

organization distributes more than 7 million pounds of food each year, enough for 22 emergency food pantries and more than 70 hunger relief centers. The agency also plays a critical role assisting our youth, as one out of three children in Lane County will eat from an emergency food box or a subsidized meal program.

Mr. Farr recently left FOOD for Lane County to work as a consultant for nonprofits. I would like to extend my sincere appreciation to Mr. Farr for his distinguished work and unwavering commitment to serving his community. •

#### MESSAGE FROM THE HOUSE

At 11:05 a.m., a message from the House of Representatives, delivered by one of its clerks, announced that the House has passed the following bills, in which it requests the concurrence of the Senate:

H.R. 3121. An act to restore the financial solvency of the national flood insurance program and to provide for such program to make available multiperil coverage for damage resulting from windstorms and floods, and for other purposes.

H.R. 3567. An act to amend the Small Business Investment Act of 1958 to expand opportunities for investments in small businesses, and for other purposes.

#### MEASURES REFERRED

The following bills were read the first and the second times by unanimous consent, and referred as indicated:

H.R. 3121. An act to restore the financial solvency of the national flood insurance program and to provide for such program to make available multiperil coverage for damage resulting from windstorms and floods, and for other purposes; to the Committee on Banking, Housing, and Urban Affairs.

H.R. 3567. An act to amend the Small Business Investment Act of 1958 to expand opportunities for investments in small businesses, and for other purposes; to the Committee on Small Business and Entrepreneurship.

#### MEASURES PLACED ON THE CALENDAR

The following bill was read the second time, and placed on the calendar:

H.R. 2693. An act to direct the Occupational Safety and Health Administration to issue a standard regulating worker exposure to diacetyl.

#### INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

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

By Mr. LEVIN:

S. 2116. A bill to amend the Internal Revenue Code of 1986 to provide that corporate tax benefits based upon stock option compensation expenses be consistent with accounting expenses shown in corporate financial statements for such compensation; to the Committee on Finance.

By Mr. LUGAR (for himself and Mr. BINGAMAN):

S. 2117. A bill to encourage the development of research-proven programs funded under the Elementary and Secondary Education Act of 1965; to the Committee on Health, Education, Labor, and Pensions.

By Mr. LUGAR (for himself and Mr. BINGAMAN):

S. 2118. A bill to encourage the use of research-proven programs in the Elementary and Secondary Education Act of 1965; to the Committee on Health, Education, Labor, and Pensions.

#### SUBMISSION OF CONCURRENT AND SENATE RESOLUTIONS

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

By Mrs. FEINSTEIN (for herself and Mr. BENNETT):

S. Res. 337. A resolution authorizing the Committee on Rules and Administration to prepare a revised edition of the Standing Rules of the Senate as a Senate document; considered and agreed to.

#### ADDITIONAL COSPONSORS

S. 130

At the request of Mr. ALLARD, the name of the Senator from Minnesota (Mr. COLEMAN) was added as a cosponsor of S. 130, a bill to amend title XVIII of the Social Security Act to extend reasonable cost contracts under Medicare.

S. 261

At the request of Mr. BINGAMAN, his name was added as a cosponsor of S. 261, a bill to amend title 18, United States Code, to strengthen prohibitions against animal fighting, and for other purposes.

S. 358

At the request of Ms. SNOWE, the name of the Senator from Pennsylvania (Mr. CASEY) was added as a cosponsor of S. 358, a bill to prohibit discrimination on the basis of genetic information with respect to health insurance and employment.

S. 400

At the request of Mr. SUNUNU, the names of the Senator from Pennsylvania (Mr. SPECTER) and the Senator from Massachusetts (Mr. KENNEDY) were added as cosponsors of S. 400, a bill to amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 to ensure that dependent students who take a medically necessary leave of absence do not lose health insurance coverage, and for other purposes.

S. 612

At the request of Ms. SNOWE, the name of the Senator from Iowa (Mr. HARKIN) was added as a cosponsor of S. 612, a bill to improve the health of women through the establishment of Offices of Women's Health within the Department of Health and Human Services.

S. 625

At the request of Mr. KENNEDY, the name of the Senator from Montana (Mr. BAUCUS) was added as a cosponsor

of S. 625, a bill to protect the public health by providing the Food and Drug Administration with certain authority to regulate tobacco products.

