required to recognize 100 percent of the gain inherent in a QSub's assets if it sells as little as 21 percent of the QSub's stock. IRS regulations suggest this result can be avoided by merging the QSub into a single member LLC prior to the sale, then selling an interest in the LLC (as opposed to stock in the QSub). The Act achieves this result without any unnecessary merger and thus removes a trap for the unwary.

Section 504. Exception to application of step transaction doctrine for restructuring in connection with making qualified subchapter S subsidiary elections

The Act provides that the step transaction doctrine does not apply to the deemed liquidation resulting from QSub elections. Application of the step transaction doctrine, in the context of making a QSub election, introduces complexity and uncertainty in what should be a simple matter. The doctrine requires knowledge of decades of jurisprudence and administrative interpretations, and poses an unnecessary trap for the unwary.

TITLE VI—ADDITIONAL PROVISIONS

Section 601. Elimination of all earnings and profits attributable to pre-1983 years

The Small Business Job Protection Act of 1996 eliminated certain pre-1983 earnings and profits of S corporations that had S corporation status for their first tax year beginning after December 31, 1996. The provision should apply to all corporations © and S) with pre-1983 S earnings and profits without regard to when they elect S status. There seems to be no policy reason why the elimination was restricted to corporations with an S election in effect for their first taxable year beginning after December 31, 1996.

Section 602. No gain or loss on deferred intercompany transactions because of conversion to S corporation or qualified S corporation subsidiary

The Act makes clear that any gain or income from an intercompany transaction is not taxed at the time of the S corporation or QSub elections.

Section 603. Treatment of charitable contribution and foreign tax credit carryforwards

The Act provides that charitable contribution carryforwards and other carryforwards arising from a taxable year for which the corporation was a C corporation shall be allowed as a deduction against the net recognized built-in gain of the corporation for the taxable year. This provision is consistent with the legislative history of the 1986 Act.

Section 604. Distribution by an S corporation to an employee stock ownership plan

An ESOP will usually borrow from the sponsoring corporation to fund its acquisition of employer securities. In the case of a C corporation, the tax code provides that an ESOP will not be treated as engaging in a ''prohibited transaction'' if it uses any ''dividend'' on employer securities purchased with loan proceeds to make payments on the loan regardless of whether such employer securities have been pledged as collateral to secure the loan. The policy facilitates the payment of ESOP loans and thereby promotes employee ownership. Because S corporation distributions are technically not ''dividends'', the Act provides that S corporation distributions are treated as dividends. This clarification is necessary to ensure that the policy of facilitating the payment of ESOP loans applies equally to S corporation and C corporation ESOPs.

Mr. BREAUX. Mr. President, I am pleased to introduce with my colleagues, Senators HATCH, LINCOLN, and THOMPSON, the Subchapter S Modernization Act of 2001. This bill is very important to the 2.6 million S Corporations in this country and to the thousands of S Corporations in my own State of Louisiana.

The Small Business Administration estimates that small businesses account for seventy-five percent of the employment growth in the United Sates and are the major creators of new jobs. Small businesses employ 52 percent of all private workers and provide 51 percent of the output in the private sector. They have been, in large part, the engine that fuels our economy.

S Corporations make up a large number of the Nation's small businesses. In fact, the Joint Committee on Taxation estimates that over ninety-two percent of all S Corporations report less than $1 million in assets. They operate in every sector of the economy, employ millions of Americans and hold over $1.45 trillion in business assets. As such, anything we can do the help S Corporations will help the economy. The Subchapter S Modernization Act does this by encouraging S Corporations to expand, allowing S Corporations to attract more capital, and removing tax traps for the unwary.

The legislation expands the list of eligible shareholders to non-resident aliens and some Individual Retirement Accounts held by banks. The bill also permits families to be treated as one shareholder, which not only expands the size of S corporations, but also helps keep family businesses together. In additional, the bill increases the number of permitted shareholders to 150 from the current law limit of 75.

All of these important provisions also give S Corporations greater flexibility in attracting new sources of investment and capital. By permitting S Corporations to issue preferred stock, the Subchapter S Modernization Act increases access to capital from investors, such as venture capitalists, who insist on a preferential return. This provision also facilitates family ownership by allowing older generations to relinquish control of the corporation to later generations while maintaining an equity interest in the company.

Lastly, the bill removes many complex tax traps and clarifies the law regarding many provisions enacted in 1996. Per the Joint Committee on Taxation's recommendation in its simplification report, our bill repeals the excessive passive investment income rule as a termination event for S corporations and increases the threshold for taxing excess passive investment income from 25 percent to 60 percent. Capital gains are excluded from the definition of passive income. The rules for taxing Electing Small Business Trusts and managing Qualified Subchapter S Subsidiaries are simplified in many ways, thus reducing the possibility that companies will inadvertently terminate their S corporation election.

I urge my colleagues to support this bill.

Mrs. LINCOLN. Mr. President, today my colleagues and I are introducing legislation which is critically important to millions of small and family-owned businesses across this Nation. The Subchapter S Modernization Act of

2001 is the culmination of months of hard work by Senators HATCH, BREAUX and me. We have worked to bring new ideas together with known and necessary S corporation reforms into a comprehensive piece of legislation which will help improve capital formation opportunities for small businesses, will help preserve family-owned businesses, and will eliminate unnecessary and unwarranted traps for well-intentioned taxpayers.

Small businesses are the backbone of commerce in my home State of Arkansas. There are between sixteen and seventeen thousand small businesses formed as S corporations in Arkansas and over 2.58 million nationwide. According to the Joint Committee on Taxation, over ninety-two percent of these companies have assets totaling less than one million dollars and a majority are in the retail trade and service sectors. These are truly your mom and pop stores and businesses, and I am proud to be working on their behalf.

This bill represents not just the hard work of the principal sponsors but also of several of my colleagues past and present. I would like, in the short time that I have, to acknowledge the past efforts of former Senators Pryor and Danforth, who represented small business S corporations so well and who helped develop many of the provisions we have included in the Subchapter S Modernization Act of 2001. I would also like to recognize Senator ALLARD, who has joined in sponsoring this legislation, and who has been a lead proponent of S corporation reforms which would allow small financial institutions to benefit from Subchapter S. And, of course, I would like to thank Senators THOMPSON, GRAMM, and THOMAS who have joined Senator HATCH, BREAUX, and me as original sponsors of what I believe is very good legislation for hard working men and women across this Nation.

By Mr. BENNETT:

S. 1205. A bill to adjust the boundaries of the Mount Nebo Wilderness Area, and for other purposes; to the Committee on Energy and Natural Resources.

Mr. BENNETT. Mr. President, I rise today to introduce the Mount Nebo Wilderness Boundary Adjustment Act. This legislation is intended to correct several small boundary issues that have frustrated Juab County and its residents' attempts to maintain their sources of water.

Mount Nebo, located in Juab County, UT, is an 11,929 foot peak in the Wasatch Mountains. The surrounding area is home to bighorn sheep, spectacular views of the Great Basin, primitive recreation, and the source of water for many who live and farm around the towns of Nephi and Mona, UT. Due to the wilderness characteristics of the lands including and surrounding Mount Nebo, Congress designated the 28,000 acre Mount Nebo Wilderness as part of the Utah Wilderness Act of 1984. While the United States Forest Service was drawing the maps of the newly designated Mount Nebo Wilderness, nine areas were improperly included in the wilderness boundaries that contained springs, pipelines, and other water structures which provide water to the residents of Juab County.

Water in the west is truly the lifeblood of the region. Without water, our towns and cities, both large and small, would dry up and blow away. Equally important is the ability to maintain springs, pipelines, and other structures that allow water to be put to beneficial use. The water that flows from the Mount Nebo Wilderness provides irrigation for Juab County farmers, is part of the Nephi City culinary water system, and provides water directly to a number of residents who live in close proximity to the wilderness. It should be noted that the water rights for some of these springs were granted as early as 1855 and have been providing water ever since. These pipelines and water structures are old and need constant maintenance. Wilderness prohibitions do not provide the flexibility needed by the county to maintain its water sources.

This legislation would redraw the boundaries of the wilderness area to allow motorized access for the county and other affected users in order to maintain existing water structures. Because this boundary adjustment will result in the removal of lands from the Mount Nebo Wilderness, the county has identified existing USFS land adjacent to the wilderness to serve as replacement acreage which will result in a net gain of 14 acres of wilderness. I believe this is legislation that benefits all parties. The Forest Service will have a wilderness area with fewer access issues and the counties will be able to maintain their critical water sources.

I am offering a simple piece of legislation that will solve a longstanding problem for one of Utah's counties. I would greatly appreciate Senator BINGAMAN's help in moving this bill through his committee as soon as possible.

By Mr. VOINOVICH (for himself, Mr. INHOFE, Mr. FRIST, and Mr. MCCONNELL):

S. 1206. A bill to reauthorize the Appalachian Regional Development Act of 1965, and for other purposes; to the Committee on Environment and Public Works.

Mr. VOINOVICH. Mr. President, I rise today, joined by my colleagues, Senator BILL FRIST, Senator JAMES INHOFE, and Senator MITCH MCCONNELL, to introduce the Appalachian Regional Development Act Amendments of 2001. Once enacted, our bill will reauthorize the Appalachian Regional Commission, ARC and create a specific initiative to help bridge the ''digital divide'' between Appalachia and the rest of our nation.

One of the honors that I have as a United States Senator is to serve as a member of the Subcommittee on Transportation and Infrastructure of the Environment and Public Works Committee. One of the reasons I am pleased to be on this subcommittee is the fact that it has oversight jurisdiction over the ARC. As a Senator who represents one of the thirteen States within the ARC, my membership on this subcommittee gives me a great opportunity to focus on issues of direct importance to this region of our Nation.

In 1965, Congress established the ARC to help bring the Appalachian region of our Nation into the mainstream of the American economy. This region includes 406 counties in 13 States, including Ohio, and has a population of about 22 million people.

The ARC is composed of the governors of the 13 Appalachian states and a Federal representative who is appointed by the President. The Federal representative serves as the Federal Co-Chairman with the governors electing one of their number to serve as the States' Co-Chairman. As a unique partnership between the Federal Government and these 13 States, the ARC runs programs in a wide range of activities, including highway construction, education and training, health care, housing, enterprise development, export promotion, telecommunications and technology, and water and sewer infrastructure. All of these activities help achieve a goal of a viable and self-sustaining regional economy.

ARC's programs fall into two broad categories. The first is a 3,025-mile corridor highway system to break the regional isolation created by mountainous terrain, thereby linking the Appalachian communities to national and international markets. Roughly 80 percent of the Appalachian Development Highway System is either completed or under construction.

The second is an area development program to create a basis for sustained local economic growth. Ranging from water and sewer infrastructure to worker training to business financing and community leadership development, these projects provide Appalachian communities with the critical building blocks for future growth and development. The sweeping range of options allows governors and local officials to tailor the federal assistance to their individual needs.

The ARC currently ranks all of the 406 counties in the Appalachian region, including the 29 counties in Ohio that are covered by the ARC, according to four categories: distressed, transitional, competitive, and attainment. These categories determine the extent for potential ARC support for specific projects. They also help ensure that support goes to the areas with the greatest need. Distressed countries are the most ''at-risk,'' with unemployment at least 150 percent of the national average, a poverty rate of at least 150 percent of the national average, and a per capita market income of

no more than two-thirds of the national average. Generally, this means that a distressed county has an unemployment rate of greater than 7.4 percent, a poverty rate of at least 19.7 percent, and a per capita income of less than $14,164. In fiscal year 2001, 114 counties, or roughly one-fourth of the counties in the ARC, have been classified as distressed. Ten of these counties are in Ohio.

In order to undertake a wide variety of projects to help improve the region's economy, the ARC uses the Federal dollars it receives to leverage additional State and local funding. This successful partnership enables communities in Ohio and throughout Appalachia to have programs which help them to respond to a variety of grassroots needs. In Ohio, ARC funds support projects in five goal areas: skills and knowledge, physical infrastructure, community capacity, dynamic local economies, and health care. In rough figures, every ARC dollar Ohio received in fiscal year 2000 leveraged approximately $2.60 in additional federal, state and local funds. In fiscal year 2000, ARC provided approximately $4.7 million to fund non-highway projects in Ohio.

As my colleagues are aware, the current authorization of the ARC will soon expire. In anticipation of the need for reauthorization legislation, I have been working since last year on putting together a bill that focuses on the issues that the ARC needs to address in the early part of the 21st century. One of the more productive activities I did in preparation for reauthorization was to conduct a Transportation and Infrastructure Subcommittee field hearing on the ARC at the Opera House in Nelsonville, OH, in August 2000. Following the hearing, I had the opportunity to tour the region to witness first-hand the beneficial impact of ARC-funded projects in the community.

My objectives for both the field hearing and the tour were to obtain an overview of the importance of ARC programs to Appalachia, to closely examine the progress that has been made with respect to the implementation of these programs, and to identify the challenges that still must be overcome for the region to fully participate in our Nation's economy. Along with the poignant visual impact of my tour, the testimony I received from the impressive array of witnesses at this hearing provided valuable input that has been very helpful in drafting this legislation.