S. 700

At the request of Mr. CRAPO, the name of the Senator from North Carolina (Mr. BURR) was added as a cosponsor of S. 700, a bill to amend the Internal Revenue Code to provide a tax credit to individuals who enter into agreements to protect the habitats of endangered and threatened species, and for other purposes.

S. 790

At the request of Mr. LUGAR, the name of the Senator from California (Mrs. FEINSTEIN) was added as a cosponsor of S. 790, a bill to amend the Richard B. Russell National School Lunch Act to permit the simplified summer food programs to be carried out in all States and by all service institutions.

S. 1382

At the request of Mr. REID, the names of the Senator from Maine (Ms. COLLINS) and the Senator from Louisiana (Ms. LANDRIEU) were added as cosponsors of S. 1382, a bill to amend the Public Health Service Act to provide the establishment of an Amyotrophic Lateral Sclerosis Registry.

S. 1466

At the request of Mr. DODD, the name of the Senator from Connecticut (Mr. LIEBERMAN) was added as a cosponsor of S. 1466, a bill to amend the Internal Revenue Code of 1986 to exclude property tax rebates and other benefits provided to volunteer firefighters, search and rescue personnel, and emergency medical responders from income and employment taxes and wage withholding.

S. 1638

At the request of Mr. LEAHY, the name of the Senator from Hawaii (Mr. INOUE) was added as a cosponsor of S. 1638, a bill to adjust the salaries of Federal justices and judges, and for other purposes.

S. 2063

At the request of Mr. CONRAD, the name of the Senator from Connecticut (Mr. LIEBERMAN) was added as a cosponsor of S. 2063, a bill to establish a Bipartisan Task Force for Responsible Fiscal Action, to assure the economic security of the United States, and to expand future prosperity and growth for all Americans.

At the request of Mr. GREGG, the name of the Senator from Wyoming (Mr. ENZI) was added as a cosponsor of S. 2063, *supra*.

S. 2065

At the request of Mrs. MURRAY, the name of the Senator from Michigan (Ms. STABENOW) was added as a cosponsor of S. 2065, a bill to provide assistance to community health coalitions to increase access to and improve the quality of health care services.

S.J. RES. 13

At the request of Mr. LEAHY, the name of the Senator from Connecticut

(Mr. DODD) was added as a cosponsor of S.J. Res. 13, a joint resolution granting the consent of Congress to the International Emergency Management Assistance Memorandum of Understanding.

## AMENDMENT NO. 2905

At the request of Mr. SANDERS, the name of the Senator from New Hampshire (Mr. SUNUNU) was added as a cosponsor of amendment No. 2905 intended to be proposed to H.R. 1585, to authorize appropriations for fiscal year 2008 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe military personnel strengths for such fiscal year, and for other purposes.

## AMENDMENT NO. 3073

At the request of Mr. OBAMA, the name of the Senator from North Dakota (Mr. CONRAD) was added as a cosponsor of amendment No. 3073 proposed to H.R. 1585, to authorize appropriations for fiscal year 2008 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe military personnel strengths for such fiscal year, and for other purposes.

## AMENDMENT NO. 3078

At the request of Mr. OBAMA, the name of the Senator from Arkansas (Mrs. LINCOLN) was added as a cosponsor of amendment No. 3078 proposed to H.R. 1585, to authorize appropriations for fiscal year 2008 for military activities of the Department of Defense, for military construction, and for defense activities of the Department of Energy, to prescribe military personnel strengths for such fiscal year, and for other purposes.

## STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. LEVIN:

S. 2116. A bill to amend the Internal Revenue Code of 1986 to provide that corporate tax benefits based upon stock option compensation expenses be consistent with accounting expenses shown in corporate financial statements for such compensation; to the Committee on Finance.

Mr. LEVIN. Mr. President, there is a growing chasm in our country between the amount of money paid to our corporate executives and the earnings of the rank and file workers.

J.P. Morgan once said that executive pay should not exceed 20 times average worker pay. In the U.S., in 1990, average pay for the chief executive officer, CEO, of a large U.S. corporation was 100 times average worker pay; in 2004, the difference was 300 times; today, it is nearly 400 times.