Our legislation, the Appalachian Regional Development Act Amendments of 2001, would allow the ARC to continue its important work for the people of Appalachia. One of the most innovative aspects of our bill would establish a Telecommunications and Technology Initiative that would focus on providing training in new technologies; assisting local governments, businesses, schools, and hospitals in developing e-commerce networks; and creating more jobs and business opportunities though access to telecommunications infrastructure.

E-commerce is one of the largest factors driving our economy and any business that wants to successfully compete in today's technological revolution must have access to the Internet. By establishing a specific initiative under the ARC to help the people of Appalachia connect with today's technology, we are also helping Appalachian communities achieve the same quality of life that is available to the rest of the Nation.

The bill also would increase the percentage of ARC funds required to be spent on activities or projects that benefit distressed counties or area. Right now, the requirement is set at 30 percent, and under our bill, it would increase to 50 percent. An analysis of fiscal year 1999 and 2000 shows that the ARC already spends about half of its project funding on grants to Appalachia's poorest counties, therefore this provision simply codifies current practice.

In addition, the bill would establish the ARC as the lead Federal agency in coordinating the economic development programs carried out by Federal agencies in the region through the establishment of an Interagency Coordinating Council on Appalachia. The Council would be established by the President and its membership composed of representatives of the Federal agencies that carry out economic development programs in the region.

The bill also would change the non-federal match requirement for administrative grants to the region's Local Development Districts from 50 percent to 25 percent for those Local Development Districts which include all or part of at least one distressed county. Local Development Districts are multi-county economic development planning agencies that work with local governments, non-profit organizations, and the private sector to determine local economic development needs and provide professional guidance for local economic development strategies. There are 71 Local Development Districts working with ARC in Appalachia.

Additionally, the bill would authorize annual appropriations for the ARC for five years, beginning with $83 million in fiscal year 2002 and increasing by $3 million in each of fiscal years 2003 through 2006. Of the authorized amount, $10 million would be earmarked each fiscal year for the Telecommunications and Technology Initiative.

For more than 35 years, the ARC has had a dramatic impact on the lives of the men and women who live in the Appalachian region of our Nation, helping to cut the region's poverty rate in half, lowering the infant mortality rate by two-thirds, doubling the percentage of high school graduates to where it is now slightly above the national average, slowing the region's out-migration, reducing unemployment rates, and narrowing the per capita income gap between Appalachia and the rest of the United States.

Despite its successes to date, the ARC has not completed its mission in Appalachia. I know that there is a vast reserve of potential in Appalachia that is just waiting to be tapped, and I wholeheartedly agree with one of ARC's guiding principles that the most valuable investment that can be made in a region is in its people.

The ARC is the type of Federal initiative that we should be encouraging. I urge my colleagues to join me in cosponsoring this legislation, and I urge its speedy consideration by the Senate.

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. 1206

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 ''Appalachian Regional Development Act Amendments of 2001''.

SEC. 2. PURPOSES.

The purposes of this Act are—

(1) to reauthorize the Appalachian Regional Development Act of 1965 (40 U.S.C. App.); and

(2) to ensure that the people and businesses of the Appalachian region have the knowledge, skills, and access to telecommunication and technology services necessary to compete in the knowledge-based economy of the United States.

SEC. 3. FUNCTIONS OF THE COMMISSION.

Section 102(a) of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended—

(1) in paragraph (5), by inserting '', and support,'' after ''formation of'';

(2) in paragraph (7), by striking ''and'' at the end;

(3) in paragraph (8), by striking the period at the end and inserting ''; and''; and

(4) by adding at the end the following:

''(9) seek to coordinate the economic development activities of, and the use of economic development resources by, Federal agencies in the region.''.

SEC. 4. INTERAGENCY COORDINATING COUNCIL ON APPALACHIA.

Section 104 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended—

(1) by striking ''The President'' and inserting ''(a) IN GENERAL.—The President''; and

(2) by adding at the end the following:

''(b) INTERAGENCY COORDINATING COUNCIL ON APPALACHIA.—

''(1) ESTABLISHMENT.—In carrying out subsection (a), the President shall establish an interagency council to be known as the 'Interagency Coordinating Council on Appalachia'.

''(2) MEMBERSHIP.—The Council shall be composed of—

''(A) the Federal Cochairman, who shall serve as Chairperson of the Council; and

''(B) representatives of Federal agencies that carry out economic development programs in the region.''.

SEC. 5. TELECOMMUNICATIONS AND TECHNOLOGY INITIATIVE.

Title II of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended by inserting after section 202 the following:

''SEC. 203. TELECOMMUNICATIONS AND TECHNOLOGY INITIATIVE.

''(a) IN GENERAL.—The Commission may provide technical assistance, make grants, enter into contracts, or otherwise provide funds to persons or entities in the region for projects—

''(1) to increase affordable access to advanced telecommunications, entrepreneurship, and management technologies or applications in the region;

''(2) to provide education and training in the use of telecommunications and technology;

''(3) to develop programs to increase the readiness of industry groups and businesses in the region to engage in electronic commerce; or

''(4) to support entrepreneurial opportunities for businesses in the information technology sector.

''(b) SOURCE OF FUNDING.—

''(1) IN GENERAL.—Assistance under this section may be provided—

''(A) exclusively from amounts made available to carry out this section; or

''(B) from amounts made available to carry out this section in combination with amounts made available under any other Federal program or from any other source.

''(2) FEDERAL SHARE REQUIREMENTS SPECIFIED IN OTHER LAWS.—Notwithstanding any provision of law limiting the Federal share under any other Federal program, amounts made available to carry out this section may be used to increase that Federal share, as the Commission determines to be appropriate.

''(c) COST SHARING FOR GRANTS.—Not more than 50 percent (or 80 percent in the case of a project to be carried out in a county for which a distressed county designation is in effect under section 226) of the costs of any activity eligible for a grant under this section may be provided from funds appropriated to carry out this section.''.

SEC. 6. PROGRAM DEVELOPMENT CRITERIA.

(a) ELIMINATION OF GROWTH CENTER CRITERIA.—Section 224(a)(1) of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended by striking ''in an area determined by the State have a significant potential for growth or''.

(b) ASSISTANCE TO DISTRESSED COUNTIES AND AREAS.—Section 224 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended by adding at the end the following:

''(d) ASSISTANCE TO DISTRESSED COUNTIES AND AREAS.—For each fiscal year, not less than 50 percent of the amount of grant expenditures approved by the Commission shall support activities or projects that benefit severely and persistently distressed counties and areas.''.

SEC. 7. GRANTS FOR ADMINISTRATIVE EXPENSES OF LOCAL DEVELOPMENT DISTRICTS.

Section 302(a)(1)(A)(i) of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended by inserting ''(or, at the discretion of the Commission, 75 percent of such expenses in the case of a local development district that has a charter or authority that includes the economic development of a county or part of a county for which a distressed county designation is in effect under section 226)'' after ''such expenses''.

SEC. 8. AUTHORIZATION OF APPROPRIATIONS.

Section 401 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended to read as follows:

''SEC. 401. AUTHORIZATION OF APPROPRIATIONS.

''(a) IN GENERAL.—In addition to amounts authorized by section 201 and other amounts made available for the Appalachian development highway system program, there are authorized to be appropriated to the Commission to carry out this Act—

''(1) $83,000,000 for fiscal year 2002;

''(2) $86,000,000 for fiscal year 2003;

''(3) $89,000,000 for fiscal year 2004;

''(4) $92,000,000 for fiscal year 2005; and

''(5) $95,000,000 for fiscal year 2006.

''(b) TELECOMMUNICATIONS AND TECHNOLOGY INITIATIVE.—Of the amounts made available under subsection (a), $10,000,000 for each fiscal year shall be made available to carry out section 203.

''(c) AVAILABILITY.—Sums made available under subsection (a) shall remain available until expended.''.

SEC. 9. TERMINATION.

Section 405 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended by striking ''2001'' and inserting ''2006''.

SEC. 10. TECHNICAL AND CONFORMING AMENDMENTS.

(a) Section 101(b) of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended in the third sentence by striking ''implementing investment program'' and inserting ''strategy statement''.

(b) Section 106(7) of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended by striking ''expiring no later than September 30, 2001''.

(c) Sections 202, 214, and 302(a)(1)(C) of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) are amended by striking ''grant-in-aid programs'' each place it appears and inserting ''grant programs''.

(d) Section 202(a) of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended in the second sentence by striking ''title VI of the Public Health Service Act (42 U.S.C. 291–291o), the Mental Retardation Facilities and Community Mental Health Centers Construction Act of 1963 (77 Stat. 282),'' and inserting ''title VI of the Public Health Service Act (42 U.S.C. 291 et seq.), the Developmental Disabilities Assistance and Bill of Rights Act of 2000 (42 U.S.C. 15001 et seq.),''.

(e) Section 207(a) of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended by striking ''section 221 of the National Housing Act, section 8 of the United States Housing Act of 1937, section 515 of the Housing Act of 1949,'' and inserting ''section 221 of the National Housing Act (12 U.S.C. 1715*l*), section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), section 515 of the Housing Act of 1949 (42 U.S.C. 1485),''.

(f) Section 214 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended—

(1) in the section heading, by striking ''GRANT-IN-AID'' and inserting ''GRANT'';

(2) in subsection (a)—

(A) by striking ''grant-in-aid Act'' each place it appears and inserting ''Act'';

(B) in the first sentence, by striking ''grant-in-aid Acts'' and inserting ''Acts'';

(C) by striking ''grant-in-aid program'' each place it appears and inserting ''grant program''; and

(D) by striking the third sentence;

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

''(c) DEFINITION OF FEDERAL GRANT PROGRAM.—

''(1) IN GENERAL.—In this section, the term 'Federal grant program' means any Federal grant program authorized by this Act or any other Act that provides assistance for—

''(A) the acquisition or development of land;

''(B) the construction or equipment of facilities; or

''(C) any other community or economic development or economic adjustment activity.

''(2) INCLUSIONS.—In this section, the term 'Federal grant program' includes a Federal grant program such as a Federal grant program authorized by—

''(A) the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.);

''(B) the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 460*l*–4 et seq.);

''(C) the Watershed Protection and Flood Prevention Act (16 U.S.C. 1001 et seq.);

''(D) the Carl D. Perkins Vocational and Technical Education Act of 1998 (20 U.S.C. 2301 et seq.);

''(E) the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq.);

''(F) title VI of the Public Health Service Act (42 U.S.C. 291 et seq.);

''(G) sections 201 and 209 of the Public Works and Economic Development Act of 1965 (42 U.S.C. 3141, 3149);

''(H) title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.); or

''(I) part IV of title III of the Communications Act of 1934 (47 U.S.C. 390 et seq.).

''(3) EXCLUSIONS.—In this section, the term 'Federal grant program' does not include—

''(A) the program for construction of the Appalachian development highway system authorized by section 201;

''(B) any program relating to highway or road construction authorized by title 23, United States Code; or

''(C) any other program under this Act or any other Act to the extent that a form of financial assistance other than a grant is authorized.''; and

(4) by striking subsection (d).

(g) Section 224(a)(2) of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended by striking ''relative per capita income'' and inserting ''per capita market income''.

(h) Section 225 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.)—

(1) in subsection (a)(3), by striking ''development program'' and inserting ''development strategies''; and

(2) in subsection (c)(2), by striking ''development programs'' and inserting ''development strategies''.

(i) Section 303 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended—

(1) in the section heading, by striking ''INVESTMENT PROGRAMS'' and inserting ''STRATEGY STATEMENTS'';

(2) in the first sentence, by striking ''implementing investments programs'' and inserting ''strategy statements''; and

(3) by striking ''implementing investment program'' each place it appears and inserting ''strategy statement''.

(j) Section 403 of the Appalachian Regional Development Act of 1965 (40 U.S.C. App.) is amended—

(1) in the next-to-last undesignated paragraph, by striking ''Committee on Public Works and Transportation'' and inserting ''Committee on Transportation and Infrastructure''; and

(2) by striking the last undesignated paragraph.

By Mr. DOMENICI:

S. 1207. A bill to direct the Secretary of Veterans Affairs to establish a national cemetery for veterans in the Albuquerque, New Mexico, metropolitan area; to the Committee on Veterans' Affairs.

Mr. DOMENICI. Mr. President, it is with great pleasure and honor that I

rise today to introduce a bill to create a National Veterans Cemetery in Albuquerque, NM.

The men and women who have served in the United States Armed Forces have made immeasurable sacrifices to this great Nation. Veterans have secured liberty for citizens of the United States since time and immemorial. Their sacrifices and those of their families must not be forgotten.

These veterans deserve to be buried in a National Cemetery with their fellow comrades. However, the Santa Fe National Cemetery, which serves the Northern two thirds of New Mexico, is rapidly approaching maximum capacity.

Some years ago, the Senate passed my legislation to extend the useful life of the Santa Fe National Cemetery by authorizing the use of flat grave markers. However, that legislation was a temporary measure, rather than a solution since the Cemetery will lack sufficient plot space by 2008. The solution that I am seeking is to designate a new National Cemetery in Albuquerque, NM.