The single biggest factor responsible for this massive pay gap is stock options. Stock options are a huge contributor to executive pay. A key factor encouraging companies to pay their executives with stock options is a set of

outdated and misguided Federal tax provisions that favor stock options over other types of compensation. That is why I am introducing today a bill to eliminate federal corporate tax breaks that give special tax treatment to corporations that pay their executives with stock options. It's called the Ending Corporate Tax Favors for Stock Options Act.

This bill has been endorsed by the Consumer Federation of America, Citizens for Tax Justice, the Tax Justice Network—USA, OMBWatch, the Financial Policy Forum, and the AFL-CIO, each of which sees it as needed to eliminate federal tax breaks providing special tax favors for corporations that issue large stock option grants to their executives.

Stock options give employees the right to buy company stock at a set price for a specified period of time, typically 10 years. Virtually every CEO in America is paid with stock options, which are a major contributor to sky-high executive pay.

According to Forbes magazine, in 2006, the average pay of CEOs at 500 of the largest U.S. companies was \$15.2 million. Nearly half of that amount, 48 percent, came from stock options that had been cashed in for an average gain of about \$7.3 million. In 2006, one CEO cashed in stock options for about \$290 million; another cashed them in for about \$270 million. Forbes also published a list of 30 CEOs who, in 2006, each had at least \$100 million in vested stock options that had yet to be exercised. Corporate executives are, in short, showered with stock options and the millions of dollars they produce.

A key reason behind this flood of executive stock options is the tax code which, when combined with certain U.S. accounting rules, favors the issuance of stock option grants. Right now, U.S. accounting rules require companies to report their stock option expenses one way on the corporate books, while Federal tax rules require them to report the same stock options a completely different way on their tax returns. In most cases, the resulting book expense is far smaller than the resulting tax deduction. That means, under current U.S. accounting and tax rules, stock option tax deductions often far exceed the stock option expenses recorded by the companies.

Stock options are the only type of compensation where the Federal tax code permits companies to claim a bigger deduction on their tax returns than the corresponding expense on their books. For all other types of compensation, cash, stock, bonuses, and more, the tax return deduction equals the book expense. In fact, companies cannot deduct more than the compensation expense shown on their books, because that would be tax fraud. The sole exception to this rule is stock options. In the case of stock options, the tax code allows companies to claim a tax deduction that can be two, three, even ten times larger than the actual expense shown on their books.

When a company's compensation committee learns that stock options can produce a low compensation expense on the books, while generating a generous tax deduction that is multiple times larger, it is a pretty tempting proposition for the company to pay its executives with stock options instead of cash or stock. It is a classic case of U.S. tax policy creating an unintended incentive for corporations to act.

The problem is that these mismatched stock option accounting and tax rules also shortchange the Treasury to the tune of billions of dollars each year, while fueling the growing chasm between executive pay and average worker pay. This same mismatch also results in companies reporting one set of stock option compensation expenses to investors and the public through their public financial statements, and a completely different set of expenses to the Internal Revenue Service on their tax returns. Such huge book-tax disparities breed confusion, distrust, and schemes to maximize the differences.

The bill I am introducing today would put an end to these contradictions and to the harmful, unintended consequences that have resulted. It would put a stop to the stock option book-tax disparity, an end to the conflicting stock option expenses reported to investors and Uncle Sam, and an end to the special tax treatment that currently fuels excessive stock option compensation.

To understand why this bill is needed it helps to understand how stock option accounting and tax rules got so out of kilter with each other in the first place.

Calculating the cost of stock options may sound straightforward, but for years, companies and their accountants engaged the Financial Accounting Standards Board, FASB, in an all-out, knock-down battle over how companies should record stock option compensation expenses on their books.

U.S. publicly traded corporations are required by law to follow Generally Accepted Accounting Principles, GAAP, issued by FASB, which is overseen by the Securities and Exchange Commission, SEC. For many years, GAAP allowed U.S. companies to issue stock options to employees and, unlike any other type of compensation, report a zero compensation expense on their books, so long as, on the grant date, the stock option's exercise price equaled the market price at which the stock could be sold.

Assigning a zero value to stock options that routinely produced millions of dollars in executive pay provoked deep disagreements within the accounting community. In 1993, FASB proposed assigning a "fair value" to stock options on the date they are granted to an employee, using a mathematical valuation tool such as the Black Scholes model. FASB proposed further that companies include that amount as a compensation expense on