I believe all New Mexicans are proud of the Santa Fe National Cemetery. Since its humble beginnings, it has grown from 39/100 of an acre to its current 77 acres.

The cemetery first opened in 1868 and was designated a National Cemetery in April of 1875. Service men and women from all of our Nation's wars hold an honored spot within its hallowed ground.

With that proud history in mind, we must find another suitable site to serve as the last resting place for New Mexico's veterans.

I would like to thank Congresswoman HEATHER WILSON for bringing this important issue to my attention, and for introducing companion legislation earlier this year.

The need to begin planning soon cannot be overstated. Half of New Mexico's 180,000 veterans live in the Albuquerque/Santa Fe area. Interment rates continue to rise with the passing of our older veterans and will peak in 2008.

Therefore, I am introducing legislation today to create a National Veterans Cemetery in Albuquerque, NM.

The bill simply directs the Secretary of Veterans Affairs to establish a National Cemetery in the Albuquerque metropolitan area and to submit a report to Congress setting forth a schedule for establishing the Cemetery.

In conclusion I would 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. 1207

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

SECTION 1. ESTABLISHMENT OF NATIONAL CEMETERY.

(a) IN GENERAL.—The Secretary of Veterans Affairs shall establish, in accordance with chapter 24 of title 38, United States Code, a national cemetery in the Albuquerque, New Mexico, metropolitan area to serve the needs of veterans and their families.

(b) REPORT.—As soon as practicable after the date of the enactment of this Act, the Secretary shall submit to Congress a report that sets forth a schedule for the establishment of the national cemetery under subsection (a) and an estimate of the costs associated with the establishment of the national cemetery.

By Mr. GRAHAM (for himself, Mr. GRASSLEY, Mr. LIEBERMAN, Mr. DURBIN, Ms. LANDRIEU, Mrs. CLINTON, and Mr. SCHUMER):

S. 1208. A bill to combat the trafficking, distribution, and abuse of Ecstasy (and other club drugs) in the United States; to the Committee on the Judiciary.

Mr. GRAHAM. Mr. President, I rise today, along with my colleagues, Senators GRASSLEY, LIEBERMAN, DURBIN, LANDRIEU, and CLINTON, to introduce the Ecstasy Prevention Act of 2001; legislation to combat the recent rise in trafficking, distribution and violence associated with MDMA, a club drug commonly known as Ecstasy. Ecstasy has become the ''feel good'' drug of choice among many of our young people, and drug pushers are marketing it as a ''friendly'' drug to mostly teenagers and young adults.

Last year I sponsored and Congress passed legislation which drew attention to the dangers of Ecstasy and strengthened the penalties attached to trafficking in Ecstasy and other ''club drugs.'' Since then, Ecstasy use and trafficking continue to grow at epidemic proportions, and there are many accounts of deaths and permanent damage to the health of those who use Ecstasy. The U.S. Customs Service continues to report large increases in Ecstasy seizures, over 9 million pills were seized by Customs last year, a dramatic rise from the 400,000 seized in 1997. According to the United States Customs Service, in Fiscal Year 2001, two individual seizures affected by Customs Inspectors in Miami, FL totaled approximately 422,000 ecstasy tablets. These two seizures alone exceeded the entire amount of ecstasy seized by the Customs Service in all of Fiscal Year 1997. The Deputy Director of Office of National Drug Control Policy, ONDCP, Dr. Donald Vereen, Jr., M.D., M.P.H., recently said that ''Ecstasy is one of the most problematic drugs that has emerged in recent years.'' The National Drug Intelligence Center, in its most recent publication ''Threat Assessment 2001,'' has noted that ''no drug in the Other Dangerous Drugs Category represents a more immediate threat than MDMA'' or Ecstasy.

The Office of National Drug Control Policy's Year 2000 Annual Report on the National Drug Control Strategy clearly states that the use of Ecstasy is on the rise in the United States, particularly among teenagers and young professionals. My State of Florida has been particularly hard hit by this plague, but so have the States of many of my colleagues here. Ecstasy is customarily sold and consumed at ''raves,'' which are semi-clandestine, all-night parties and concerts. Numerous data also reflect the increasing availability of ecstasy in metropolitan centers and suburban communities. In the most recent release of Pulse Check: Trends in Drug Abuse Mid-year 2000, which featured MDMA and club drugs, it was reported that the sale and use of club drugs have expanded from raves and nightclubs to high schools, streets, neighborhoods and other open venues.

Not only has the use of Ecstasy exploded, more than doubling among 12th graders in the last two years, but it has also spread well beyond its origin as a party drug for affluent white suburban teenagers to virtually every ethnic and class group, and from big cities like New York and Los Angeles to rural Vermont and South Dakota.

And now, this year, law enforcement officials say they are seeing another worrisome development, increasingly violent turf wars among Ecstasy dealers, and some of those dealers are our young people. Homicides linked to Ecstasy dealing have occurred in recent months in Norfolk, VA; Elgin, IL, near Chicago; and in Valley Stream, NY. Police suspect Ecstasy in other murders in the suburbs, of Washington, DC, and Los Angeles, and violence is being linked to Israeli drug dealers in Los Angeles and to organized crime in New York City. Ecstasy is also becoming widely available on the Internet. Last year, a man arrested in Orlando, FL, had been selling Ecstasy to customers in New York.

The lucrative nature of Ecstasy encourages its importation. Production costs are as low as two to twenty-five cents per dose while retail prices in the U.S. range from twenty dollars to $45 per dose. Manufactured mostly in Europe, in nations such as the Netherlands, Belgium, and Spain where pill presses are not controlled as they are in the U.S., ecstasy has erased all of the old routes law enforcement has mapped out for the smuggling of traditional drugs. And now the trade is being promoted by organized criminal elements, both from abroad and here. Although Israeli and Russian groups dominate MDMA smuggling, the involvement of domestic groups appears to be increasing. Criminal groups based in Chicago, Phoenix, Texas, and Florida have reportedly secured their own sources of supply in Europe.

Young Americans are being lulled into a belief that ecstasy, and other designer drugs are ''safe'' ways to get high, escape reality, and enhance intimacy in personal relationships. The drug traffickers make their living off of perpetuating and exploiting this myth.

I want to be perfectly clear in stating that ecstasy is an extremely dangerous drug. In my State alone, between July and December of last year, there were 25 deaths in which MDMA or a variant

were listed as a cause of death, and there were another 25 deaths where MDMA was present in the toxicology, although not actually listed as the cause of death. This drug is a definite killer.

The ''Ecstasy Prevention Act of 2001'' renews and enhances our commitment toward fighting the proliferation and trafficking of Ecstasy and other club drugs. It builds on last year's Ecstasy Anti-Proliferation Act of 2000 and provides legislation to assist the Federal and local organizations that are fighting to stop this potentially life-threatening drug. This legislation will allot funding for programs that will educate law enforcement officials and young people and will assist community-based anti-drug efforts. To that end, this bill amends Section 506B(c) of title V of the Public Health Service Act, by adding that priority of funding should be given to communities that have taken measures to combat club drug trafficking and use, to include passing ordinances and increasing law enforcement on Ecstasy.

The bill also provides money for the National Institute on Drug Abuse to conduct research and evaluate the effects that MDMA or Ecstasy has on an individual's health. And, because there is a fear that the lack of current drug tests ability to screen for Ecstasy may encourage Ecstasy use over other drugs, the bill directs ONDCP to commission a test for Ecstasy that meets the standards of and can be used in the Federal Workplace.

Through this campaign, our hope is that Ecstasy will soon go the way of crack, which saw a dramatic reduction in the quantities present on our streets after information of its unpredictable impurities and side effects were made known to a wide audience. By using this educational effort we hope to avoid future deaths and ruined lives.

The Ecstasy Prevention Act of 2000 can only help in our fight against drug abuse in the United States. Customs is working hard to stem the flow of Ecstasy into our country. As legislators we have a responsibility to stop the proliferation of this potentially life threatening drug. The Ecstasy Prevention Act of 2001 will assist the Federal and local agencies charged to fight drug abuse by raising the public profile on the substance-abuse challenge posed by the increasing availability and use of Ecstasy and by focusing on the serious danger it presents to our youth.

We urge our colleagues in the Senate to join us in this important effort by co-sponsoring this bill.

By Mr. BINGAMAN (for himself, Mr. BAUCUS, Mr. DASCHLE, Mr. CONRAD, Mr. ROCKEFELLER, Mr. BREAUX, Mr. KERRY, Mr. TORRICELLI, Mrs. LINCOLN, Mr. JEFFORDS, Mr. BAYH, Mr. DAYTON, and Mr. LIEBERMAN):

S. 1209. A bill to amend the Trade Act of 1974 to consolidate and improve the trade adjustment assistance programs, to provide community-based economic development assistance for trade-affected communities, and for other purposes; to the Committee on Finance.

Mr. BINGAMAN. Mr. President, I rise today to introduce the Trade Adjustment Assistance for Workers, Farmers, Communities, and Firms Act of 2001, and would like to add Senators BAUCUS, DASCHLE, CONRAD, ROCKEFELLER, KERRY, TORRICELLI, JEFFORDS, LINCOLN, BREAUX, BAYH, DAYTON, and LIEBERMAN as original co-sponsors.

This legislation represents the culmination of almost two years of effort, including discussions with individuals who process or receive trade adjustment assistance, conversations with labor and trade policy experts, consultations with the Department of Labor, requests for studies from the General Accounting Office, and dialogue between my colleagues in the Senate. The legislation is extremely important, as it directly addresses the question of how Congress will assist those workers and communities negatively impacted by international trade. It is also long overdue, as Congress—the Senate in particular—has discussed reform of the trade adjustment assistance programs for a number of years. The last revision of the trade adjustment assistance programs occurred when NAFTA was passed, and we only added to the programs at that time, we did not make them compatible in any tangible way. I believe it is time to act, and I think we have a unique opportunity to act in that there is interest both in Congress and the Administration to improve the trade adjustment assistance programs in a fundamental and a beneficial way.

Let me give some background on trade adjustment assistance, and why I feel it is so important to address at this time.

In 1962, when the Trade Expansion Act was being considered in Congress, the Kennedy Administration established a basic rule concerning international trade as it applies to American workers. When someone loses their job as a result of trade agreements entered into by the U.S. government, we have an obligation to assist these Americans in finding new employment. It is a very straightforward proposition really. If you lose your job because of U.S. trade policy, the Federal Government should help you in your effort to get a job in a competitive industry at a wage equivalent to what you are making now. While I believe the United States should be committed to expanding the international trading system, I also believe we should help our workers get back on their feet when they are harmed by trade agreements.

I find this proposition to be reasonable, appropriate, and fair. It suggests that the U.S. government supports an open, multilateral trading system, but recognizes that it is responsible for the negative impacts this policy has on its citizens. It suggests that the U.S. government believes that an open trading system provides long-term advantages for the United States and its people, but the short-terms costs must be addressed if the policy is to continue and the United States is to remain competitive. It suggests that there is a collective interest that must be pursued by the United States in the international trading system, but that our individual and community interests must be simultaneously protected for the greater good of our country.

This commitment to American workers has continued over the years—through both Democratic and Republican administrations and Congresses—and I am convinced the Trade Adjustment Assistance program should be both solidified and expanded at this time. I say this for two reasons.

First, as I have stated above, because from where I stand American workers and communities deserve some tangible help from the competitive pressures of the international trading system. We cannot stand by and pretend that there is not a need to assist workers and communities adjust to the dramatic changes that are now occurring as a result of globalization. Trade adjustment assistance will help do this.

Second, as a practical matter, passage of stronger trade adjustment assistance legislation will allow us to intensively pursue international trade negotiations and focus on important issues like liberalization, transparency, access, inequality, and poverty in the international economy. If we support programs like Trade Adjustment Assistance—programs that empower American workers, that raise living standards, and that advance the prospects of everyone in our country—then we open the possibility for more comprehensive and beneficial international trade agreements. We must understand that globalization is inevitable, and over time will only move at an even more rapid pace. The question for us in this chamber is not whether we can stop it—we cannot—but how we can manage it to benefit the national interest of the United States. Trade adjustment assistance programs for workers and communities will help do this.

There is no denying that globalization is a double-edged sword. But while there are obvious benefits that come from a more open and interdependent trading system, we cannot ignore the problems that come as a result. In my State of New Mexico we have seen a number of plant closings and lay-offs, including some in my own home town of Silver City. These people cannot simply go across the street and look for new work. They are people who have been dedicated to their companies and have played by the rules over the years. When I talk to these people, they ask me: Where am I supposed to work now? Where do I find a job with a salary that allows me to support a family, own a house, put food on the table, and live a decent life?

Where are the benefits of free trade for me now that my company has gone overseas?

These are hard questions, especially given their current situation. But my answer is that they deserve an opportunity to get income support and retraining to rebuild their lives. They deserve a program that creates skills that are needed, that moves them into new jobs faster, that provides opportunities for the future, that keeps families and communities intact. They deserve the recognition that they are important, and that through training they can continue to contribute to the economic welfare of the United States.

Trade adjustment assistance offers the potential for this outcome. Over the years it has consistently helped workers across the United States deal with the transition that is an inevitable part of a changing international economic system. It helps people that can work and want to work to train for productive jobs that contribute to the economic strength of their communities and our country. Although TAA has not been without its flaws, it remains the only program we have that allows workers and companies to adjust and remain competitive. Without it, in my opinion, we are saying unequivocally that we don't care what happens to you, that we bear no responsibility for the position that you are in, that you are on your own. We can't do that. We have made a promise to workers in every administration, both Democrat and Republican, and we should continue to do so.

As we wrote this legislation, we kept a number of fundamental objectives in mind:

First, we wanted to combine existing trade adjustment assistance programs and harmonize their various requirements so they would provide more effective and efficient results for individuals and communities. In doing so, we wanted to provide allowances, training, job search, relocation, and support service assistance to secondary workers and workers affected by shifts in production. We also ensured that the State-based delivery system created through the Workforce Investment Act remained intact but tightened the program so response times to lay-offs and trade adjustment assistance applications would quicker.

Second, we wanted to recognize the direct correlation between job dislocation, job training, and economic development, especially in communities that have been hit hard by unemployment. In the past, trade adjustment assistance focused specifically on individual re-training, but it did not address the possibility that unemployment might be so high in a community that jobs were not available for an individual after they had completed a training program. To rectify this problem, we have created a community trade adjustment assistance program, designed to provide strategic planning assistance and economic development funding to those communities that need it the most. In doing so, we have emphasized the responsibility of regional and local agencies and organizations to create a community-based recovery plan and activate a response designed to alleviate economic problems in their region, and to establish stakeholder partnerships in the community that enhance competitiveness through workforce development, specific business needs, education reform, and economic development.

Third, we wanted to encourage greater cooperation between Federal, regional, and local agencies that deal with individuals receiving trade adjustment assistance. At present, individuals that are receiving trade adjustment assistance obtain counseling from one-stop shops in their region, but typically this is limited to information related to allowances and training. Not available is the other information concerning funds available through other Federal departments and agencies, such as health care for individuals and their families. To prevent the creation of duplicative programs and to use the funds that are currently available, we have asked that an interagency working group on trade adjustment assistance be created and that a inter-agency database on Federal, State, and local resources available to TAA recipients be established.

Fourth, we wanted to establish accountability in the trade adjustment assistance program. In the past, data concerning trade adjustment assistance has been collected, but not in a uniform fashion across all States and regions. The Department of Labor and the General Accounting Office have done their best to obtain data that allow us to evaluate programs and measure outcomes, and we have used this data in writing this bill. In the future, however, we need to ensure that Congress has the information needed that will allow us to make targeted reforms.

Finally, we wanted to help family farmers. At present, trade adjustment assistance is available for employees of agricultural firms, the reason being that firms have individuals that can become unemployed. Family farmers, however, are not in this position. For them, there is no way to become unemployed, and therefore, no way for them to become eligible for trade adjustment assistance.

This legislation improves upon the current system in a number of ways. As I mentioned above, for the first time Congress will establish a two-tier system for trade adjustment assistance, recognizing that trade can adversely affect both individuals and communities.

For individuals, the legislation: harmonizes TAA and NAFTA/TAA across the board as it relates to eligibility requirements, certification time periods, and training enrollment discrepancies, making it one coherent, comprehensive program; extends TAA benefits to all secondary workers and all workers affected by shifts in production; increases TAA benefits so allowances and training are both available for a 78 week period; provides relocation and job search allowances to TAA recipients; provides support services for individuals, including child-care and dependent-care; increases the time frame available for breaks in training to 30 days; allows individuals who return to work to receive training funds for up to 26 weeks; entitles individual certified under trade adjustment assistance program to training, and caps total training program funding at $300m per year; establishes sliding scale wage insurance program at the Department of Labor; requires detailed data on program performance by States and Department of Labor, plus regular Department of Labor report on efficacy of program to Congress; establishes interagency group to coordinate Federal assistance to individuals and communities; allows individual eligible for trade adjustment assistance program a tax credit of 50% on amount paid for continuation of health care coverage premiums; requires the General Accounting Office to conduct a study of all assistance available from Federal Government for workers facing job loss and economic distress; requires States to conduct a study of all assistance available from Federal Government for workers facing job loss and economic distress; provides States with grants not to exceed $50,000 to conduct such study; requires General Accounting Office and States to submit reports to Senate Finance Committee and House Ways and Means Committee within one year of enactment of this Act; establishes that the Senate Finance Committee and the House Ways and Means Committee can by resolution direct the Secretary to initiate a certification process covering any group of workers.

For communities, the legislation: establishes Office of Community Economic Adjustment (OCEA) at Commerce; establishes inter-agency group to coordinate Federal assistance to communities; establishes community economic adjustment advisors to provide technical assistance to communities and act as liaison between community and Federal government concerning strategic planning and funding; provides funding for strategic planning; provides funding for community economic adjustment efforts; responds to the criticism contained in several reports and creates a series of performance benchmarks and reporting requirements, all of which will allow us to gauge the effectiveness and efficiency of the program.

For companies, the legislation: re-authorizes TAA for firms program.

For Farmers, Ranchers, and Fishermen, the legislation: establishes special provisions that allow TAA to cover family farmers, ranchers, and fishermen.

Let me conclude by saying that I consider the Trade Adjustment Assistance program to be a commitment between our government and the American people. It is the only program designed to help American workers cope with the changes that occur as a result of international trade. Current legislation expires on September 30th of this year, and it is time to do something more than a simple reauthorization. I ask my colleagues to support this bill.

SUBMITTED RESOLUTIONS

SENATE RESOLUTION 137—TO AUTHORIZE REPRESENTATION BY THE SENATE LEGAL COUNSEL IN JOHN HOFFMAN, ET AL. V. JAMES JEFFORDS

Mr. DASCHLE (for himself and Mr. LOTT) submitted the following resolution; which was considered and agreed to:

S. RES. 137

Whereas, Senator James Jeffords has been named as a defendant in the case of John Hoffman, et al. v. James Jeffords, Case No. 01CV1190, now pending in the United States District Court for the District of Columbia;

Whereas, pursuant to sections 703(a) and 704(a)(1) of the Ethics in Government Act of 1978, 2 U.S.C. §§ 288(a) and 288c(a)(1), the Senate may direct its counsel to represent Members of the Senate in civil actions with respect to their official responsibilities: Now, therefore, be it

Resolved, That the Senate Legal Counsel is authorized to represent Senator James Jeffords in the case of John Hoffman, et al. v. James Jeffords.

AMENDMENTS SUBMITTED AND PROPOSED

SA 1019. Mr. EDWARDS submitted an amendment intended to be proposed by him to the bill H.R. 2311, making appropriations for energy and water development for the fiscal year ending September 30, 2002, and for other purposes; which was ordered to lie on the table.

SA 1020. Ms. SNOWE (for herself and Ms. COLLINS) submitted an amendment intended to be proposed by her to the bill H.R. 2311, supra; which was ordered to lie on the table.

SA 1021. Mr. STEVENS (for himself and Mr. MURKOWSKI) submitted an amendment intended to be proposed by him to the bill H.R. 2311, supra; which was ordered to lie on the table.

SA 1022. Mr. MURKOWSKI submitted an amendment intended to be proposed by him to the bill H.R. 2311, supra; which was ordered to lie on the table.

SA 1023. Mr. MURKOWSKI submitted an amendment intended to be proposed by him to the bill H.R. 2311, supra; which was ordered to lie on the table.

SA 1024. Mr. REID (for himself and Mr. DOMENICI) proposed an amendment to the bill H.R. 2311, supra.

SA 1025. Mrs. MURRAY (for herself and Mr. SHELBY) proposed an amendment to the bill H.R. 2299, making appropriations for the Department of Transportation and related agencies for the fiscal year ending September 30, 2002, and for other purposes.

SA 1026. Mr. DURBIN (for himself and Mr. BENNETT) proposed an amendment to the bill S. 1172, making appropriations for the Legislative Branch for the fiscal year ending September 30, 2002, and for other purposes.

SA 1027. Mr. SPECTER proposed an amendment to the bill S. 1172, supra.

TEXT OF AMENDMENTS

SA 1019. Mr. EDWARDS submitted an amendment intended to be proposed by him to the bill H.R. 2311, making appropriations for energy and water development for the fiscal year ending September 30, 2002, and for other purposes; which was ordered to lie on the table; as follows:

On page 7, line 26, after ''expended,'', insert the following: ''of which not less than $300,000 shall be used for a study to determine, and develop a project that would make, the best use, on beaches of adjacent towns, of sand dredged from Morehead City Harbor, Carteret County, North Carolina; and''.

SA 1020. Ms. SNOWE (for herself and Ms. COLLINS) submitted an amendment intended to be proposed by her to the bill H.R. 2311, making appropriations for energy and water development for the fiscal year ending September 30, 2002, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert:

(a)(1) Not later than X, the Secretary shall investigate the flood control project for Fort Fairfield, Maine, authorized under section 205 of the Flood Control Act of 1948 (33 U.S.C. 701s); and

(2) determine whether the Secretary is responsible for a design deficiency in the project relating to the interference of ice with pump operation.

(b) If the Secretary determines under subsection (a) that the Secretary is responsible for the design deficiency, the Secretary shall correct the design deficiency, including the cost of design and construction, at 100 percent Federal expense.

SA 1021. Mr. STEVENS (for himself and Mr. MURKOWSKI) submitted an amendment intended to be proposed by him to the bill H.R. 2311, making appropriations for energy and water development for the fiscal year ending September 30, 2002, and for other purposes; which was ordered to lie on the table; as follows:

On page 33, after line 25, add the following:

SEC. . SOUTHEAST INTERTIE LICENSE TRANSFER.

(a) IN GENERAL.—On notification by the State of Alaska to the Federal Energy Regulatory Commission that the sale of hydroelectric projects owned by the Alaska Energy Authority has been completed, the transfer of the licenses for Project Nos. 2742, 2743, 2911 and 3015 to the Four Dam Pool Power Agency shall occur by operation of this section.

(b) RATIFICATION OF ORDER.—The Order Granting Limited Waiver of Regulations issued by the Federal Energy Regulatory Commission March 15, 2001 (Docket Nos. EL01–26–000 and Docket No. EL01–32–000, 94 FERC 61,293 (2001), is ratified.

(c) REQUIREMENT TO PURCHASE ELECTRIC POWER.—The members of the Four Dam Pool Power Agency in Alaska shall not be required, under section 210 of the Public Utility Regulatory Policies Act of 1978 (16 U.S.C. 824a–3) or any other provision of federal law, to purchase electric power (capacity or energy) from any entity except the Four Dam Pool Power Agency.

SA 1022. Mr. MURKOWSKI submitted an amendment intended to be proposed by him to the bill H.R. 2311, making appropriations for energy and water development for the fiscal year ending September 30, 2002, and for other purposes; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

TITLE —IRAQ PETROLEUM IMPORT RESTRICTION ACT OF 2001

SECTION . SHORT TITLE AND FINDINGS.

(a) This Title can be cited as the ''Iraq Petroleum Import Restriction Act of 2001.''

(b) FINDINGS.—Congress finds that:

(1) the government of the Republic of Iraq:

(A) has failed to comply with the terms of United Nations Security Council Resolution 687 regarding unconditional Iraqi acceptance of the destruction, removal, or rendering harmless, under international supervision, of all nuclear, chemical and biological weapons and all stocks of agents and all related subsystems and components and all research, development, support and manufacturing facilities, as well as all ballistic missiles with a range greater than 150 kilometers and related major parts, and repair and production facilities and has failed to allow United Nations inspectors access to sites used for the production or storage of weapons of mass destruction;

(B) routinely contravenes the terms and conditions of UNSC Resolution 661, authorizing the export of petroleum products from Iraq in exchange for food, medicine and other humanitarian products by conducting a routine and extensive program to sell such products outside of the channels established by UNSC Resolution 661 in exchange for military equipment and materials to be used in pursuit of its program to develop weapons of mass destruction in order to threaten the United States and its allies in the Persian Gulf and surrounding regions;

(C) has failed to adequately draw down upon the amounts received in the Escrow Account established by UNSC Resolution 986 to purchase food, medicine and other humanitarian products required by its citizens, resulting in massive humanitarian suffering by the Iraqi people;

(D) conducts a periodic and systematic campaign to harass and obstruct the enforcement of the United States and United Kingdom-enforced ''No-Fly Zones'' in effect in the Republic of Iraq; and

(E) routinely manipulates the petroleum export production volumes permitted under UNSC Resolution 661 in order to create uncertainty in global energy markets, and therefore threatens the economic security of the United States.

(2) Further imports of petroleum products from the Republic of Iraq are inconsistent with the national security and foreign policy interests of the United States and should be eliminated until such time as they are not so inconsistent.

SEC. . PROHIBITION ON IRAQI-ORIGIN PETROLEUM IMPORTS.

The direct or indirect import from Iraq of Iraqi-origin petroleum and petroleum products is prohibited, notwithstanding an authorization by the Committee established by UNSC Resolution 661 or its designee, or any other order to the contrary.

SEC. . TERMINATION/PRESIDENTIAL CERTIFICATION.

This Act will remain in effect until such time as the President, after consultation with the relevant committees in Congress, certifies to the Congress that: